



***VILLAGE OF ZALESKI
VINTON COUNTY***

Regular Audit

**For the Years Ended
December 31, 2018 and 2017**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Zaleski
PO Box 176
Zaleski, Ohio 45698

We have reviewed the *Independent Auditor's Report* of the Village of Zaleski, Vinton County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2017 through December 31, 2018. 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.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 3, 2020

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VILLAGE OF ZALESKI, VINTON COUNTY
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Independent Auditor's Report

Village of Zaleski
Vinton County
P.O. Box 176
Zaleski, OH 45698

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements by fund type and related notes of the Village of Zaleski, Vinton County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal controls relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the December 31, 2018 and 2017 financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D), which is an accounting basis other than accounting principles generally accepted in the United States of American (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Zaleski, Vinton County as of December 31, 2018 and 2017, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permits, described in Note 2 of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2020 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 grant agreements, and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 30, 2020

Village of Zaleski
Vinton County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$6,057	\$23,517	\$29,574
Intergovernmental	8,297	19,623	27,920
Charges for Services	0	6,000	6,000
Earnings on Investments	561	0	561
Miscellaneous	18,820	0	18,820
<i>Total Cash Receipts</i>	<u>33,735</u>	<u>49,140</u>	<u>82,875</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	20,661	20,661
Leisure Time Activities	0	3,041	3,041
Basic Utility Services	6,561	0	6,561
Transportation	0	17,287	17,287
General Government	25,270	12,633	37,903
<i>Total Cash Disbursements</i>	<u>31,831</u>	<u>53,622</u>	<u>85,453</u>
<i>Net Change in Fund Cash Balances</i>	1,904	(4,482)	(2,578)
<i>Fund Cash Balance (Deficit), January 1 - As Restated, See Note 11</i>	<u>(1,751)</u>	<u>164,604</u>	<u>162,853</u>
Fund Cash Balances, December 31			
Restricted	0	160,122	160,122
Assigned to FY19 Appropriations	153	0	153
<i>Fund Cash Balances, December 31</i>	<u>\$153</u>	<u>\$160,122</u>	<u>\$160,275</u>

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

Village of Zaleski
Vinton County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2018

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$129,481
Miscellaneous	149
<i>Total Operating Cash Receipts</i>	<i>129,630</i>
Operating Cash Disbursements	
Personal Services	47,299
Contractual Services	25,392
Supplies and Materials	33,947
<i>Total Operating Cash Disbursements</i>	<i>106,638</i>
<i>Operating Cash Receipts Over (Under)</i> <i>Operating Cash Disbursements</i>	<i>22,992</i>
Non-Operating Cash Receipts (Disbursements)	
Other Debt Proceeds	33
Loan Proceeds	30,700
Capital Outlay	(30,733)
Principal Retirement	(35,257)
Interest and Other Fiscal Charges	(2,671)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	<i>(37,928)</i>
<i>Net Change in Fund Cash Balances</i>	<i>(14,936)</i>
<i>Fund Cash Balances, January 1</i>	<i>66,446</i>
<i>Fund Cash Balances, December 31</i>	<i>\$51,510</i>

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

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Zaleski, Vinton County, Ohio, (the Village) is a body politic and corporate 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's management believes these financial statements present all activities for which the Village is financially accountable.

Primary Government The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The reporting entity is comprised of only the primary government. No component units or other organizations were included to ensure that the financial statements are not misleading. The Village provides general governmental services, including water and sewer utilities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

M&R Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Light Levy Fund - This fund is used to account for the property tax monies received to maintain, repair and replace street lighting within the Village.

Fire Contracts Fund - This fund is used to account for revenues received for providing fire protection.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund will be used to receive charges for services from residents to cover sewer service costs.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2018 budgetary activity appears in Note 3.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The Village classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is ***restricted*** when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can ***commit*** amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as ***restricted*** or ***committed***. Governmental funds other than the general fund report all fund balances as ***assigned*** unless they are restricted or committed. In the general fund, ***assigned*** amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 3. BUDGETARY BASIS OF ACCOUNTING

Budgetary activity for the year ending 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,689	\$33,735	\$22,046
Special Revenue	50,085	49,140	(945)
Enterprise	120,033	160,363	40,330
Total	\$181,807	\$243,238	\$61,431

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,703	\$31,831	\$14,872
Special Revenue	155,289	53,622	101,667
Enterprise	156,421	175,299	(18,878)
Total	\$358,413	\$260,752	\$97,661

NOTE 4. DEPOSITS AND INVESTMENTS

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

	2018
Demand Deposits	\$ 211,785

Deposits

Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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.

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

NOTE 6. DEBT

Debt outstanding at December 31, 2018 was as follows:

<u>Business-Type Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Rural Development Loan - 5%	\$45,400	\$0	\$3,200	\$42,200
OWDA Loan #6656 - 0%	785,305	0	22,226	763,079
KS Bank Loan - 2.41%	4,880	0	4,880	0
KS Bank Loan - 3352986	0	27,998	4,951	23,047
KS Bank Loan - 3353743	0	2,702	0	2,702
Total	\$835,585	\$30,700	\$35,257	\$831,028

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 in average annual installments of \$5,478 over 40 years from the Water Fund.

In connection with the Rural Development Loan, the Village has pledged future water collection revenues to repay this debt. The loan is payable through its final maturity solely from water collection revenues received from water customers. The revenue available for this loan for 2018 was \$51,641, and principal and interest paid was \$5,470. The coverage ratio for this loan was 9.44 for the year ended December 31, 2018.

In 2014, the Village entered into a loan with OWDA (#6656) for the purpose of a new wastewater treatment system. This loan repaid the initial planning and design OWDA loan #5108 as construction of the wastewater treatment system began in 2014. During 2018, \$33 was disbursed to the Village and \$22,226 was paid by the Village. As of the end of 2018, the loan had not been fully disbursed and therefore the repayment schedule has not been issued and is not reflected within the amortization schedule below.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 6. DEBT (Continued)

In November of 2015, the Village obtained a three-year loan through Kansas State Bank for the purchase of a backhoe in the amount of \$14,300. Payments will be made annually in the amount of \$4,998, including interest. The loan was paid in full from the Sewer Operating Fund.

In February of 2018, the Village obtained a six-year loan through Kansas State Bank for the purchase of a Truck with Dump Body, plow and refinance for Cash Loader Backhoe in the amount of \$27,998. Payments will be made annually from the Sewer Fund in the amount of \$5,234; including interest.

In July of 2018, the Village obtained a five-year loan through Kansas State Bank for the purchase of a Bucket Truck in the amount of \$2,702. Payments will be made annually from the Sewer Fund in the amount of \$619; including interest.

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Rural Development Loan		KS Bank Loans	
	Principal	Interest	Principal	Interest
2019	\$3,300	\$2,110	\$4,728	\$1,125
2020	3,500	1,945	4,916	937
2021	3,700	1,770	5,136	717
2022	3,900	1,585	5,365	488
2023	4,100	1,390	5,604	249
2024-2028	23,700	3,670	0	0
Total	\$42,200	\$12,470	\$25,749	\$3,516

NOTE 7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

NOTE 8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2018

NOTE 9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

NOTE 10. CONTINGENT LIABILITIES

Litigation

The Village is not currently party to any legal proceedings.

Federal and State Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 11. RESTATEMENT OF FUND BALANCES

The Village corrected an error in reporting their fund balance as of January 1, 2018 and it had the following effect on beginning fund balances.

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Fund Balance, January 1, 2018	\$144	\$162,709	\$162,853
Correction of Error	(1,895)	1,895	0
Fund Balance (Deficit), January 1, 2018 - As Restated	<u>(\$1,751)</u>	<u>\$164,604</u>	<u>\$162,853</u>

Village of Zaleski
Vinton County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$7,022	\$24,789	\$31,811
Intergovernmental	7,080	21,099	28,179
Charges for Services	0	6,901	6,901
Earnings on Investments	320	0	320
Miscellaneous	23,076	233	23,309
<i>Total Cash Receipts</i>	<u>37,498</u>	<u>53,022</u>	<u>90,520</u>
Cash Disbursements			
Current:			
Security of Persons and Property	0	15,477	15,477
Leisure Time Activities	0	6,359	6,359
Basic Utility Services	5,802	0	5,802
Transportation	0	10,535	10,535
General Government	39,840	11,626	51,466
<i>Total Cash Disbursements</i>	<u>45,642</u>	<u>43,997</u>	<u>89,639</u>
<i>Net Change in Fund Cash Balances</i>	(8,144)	9,025	881
<i>Fund Cash Balances, January 1</i>	<u>8,288</u>	<u>153,684</u>	<u>161,972</u>
Fund Cash Balances, December 31			
Restricted	0	162,709	162,709
Assigned to FY18 Appropriations	144	0	144
<i>Fund Cash Balances, December 31</i>	<u>\$144</u>	<u>\$162,709</u>	<u>\$162,853</u>

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

Village of Zaleski
Vinton County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2017

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$144,579
<i>Total Operating Cash Receipts</i>	144,579
Operating Cash Disbursements	
Personal Services	47,969
Contractual Services	39,586
Supplies and Materials	14,537
<i>Total Operating Cash Disbursements</i>	102,092
<i>Operating Cash Receipts Over (Under)</i> <i>Operating Cash Disbursements</i>	42,487
Non-Operating Cash Receipts (Disbursements)	
Earnings on Investments	2
Other Debt Proceeds	38
Capital Outlay	(38)
Principal Retirement	(74,521)
Interest and Other Fiscal Charges	(2,652)
<i>Total Non-Operating Cash Receipts (Disbursements)</i>	(77,171)
<i>Net Change in Fund Cash Balances</i>	(34,684)
<i>Fund Cash Balances, January 1</i>	101,130
<i>Fund Cash Balances, December 31</i>	\$66,446

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

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 1. DESCRIPTION OF THE ENTITY

The Village of Zaleski, Vinton County, Ohio, (the Village) is a body politic and corporate 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's management believes these financial statements present all activities for which the Village is financially accountable.

Primary Government The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The reporting entity is comprised of only the primary government. No component units or other organizations were included to ensure that the financial statements are not misleading. The Village provides general governmental services, including water and sewer utilities.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the "Basis of Accounting" section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

A. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

M&R Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Light Levy Fund - This fund is used to account for the property tax monies received to maintain, repair and replace street lighting within the Village.

Fire Levy Fund - This fund is used to account for the property tax monies received for providing fire protection.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund will be used to receive charges for services from residents to cover sewer service costs.

B. Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

E. Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

G. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The Village classifies assets as ***nonspendable*** when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is ***restricted*** when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Council can ***commit*** amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as ***restricted*** or ***committed***. Governmental funds other than the general fund report all fund balances as ***assigned*** unless they are restricted or committed. In the general fund, ***assigned*** amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3. BUDGETARY BASIS OF ACCOUNTING

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,567	\$37,498	\$23,931
Special Revenue	51,151	53,022	1,871
Enterprise	182,096	144,619	(37,477)
Total	\$246,814	\$235,139	(\$11,675)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$54,313	\$45,642	\$8,671
Special Revenue	197,488	43,997	153,491
Enterprise	294,658	179,303	115,355
Total	\$546,459	\$268,942	\$277,517

NOTE 4. DEPOSITS AND INVESTMENTS

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

	2017
Demand Deposits	\$ 229,299

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 5. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property located in the Village. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all Village operations for the year ended December 31, 2017, was \$15.90 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Real Property	\$2,392,410
Public Utility Personal Property	<u>172,390</u>
Total	<u><u>\$2,564,800</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 6. DEBT

Debt outstanding at December 31, 2017 was as follows:

Business-Type Activity	Beginning Balance	Additions	Deletions	Ending Balance
Rural Development Loan - 5%	\$48,400	\$0	\$3,000	\$45,400
OWDA Loan #6656 - 0%	851,983	38	66,755	785,266
KS Bank Loan - 2.41%	<u>9,646</u>	<u>0</u>	<u>4,766</u>	<u>4,880</u>
Total	<u><u>\$910,029</u></u>	<u><u>\$38</u></u>	<u><u>\$74,521</u></u>	<u><u>\$835,546</u></u>

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 in average annual installments of \$5,478 over 40 years from the Water Fund.

In connection with the Rural Development Loan, the Village has pledged future water collection revenues to repay this debt. The loan is payable through its final maturity solely from water collection revenues received from water customers. The revenue available for this loan for 2017 was \$67,241, and principal and interest paid was \$5,420. The coverage ratio for this loan was 12.41 for the year ended December 31, 2017.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 6. DEBT (Continued)

In 2014, the Village entered into a loan with OWDA (#6656) for the purpose of a new wastewater treatment system. This loan repaid the initial planning and design OWDA loan #5108 as construction of the wastewater treatment system began in 2014. During 2017, \$38 was disbursed to the Village and \$66,755 was paid by the Village. As of the end of 2017, the loan had not been fully disbursed and therefore the repayment schedule has not been issued and is not reflected within the amortization schedule below.

In November of 2015, the Village obtained a three-year loan through Kansas State Bank for the purchase of a backhoe in the amount of \$14,300. Payments will be made annually in the amount of \$4,998, including interest. Payments will be made from the Water Operating Fund.

Amortization of the above debt is scheduled as follows:

Year Ending December 31:	Rural Development Loan		KS Bank Loan	
	Principal	Interest	Principal	Interest
2018	\$3,200	\$2,270	\$4,880	\$118
2019	3,300	2,110	0	0
2020	3,500	1,945	0	0
2021	3,700	1,770	0	0
2022	3,900	1,585	0	0
2023-2027	22,600	4,800	0	0
2028	5,200	260	0	0
Total	<u>\$45,400</u>	<u>\$14,740</u>	<u>\$4,880</u>	<u>\$118</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

NOTE 8. POSTEMPLOYMENT BENEFITS

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Village of Zaleski
Vinton County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2017

NOTE 9. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

NOTE 10. CONTINGENT LIABILITIES

Litigation

The Village is not currently party to any legal proceedings.

Federal and State Grants

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards***

Village Council
Village of Zaleski, Vinton County
P.O. Box 176
Zaleski, OH 45698

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Zaleski, Vinton County, Ohio (the Village), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated January 30, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material misstatement, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses. We consider findings 2018-001 and 2018-004 to be material weaknesses.

Village Council
Village of Zaleski, Vinton County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2018-001 through 2018-006.

Entity's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

January 30, 2020

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

**A. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

Finding Number 2018-001

Noncompliance and Material Weakness

Ohio Rev. Code § 149.351(A) establishes guidelines against the destruction or damage of records. All records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law.

Ohio Admin. Code § 117-2-02(A) provides that all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

Ohio Admin. Code § 117-2-02(B) further provides that the management of each local public office is responsible for the assertions underlying the information in the public office's financial statements. The accounting system should assure completeness is achieved for all transaction types and account balances applicable to the local public office's operations, considering the basis of accounting applicable to it. The definition of the completeness assertion is that all account balances and transactions that should be included in the financial records are included.

The Village should maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following items were noted during testing of the Village's vouchers, payroll, and debt for the years ended December 31, 2018 and 2017:

1. In 2018, supporting documentation was not available for 1 out of the 40 tested. In 2017, supporting documentation was not available for 2 of the 40 disbursements tested. Disbursements made absent of any supporting documentation or adequate detail did not allow management to make an informed decision as to whether the purchase was for a proper public purpose.
2. For 2018, we found 1 check out of the 40 disbursements tested, where the check cleared with a different number from the check number in the accounting system.
3. In 2018 and 2017, the Village is paying late fees on their OWDA loan.

These practices could result in unauthorized purchases or incorrect or duplicate payments. Furthermore, issuing checks with a different check number than the number generated in the accounting system makes it difficult to find the voucher/invoice.

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

The Village should make no payment from the Village Treasury that is not supported by an approved voucher package that would include, at a minimum, an original invoice or receipt for expenditures. All agreements and other accounting records should be maintained in a manner and location which would allow Village officials to be able to locate them. The Village should also establish control procedures that would allow them to determine the completeness and existence of expenditures and require all supporting documentation to be maintained in order for the Village to ensure that all disbursements are accurate and appropriate. The Village Fiscal Officer should ensure that the check number agrees to the check number entered into the system.

Officials' Response:

The Village has new administration: Council, Mayor, and Fiscal Officer beginning January 2020. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

Finding Number 2018-002

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2018, expenditures exceeded appropriations, as follows:

	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
Fire Contracts Fund	\$ 10,017	\$ 13,594	\$ (3,577)
Water Fund	33,920	65,610	(31,690)

At December 31, 2017, expenditures exceeded appropriations, as follows:

	<u>Authority</u>	<u>Expenditures</u>	<u>Variance</u>
Water Fund	\$ 63,989	\$ 74,313	\$ (10,324)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Village.

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Village Council should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Officials' Response:

The Village has new administration: Council, Mayor, and Fiscal Officer beginning January 2020. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-003

Noncompliance

Ohio Rev. Code § 5705.41(D) provides that Fiscal Officers may prepare so-called "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Ohio Rev. Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Fiscal Officer is attached thereto. The Fiscal Officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in §§ 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance 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 Village.

2. Blanket Certificates - Fiscal Officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate - The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to exceed beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

None of the disbursements tested were certified by the Village Fiscal Officer as purchase orders, blanket certificates, or super blanket certificates were not on file. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Unless the Village uses the exceptions noted above, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are, or will be, available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

The Fiscal Officer should certify purchases to which § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language § 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time they Village incurs a commitment, and only when the requirements of § 5705.41(D) are satisfied. The Village Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. The accounting system should show which purchase order was used on each disbursement.

Officials' Response:

The Village has new administration: Council, Mayor, and Fiscal Officer beginning January 2020. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

<i>Finding Number 2018-004</i>

Noncompliance and Material Weakness

Ohio Admin. Code § 117-2-02(A) provides that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The financial statements contained the following errors that required audit adjustment or reclassification:

In 2018:

- Loan proceeds of \$30,700 was unrecorded.
- Principal and Interest payments were recorded in Supplies & Materials.

The audited financial statements and the Village's accounting system have been adjusted for the items noted above.

The Fiscal Officer should review the Village handbook for guidance to ensure financial statements are complete and accurate.

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Officials' Response:

The Village has new administration: Council, Mayor, and Fiscal Officer beginning January 2020. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

<i>Finding Number 2018-005</i>

Noncompliance

Ohio Admin. Code § 117-2-02(C)(1) provides that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

At December 31, 2018, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$ 46,712	\$ 32,748	\$ 13,964
M & R Fund	79,545	13,524	66,021
Fire Levy Fund	8,527	5,396	3,131
Fire Contracts Fund	19,237	7,200	12,037
Highway Fund	20,750	2,097	18,653
Street Lighting Fund	44,341	10,328	34,013
Street Repair Fund	17,825	7,510	10,315
Park Fund	3,977	3,964	13
Water Fund	33,920	66,641	(32,721)
Sewer Fund	86,700	77,989	8,711

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$ 54,313	\$ 34,576	\$ 19,737
M & R Fund	70,963	12,825	58,138
Fire Levy Fund	17,198	4,290	12,908
Fire Contracts Fund	10,017	10,020	(3)
Highway Fund	20,214	1,040	19,174
Street Lighting Fund	49,357	9,463	39,894
Street Repair Fund	17,952	6,129	11,823
Park Fund	11,786	12	11,774
Water Fund	63,989	67,241	(3,252)
Sewer Fund	182,227	77,338	104,889
Sewer Acct II	6,357	-	6,357

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

At December 31, 2018, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$ 46,712	\$ 32,739	\$ 13,973
M & R Fund	79,545	10,719	68,826
Fire Levy Fund	8,527	6,852	1,675
Fire Contracts Fund	19,237	13,594	5,643
Highway Fund	20,750	1,235	19,515
Street Lighting Fund	44,341	12,211	32,130
Street Repair Fund	17,825	5,033	12,792
Park Fund	3,977	2,957	1,020
Water Fund	33,920	65,610	(31,690)
Sewer Fund	86,700	78,956	7,744

At December 31, 2017, appropriations as approved by the Village Council did not agree to the Village's accounting system. The variances were as follows:

	<u>Approved</u>	<u>System</u>	<u>Variance</u>
General Fund	\$ 54,313	\$ 42,722	\$ 11,591
M & R Fund	70,963	3,834	67,129
Fire Levy Fund	17,198	12,768	4,430
Fire Contracts Fund	10,017	98	9,919
Highway Fund	20,214	1,005	19,209
Street Lighting Fund	49,357	8,734	40,623
Street Repair Fund	17,952	1,958	15,994
Park Fund	11,786	6,359	5,427
Water Fund	63,989	74,313	(10,324)
Sewer Fund	182,227	104,953	77,274
Sewer Acct II	6,357	-	6,357

Due to budgetary information being improperly entered into the system, the management of the Village lost some degree of budgetary control. An adjustment was made in the budgetary activity reported in Note 3 to the 2018 financial statements and the 2017 financial statements in order to accurately present estimated receipts and appropriations as approved by the Budget Commission and Village Council, respectively.

The Fiscal Officer should accurately post estimated receipts as certified by the County Budget Commission and appropriations as approved by the Village Council only after receiving approval. This procedure will help ensure more useful comparisons of budget versus actual activity, as well as provide management with an accurate monitoring tool throughout the year.

Officials' Response:

The Village has new administration: Council, Mayor, and Fiscal Officer beginning January 2020. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

VILLAGE OF ZALESKI, VINTON COUNTY
Schedule of Findings
For the Years Ended December 31, 2018 and 2017

Finding Number 2018-006

Noncompliance

Ohio Rev. Code § 117.38 provides that cash basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. These reports must be filed on forms prescribed by the Auditor of State. However, if the Auditor of State has not prescribed a form for the report, the public office shall submit its report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfilled, not to exceed seven hundred fifty dollars.

The report shall contain the amount of: (1) receipts, and amounts due from each source; (2) expenditures for each purpose; (3) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (4) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village prepares cash-basis financial reports. Accordingly, the financial reports were required to be submitted to the Auditor of State within sixty days of the year end. However, the Village did not file the annual report for the years ending December 31, 2017 and 2018 until September 12, 2019 and October 7, 2019, respectively. This was because the Village did not prepare or maintain proper financial records during the year.

The Village Fiscal Officer should prepare the annual reports timely based upon financial information in their accounting system. The report should be filed with the Auditor of State within sixty days of fiscal year end. The Village should implement proper systems and procedures to ensure that the financial report is timely and accurately prepared utilizing their records. This will help ensure complete and proper records are prepared and filed timely.

Officials' Response:

The Village has new administration: Council, Mayor, and Fiscal Officer beginning January 2020. New Administration is aware of this weakness and currently working hard to fix weakness and comply with this and all findings.

VILLAGE OF ZALESKI, VINTON COUNTY

Michael Amerine, Mayor

Zaleskitownhall1@gmail.com

Schedule of Prior Audit Findings
For the Years Ended December 31, 2018 and 2017

Finding Number	Description	Status	Comments
Government Auditing Standards:			
2016-001	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(A) for failure to maintain adequate accounting records.	Not Corrected	Reissued as Finding 2018-001
2016-002	Noncompliance with Ohio Rev. Code 5705.39 appropriations exceeded estimated resources.	Corrected	N/A
2016-003	Noncompliance with Ohio Rev. Code 5705.41(B) expenditures exceeded appropriations.	Not Corrected	Reissued as Finding 2018-002
2016-004	Noncompliance with Ohio Rev. Code 5705.41(D) use of purchase orders, blanket certificates, or super blankets.	Not Corrected	Reissued as Finding 2018-003
2016-005	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(A) for failure to maintain adequate accounting records.	Not Corrected	Reissued as Finding 2018-004
2016-006	Material Weakness and Noncompliance with Ohio Admin. Code 117-2-02(C)(1) budgetary records did not agree to accounting records.	Not Corrected	Reissued as Finding 2018-005
2016-007	Significant Deficiency reconciliation between Utility system and Budgetary Posting Journal.	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 16, 2020