

Village of Zaleski

Vinton County

Regular Audit

January 1, 2001 Through December 31, 2002

Fiscal Year Audited Under GAGAS: 2002 & 2001

**BALESTRA & COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS

(A Division of Harr & Scherer, CPAs, Inc.)

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Members of Council  
Village of Zaleski  
PO Box 176  
Zaleski, Ohio 45651

We have reviewed the Independent Auditor's Report of the Village of Zaleski, Vinton County, prepared by Balestra & Company, for the audit period January 1, 2001 to December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Zaleski is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

June 3, 2003

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VILLAGE OF ZALESKI  
VINTON COUNTY  
JANUARY 1, 2001 THROUGH DECEMBER 31, 2002

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# BALESTRA & COMPANY

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Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Members of Council  
Village of Zaleski  
P.O. Box 176  
Zaleski, Ohio 45651

We have audited the accompanying financial statements of the Village of Zaleski, Vinton County, Ohio, (the Village) as of and for the year ended December 31, 2002 and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Zaleski, Vinton County, Ohio, as of December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Zaleski  
Vinton County  
Independent Auditor's Report  
Page 2

This report is intended solely for the information and use of the officials authorized to receive this report under section 117.26 of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Balestra & Company*  
Balestra & Company

May 5, 2003



VILLAGE OF ZALESKI  
VINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Local Taxes	\$3,367	\$15,141	\$18,508
Local Government	13,385	13,573	26,958
Charges for Services	0	2,400	2,400
Interest	0	0	0
Miscellaneous	291	0	291
<b>Total Cash Receipts</b>	<b>17,043</b>	<b>31,114</b>	<b>48,157</b>
<b>Cash Disbursements:</b>			
Security of Persons and Property	0	3,292	3,292
Public Health Services	0	0	0
Transportation	0	7,513	7,513
General Government	18,259	5,444	23,703
<b>Total Cash Disbursements</b>	<b>18,259</b>	<b>16,249</b>	<b>34,508</b>
Excess of Cash Receipts Over /(Under) Cash Disbursements	(1,216)	14,865	13,649
Fund Cash Balances, January 1, 2002	7,059	43,746	50,805
Fund Cash Balances, December 31, 2002	<u>\$5,843</u>	<u>\$58,611</u>	<u>\$64,454</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ZALESKI  
VINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002

	Enterprise
<b>Operating Receipts:</b>	
Charges for Services	\$51,658
Miscellaneous	262
	51,920
Total Operating Receipts	51,920
<b>Operating Disbursements:</b>	
Personal Services	14,890
Contract Services	169
Supplies and Materials	13,063
	28,122
Total Operating Disbursements	28,122
Operating Income/(Loss)	23,798
<b>Non-Operating Disbursements:</b>	
Principal Retirement	1,500
Interest Expense	4,010
Other Non-Operating Disbursements	9,613
	15,123
Total Non-Operating Disbursements	15,123
Net Income/ (Loss)	8,675
Fund Cash Balances, January 1, 2002	69,317
Fund Cash Balances, December 31, 2002	\$77,992

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ZALESKI  
VINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<b>Cash Receipts:</b>			
Local Taxes	\$1,337	\$16,791	\$18,128
Local Government	16,768	12,880	29,648
Charges for Services	0	4,800	4,800
Miscellaneous	1,489	0	1,489
Total Cash Receipts	19,594	34,471	54,065
<b>Cash Disbursements:</b>			
Security of Persons and Property	0	8,153	8,153
Public Health Services	59	0	59
Transportation	0	30,309	30,309
General Government	15,927	679	16,606
Total Cash Disbursements	15,986	39,141	55,127
Excess of Cash Receipts Over /(Under) Cash Disbursements	3,608	(4,670)	(1,062)
Fund Cash Balances, January 1, 2001	3,451	48,416	51,867
Fund Cash Balances, December 31, 2001	\$7,059	\$43,746	\$50,805

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ZALESKI  
VINTON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001

	Enterprise
<b>Operating Receipts:</b>	
Charges for Services	\$45,067
Miscellaneous	407
	45,474
Total Operating Receipts	45,474
<b>Operating Disbursements:</b>	
Personal Services	10,100
Contract Services	0
Supplies and Materials	20,924
	31,024
Total Operating Disbursements	31,024
Operating Income/(Loss)	14,450
<b>Non-Operating Disbursements:</b>	
Principal Retirement	1,400
Interest Expense	4,080
Other Non-Operating Disbursements	1,826
	7,306
Total Non-Operating Disbursements	7,306
Net Income/ (Loss)	7,144
Fund Cash Balances, January 1, 2001	62,173
Fund Cash Balances, December 31, 2001	\$69,317

The notes to the financial statements are an integral part of this statement.

VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

**Note 1 - Summary of Significant Accounting Policies**

**A. Description of the Entity**

The Village of Zaleski, Vinton County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water utilities and police protection. The Village contracts with the Vinton County Sheriff's Department to provide security of persons and property.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

**C. Fund Accounting**

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Fire Levy Fund - This fund receives real estate and property taxes to provide fire protection for the residents of the Village.

Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**C. Fund Accounting (Continued)**

Enterprise Funds (Continued)

Water Revenue Fund- This fund received monies charged to residents to cover the cost of providing this utility.

Water Deposit Fund- This fund receives deposits from new water customers.

Water Reserve Fund- This fund received charges for services from residents.

Sinking Fund- This fund receives charges for services to repay the Rural Development Loan.

**D. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Village must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash balances as of January 1. The County Budget Commission must also approve estimated resources.

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**F. Total Column on Financial Statements**

Total columns on the financial statements are captioned “Memorandum Only” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**Note 2 - Equity in Pooled Cash and Investments**

The Village maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	<u>\$142,446</u>	<u>\$120,122</u>

**Deposits:** Deposits are either (1) insured by the Federal Deposit Insurance Corporation or (2) collateralized by the financial institution’s public entity deposit pool.

**Note 3 - Budgetary Activity**

Budgetary activity for the years ending December 31 was as follows:

**2002 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$28,286	\$17,043	(\$11,243)
Special Revenue	27,261	31,114	3,853
Enterprise	<u>51,999</u>	<u>51,920</u>	<u>(79)</u>
Total	<u>\$107,546</u>	<u>\$100,077</u>	<u>(\$7,469)</u>

**2002 Budgeted VS. Actual Disbursements**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$34,731	\$18,259	\$16,472
Special Revenue	50,359	16,249	34,110
Enterprise	<u>116,416</u>	<u>43,245</u>	<u>73,171</u>
Total	<u>\$201,506</u>	<u>\$77,753</u>	<u>\$123,753</u>

VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

**Note 3 - Budgetary Activity (Continued)**

**2001 Budgeted VS. Actual Receipts**

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$17,535	\$19,594	\$2,059
Special Revenue	28,493	34,471	5,978
Enterprise	<u>51,950</u>	<u>45,474</u>	<u>(6,476)</u>
Total	<u>\$97,978</u>	<u>\$99,539</u>	<u>\$1,561</u>

**2001 Budgeted VS. Actual Disbursements**

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Actual Disbursements</u>	<u>Variance</u>
General	\$20,706	\$15,986	\$4,720
Special Revenue	76,908	39,141	37,767
Enterprise	<u>114,124</u>	<u>38,330</u>	<u>75,794</u>
Total	<u>\$211,738</u>	<u>\$93,457</u>	<u>\$118,281</u>

**Note 4 - Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the Village. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.



VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

**Note 5 - Debt**

Debt outstanding at December 31, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Rural Development Loan	\$78,700	5%

The United States Department of Agriculture, Rural Development Loan relates to a water expansion project. The Rural Development has provided \$93,000 in loans to the Village for this project. The loan will be repaid average annual installments of \$5,478 over 40 years.

Amortization of the above debt, including interest of \$63,600 is scheduled as follows:

<u>Year Ending December 31:</u>	<u>General Obligation Notes</u>
2003	\$ 5,435
2004	5,460
2005	5,480
2006	5,495
2007	5,505
Subsequent	<u>114,925</u>
Total	<u>\$142,300</u>

**Note 6 - Retirement Systems**

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer defined benefit pension plan. This plan provides retirement benefits, including post-retirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of covered payroll. As of December 31, 2002, the Village has unpaid contributions for the fourth quarter for both the employee and employer share.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

VILLAGE OF ZALESKI  
VINTON COUNTY  
NOTES TO THE FINANCIAL STATEMENTS

**Note 7 - Risk Management**

The Village has obtained commercial carrier insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions
- Public Officials liability

# BALESTRA & COMPANY

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## **Report on Compliance and on Internal Control Over Financial Reporting Based On An Audit of Financial Statements Performed In Accordance With *Government Auditing Standards***

Members of Council  
Village of Zaleski  
P.O. Box 176  
Zaleski, Ohio 45651

We have audited the accompanying financial statements of the Village of Zaleski, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2002 and December 31, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2001-001.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting, which we have reported to the management of the Village in a separate letter dated May 5, 2003.

Village of Zaleski  
Report on Compliance and on Internal Control  
Over Financial Reporting on an Audit of Financial  
Statements Performed in Accordance  
With *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and council members and is not intended to be and should not be used by any one other than these specified parties.

*Balestra & Company*

Balestra & Company

May 5, 2003

**VILLAGE OF ZALESKI  
VINTON COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 & 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2001-001**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(D) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contracts has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

Several exceptions to this basic requirement are provided by statute, including:

Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing authority.

Amounts of less than \$100 for counties, or less than \$1,000 for other political subdivisions, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

The Village did not always properly encumber funds during the audit period.

<b>CORRECTIVE ACTION PLAN</b>
-------------------------------

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-001	Management will more closely monitor the encumbrance process to ensure compliance with ORC Section 5705.41(D).	12/31/2003	Sheryl Goble, Clerk





**Auditor of State  
Betty Montgomery**

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**VILLAGE OF ZALESKI**

**VINTON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 17, 2003**