



Mary Taylor, CPA
Auditor of State

VILLAGE OF ELDORADO
PREBLE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Eldorado
Preble County
160 North Main Street
Eldorado, Ohio 45321

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

October 14, 2009

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Eldorado
Preble County
160 North Main Street
Eldorado, Ohio 45321

To the Village Council:

We have audited the accompanying financial statements of the Village of Eldorado, Preble County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2008 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2008 and 2007, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Eldorado, Preble County, as of December 31, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

October 14, 2009

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$21,328	\$0	\$21,328
Intergovernmental	46,163	31,170	77,333
Charges for Services	37,323	52,678	90,001
Fines, Licenses and Permits	50		50
Earnings on Investments	15,076	467	15,543
Miscellaneous	1,880		1,880
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	121,820	84,315	206,135
Cash Disbursements:			
Current:			
Security of Persons and Property	1,666	9,957	11,623
Public Health Services	1,236		1,236
Leisure Time Activities	4,120		4,120
Community Environment	363		363
Basic Utility Service	36,938		36,938
Transportation		9,545	9,545
General Government	63,665		63,665
Capital Outlay	12,942	25,789	38,731
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	120,930	45,291	166,221
Total Receipts Over Disbursements	<hr/>	<hr/>	<hr/>
	890	39,024	39,914
Other Financing Receipts / (Disbursements):			
Transfers-In	18,951		18,951
Transfers-Out	(13,088)		(13,088)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts / (Disbursements)	5,863	0	5,863
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	6,753	39,024	45,777
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	112,785	169,226	282,011
Fund Cash Balances, December 31	<hr/> \$119,538 <hr/>	<hr/> \$208,250 <hr/>	<hr/> \$327,788 <hr/>

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

Operating Cash Receipts:	
Charges for Services	\$504,753
Total Operating Cash Receipts	504,753
Operating Cash Disbursements:	
Personal Services	75,696
Employee Fringe Benefits	36,141
Contractual Services	259,278
Supplies and Materials	57,464
Other	2,175
Total Operating Cash Disbursements	430,754
Operating Income	73,999
Non-Operating Cash Receipts:	
Intergovernmental	27,994
Miscellaneous Receipts	10,417
Total Non-Operating Cash Receipts	38,411
Non-Operating Cash Disbursements:	
Capital Outlay	95,227
Redemption of Principal	21,423
Interest and Other Fiscal Charges	18,496
Other Non-Operating Cash Disbursements	-
Total Non-Operating Cash Disbursements	135,146
Excess of Receipts (Under) Disbursements Before Interfund Transfers and Advances	(22,736)
Transfers-In	36,518
Transfers-Out	(42,381)
Net Receipts (Under) Disbursements	(28,599)
Fund Cash Balances, January 1	463,249
Fund Cash Balances, December 31	\$434,650

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$23,362	\$0	\$23,362
Intergovernmental	45,877	31,725	77,602
Charges for Services	35,941	41,047	76,988
Fines, Licenses and Permits	90		90
Earnings on Investments	17,932	717	18,649
Miscellaneous	2,642		2,642
Total Cash Receipts	125,844	73,489	199,333
Cash Disbursements:			
Current:			
Security of Persons and Property	299	6,722	7,021
Public Health Services	966		966
Leisure Time Activities	2,690		2,690
Community Environment	151		151
Basic Utility Service	34,955		34,955
Transportation		1,916	1,916
General Government	67,730		67,730
Capital Outlay	9,951	11,203	21,154
Total Cash Disbursements	116,742	19,841	136,583
Total Receipts Over Disbursements	9,102	53,648	62,750
Other Financing Receipts / (Disbursements):			
Transfers-In	19,419	186	19,605
Transfers-Out	(22,844)		(22,844)
Total Other Financing Receipts / (Disbursements)	(3,425)	186	(3,239)
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	5,677	53,834	59,511
Fund Cash Balances, January 1	107,108	115,392	222,500
Fund Cash Balances, December 31	\$112,785	\$169,226	\$282,011

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Operating Cash Receipts:	
Charges for Services	\$498,984
Total Operating Cash Receipts	498,984
Operating Cash Disbursements:	
Personal Services	74,432
Employee Fringe Benefits	36,724
Contractual Services	230,956
Supplies and Materials	36,408
Other	4,050
Total Operating Cash Disbursements	382,570
Operating Income	116,414
Non-Operating Cash Receipts:	
Miscellaneous Receipts	7,668
Total Non-Operating Cash Receipts	7,668
Non-Operating Cash Disbursements:	
Capital Outlay	77,408
Redemption of Principal	21,220
Interest and Other Fiscal Charges	19,298
Total Non-Operating Cash Disbursements	117,926
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	6,156
Transfers-In	46,088
Transfers-Out	(42,849)
Net Receipts Over Disbursements	9,395
Fund Cash Balances, January 1	453,854
Fund Cash Balances, December 31	\$463,249

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Eldorado, Preble County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and electric utilities, garbage collection and fire protection. The Village contracts with the Preble County Sheriff's department to provide security of persons and property.

The Village participates in the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). Note 9 to the financial statements provide additional information for this entity. The organization is:

Jointly Governed Organizations:

The Village of Eldorado is a Financing Participant with an ownership percentage of .08%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5).

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. 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.

The Village values certificates of deposit at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. 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:

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose 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 Fund – This fund receives money from area townships for which the Village provides fire protection services. Expenditures are for operating costs of the fire department.

Fire Truck Reserve Fund – This fund receives money from area townships for which the Village provides fire protection services. Expenditures are made for debt issued for the purchase of a fire truck.

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

Sewer Operating Fund - This fund receives charges for services from residents to cover sewer service costs.

Electric Operating Fund - This fund receives charges for services from residents to cover the costs of providing this utility.

E. 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 object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 also 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 canceled, and reappropriated in the subsequent year. The Village canceled \$2,857 in encumbrances at December 31, 2007 and \$2,951 at December 31, 2008 and re-encumbered the amounts in the subsequent years against current appropriations.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. 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.

2. Equity in Pooled Cash and Investments

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

	2008	2007
Demand deposits	\$431,418	\$414,240
Certificates of deposit	281,020	281,020
Total deposits	712,438	695,260
STAR Ohio	50,000	50,000
Total investments	50,000	50,000
Total deposits and investments	\$762,438	\$745,260

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$140,771	\$35,771
Special Revenue	50,000	84,315	34,315
Enterprise	430,430	579,682	149,252
Total	\$585,430	\$804,768	\$219,338

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$191,100	\$134,018	\$57,082
Special Revenue	100,000	45,291	54,709
Enterprise	751,600	608,281	143,319
Total	\$1,042,700	\$787,590	\$255,110

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,650	\$145,263	\$40,613
Special Revenue	47,000	73,675	26,675
Enterprise	420,430	552,740	132,310
Total	\$572,080	\$771,678	\$199,598

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,100	\$139,586	\$61,514
Special Revenue	67,000	19,841	47,159
Enterprise	720,900	543,345	177,555
Total	\$989,000	\$702,772	\$286,228

4. 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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

4. Property Tax (Continued)

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.

5. Debt

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$221,394	5%
1978 Sewer Revenue Bonds	140,000	5%
Ohio Public Works Commission Loan	81,524	0
Total	<u>\$442,918</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water treatment plant improvement project the Ohio Environmental Protection Agency mandated. The OWDA loaned \$239,334 to the Village for this project. The loan is for construction of water system improvements, will bear interest at the rate of 4.85%, and is to be repaid over 30 years. The loans will be repaid in semiannual installments of \$7,611, including interest. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Village's taxing authority collateralized the bonds.

The 1978 Sewer Revenue Bonds were initially issued for \$349,000. They are First Mortgage Sanitary Sewage System Revenue Bonds for the purpose of constructing improvements to the sanitary sewage system of the Village. These bonds will be paid through user charges.

The Ohio Public Works Commission (OPWC) loan was obtained in 2003 for water treatment plant improvements. In the prior audit report we stated the total estimated loan amount and outstanding balance as of 12/31/04 as \$120,000. The loan amount actually received as of 12/31/04 was \$87,889. As of 12/31/08, the total loan balance outstanding is \$81,524. The loan will be repaid over 20 years in semiannual installments of \$2,548. The loan is collateralized by water receipts. The Village has agreed to set water rates sufficient to cover bond payment requirements.

Amortization of the above debt, including interest, is scheduled as follows:

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

5. Debt

Year ending December 31:	OWDA Loan	1978 Sewer Revenue Bonds	OPWC Loan
2009	\$7,611	\$20,000	\$2,548
2010	15,223	19,350	5,095
2011	15,223	19,700	5,095
2012	15,223	20,000	5,095
2013	15,223	19,250	5,095
2014-2018	76,115	99,000	25,476
2019-2023	76,115		25,476
2024-2028	76,115		7,644
2029-2033	76,115		
2034	15,222		
Total	<u>\$388,185</u>	<u>\$197,300</u>	<u>\$81,524</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10% and 9.5%, respectively, of their gross salaries and the Village contributed an amount equaling 14% and 13.85%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. Contingent Liabilities

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.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

9. Joint Ventures

The Village of Eldorado is a Financing Participant with an ownership percentage of .08 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP-Ohio.

OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2008 Eldorado met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP-Ohio, which acts as the joint venture's agent. During 1993 and 2001 AMP-Ohio issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024.

The Village's net investment to date in OMEGA JV5 was \$7,167 at December 31, 2008. Complete financial statements for OMEGA JV5 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(Continued)**

10. Eldorado Fire Department

The Eldorado Fire Department provides fire protection for the Village of Eldorado and surrounding Townships. The Fire Department applies for its own federal grants through the Village. All grants are applied for under the name Eldorado Fire Department and the Village's federal ID number is used. The Village's Fire Department did not receive any federal grants in 2007 or 2008. The Fire Chief's salary is paid by the Village. The Eldorado Fire Department receives a payment annually from the Village for fire runs based on the number of firemen participating per fire call run. These funds do not belong to the Village. These funds are deposited into an account held and managed by the Eldorado Fire Department. These funds are used to purchase fire equipment that is donated to the Village. The title for all of the fire equipment purchased by the Fire Department is held in the Village's name. The Fire Department earned revenue in 2007 and 2008 totaling \$1,872 and \$2,688, respectively. At December 31, 2008, the carrying amount of cash totaled \$109.

11. Subsequent Events

On January 2, 2009, the Ohio Public Works Commission awarded a \$182,000 grant to the Village for the Ohio Street Reconstruction project.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Eldorado
Preble County
160 North Main Street
Eldorado, Ohio 454

To the Village Council:

We have audited the financial statements of the Village of Eldorado, Preble County, Ohio (the Village), as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated October 14, 2009 wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain internal control matters that we reported to the Village's management in a separate letter dated October 14, 2009.

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 grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated October 14, 2009.

We intend this report solely for the information and use of the audit committee, management and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

October 14, 2009

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The Village lacks management oversight in the posting of financial activity. This oversight is illustrated by the following:

- The Village improperly posted auto license revenue in the amount of \$5,145 to taxes instead of intergovernmental receipts in 2007. The local government intangible funds in the amount of \$417 were posted to taxes instead of intergovernmental receipts in 2007. Tangible Personal Property Tax replacement settlements were posted to taxes instead of intergovernmental receipts in 2007 and 2008 in the amounts of \$2,059 and \$2,722 respectively.
- In 2008, \$1,141 of excise tax for the Street Fund was posted to the State Highway Fund in error.
- The 2008 Community Development Block Grant revenues paid by the County on behalf of the Village were over recorded by \$2,006. The revenues of \$27,994 were posted to miscellaneous revenue rather than intergovernmental revenue.

Adjustments were posted to the financial statements and Village ledgers, where appropriate, to correct the above misclassifications.

The lack of proper management oversight could result in material misstatements relating to financial data. To improve record keeping and accountability of receipts and expenditures we recommend that all activity be posted properly. For guidance, the Village should utilize the Village Officer's Handbook.

Officials' Response:

We did not receive a response from Officials to this finding.



Mary Taylor, CPA
Auditor of State

VILLAGE OF ELDORADO

PREBLE 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
NOVEMBER 5, 2009**