



Dave Yost • Auditor of State



VILLAGE OF ELDORADO  
PREBLE COUNTY

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# Dave Yost • 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 "Dave Yost".

**Dave Yost**  
Auditor of State

September 6, 2011

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# Dave Yost • 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, 2010 and 2009. 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(A) mandates 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, 2010 and 2009 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, 2010 and 2009, or its changes in financial position or cash flows, where applicable 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 the Village of Eldorado, Preble County, as of December 31, 2010 and 2009, 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 September 6, 2011, 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.



**Dave Yost**  
Auditor of State

September 6, 2011



**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, 2010**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$20,699			\$20,699
Intergovernmental	45,755	\$38,018	\$1,791	85,564
Charges for Services	35,082	51,007		86,089
Fines, Licenses and Permits	2,854			2,854
Earnings on Investments	6,773	397		7,170
Miscellaneous	2,030			2,030
Total Cash Receipts	<u>113,193</u>	<u>89,422</u>	<u>1,791</u>	<u>204,406</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	397	18,023		18,420
Public Health Services	749			749
Leisure Time Activities	4,159			4,159
Community Environment	50			50
Basic Utility Service	34,687			34,687
Transportation		18,397		18,397
General Government	49,452			49,452
Capital Outlay	8,373	40,768	2,487	51,628
Total Cash Disbursements	<u>97,867</u>	<u>77,188</u>	<u>2,487</u>	<u>177,542</u>
Total Receipts Over/(Under) Disbursements	<u>15,326</u>	<u>12,234</u>	<u>(696)</u>	<u>26,864</u>
<b>Other Financing Receipts:</b>				
Transfers-In	17,920			17,920
Total Other Financing Receipts	<u>17,920</u>	<u>0</u>	<u>0</u>	<u>17,920</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	33,246	12,234	(696)	44,784
Fund Cash Balances, January 1	<u>137,910</u>	<u>228,437</u>	<u>10,508</u>	<u>376,855</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$171,156</u></b>	<b><u>\$240,671</u></b>	<b><u>\$9,812</u></b>	<b><u>\$421,639</u></b>

*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, 2010**

<b>Operating Cash Receipts:</b>	
Charges for Services	\$556,284
Total Operating Cash Receipts	556,284
<b>Operating Cash Disbursements:</b>	
Personal Services	73,236
Employee Fringe Benefits	32,359
Contractual Services	285,533
Supplies and Materials	55,260
Other	2,550
Total Operating Cash Disbursements	448,938
Operating Income	107,346
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	5,779
Total Non-Operating Cash Receipts	5,779
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	55,544
Redemption of Principal	20,310
Interest and Other Fiscal Charges	16,810
Total Non-Operating Cash Disbursements	92,664
Excess of Receipts Over Disbursements Before Interfund Transfers	20,461
Transfers-In	23,430
Transfers-Out	(41,350)
Net Receipts Over Disbursements	2,541
Fund Cash Balances, January 1	445,005
<b>Fund Cash Balances, December 31</b>	<b>\$447,546</b>

*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, 2009**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$20,006			\$20,006
Intergovernmental	41,831	\$40,532	\$204,410	286,773
Charges for Services	34,512	61,577		96,089
Fines, Licenses and Permits	2,668			2,668
Earnings on Investments	10,495	248		10,743
Miscellaneous	6,301			6,301
<b>Total Cash Receipts</b>	<u>115,813</u>	<u>102,357</u>	<u>204,410</u>	<u>422,580</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	1,983	12,610		14,593
Public Health Services	1,500			1,500
Leisure Time Activities	4,389			4,389
Community Environment	172			172
Basic Utility Service	35,764			35,764
Transportation		8,761		8,761
General Government	62,075	9,832		71,907
Capital Outlay	8,426	50,967	193,902	253,295
<b>Total Cash Disbursements</b>	<u>114,309</u>	<u>82,170</u>	<u>193,902</u>	<u>390,381</u>
<b>Total Receipts Over Disbursements</b>	<u>1,504</u>	<u>20,187</u>	<u>10,508</u>	<u>32,199</u>
<b>Other Financing Receipts:</b>				
Transfers-In	16,868			16,868
<b>Total Other Financing Receipts / (Disbursements)</b>	<u>16,868</u>	<u>0</u>	<u>0</u>	<u>16,868</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<u>18,372</u>	<u>20,187</u>	<u>10,508</u>	<u>49,067</u>
<b>Fund Cash Balances, January 1</b>	<u>119,538</u>	<u>208,250</u>	<u>0</u>	<u>327,788</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$137,910</b></u>	<u><b>\$228,437</b></u>	<u><b>\$10,508</b></u>	<u><b>\$376,855</b></u>

*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, 2009

<b>Operating Cash Receipts:</b>	
Charges for Services	\$534,300
Total Operating Cash Receipts	<u>534,300</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	73,690
Employee Fringe Benefits	30,742
Contractual Services	273,484
Supplies and Materials	56,844
Claims	<u>1,800</u>
Total Operating Cash Disbursements	<u>436,560</u>
Operating Income	<u>97,740</u>
<b>Non-Operating Cash Receipts:</b>	
Miscellaneous Receipts	<u>7,673</u>
Total Non-Operating Cash Receipts	<u>7,673</u>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	37,872
Redemption of Principal	22,635
Interest and Other Fiscal Charges	<u>17,683</u>
Total Non-Operating Cash Disbursements	<u>78,190</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	27,223
Transfers-In	23,430
Transfers-Out	<u>(40,298)</u>
Net Receipts Over/(Under) Disbursements	10,355
Fund Cash Balances, January 1	<u>434,650</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$445,005</u></u></b>

*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, 2010 AND 2009**

**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. 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.

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, 2010 AND 2009  
(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.

**3. Capital Project Funds**

This fund account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Capital Projects Fund – This fund receives proceeds from the Community Development Block Grant and Ohio Public Works Commission grants for the Ohio Street Reconstruction project.

**4. 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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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.

**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 \$2,696 in encumbrances at December 31, 2009 and \$3,840 at December 31, 2010 and re-encumbered the amounts in the subsequent years against current appropriations.

A summary of 2010 and 2009 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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**2. Equity in Pooled 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:

	2010	2009
Demand deposits	\$538,114	\$490,790
Certificates of deposit	281,020	281,020
Total deposits	819,134	771,810
STAR Ohio	50,051	50,050
Total investments	50,051	50,050
Total deposits and investments	\$869,185	\$821,860

**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.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$128,900	\$131,113	\$2,213
Special Revenue	93,875	89,422	(4,453)
Capital Projects	0	1,791	1,791
Enterprise	648,930	585,493	(63,437)
Total	\$871,705	\$807,819	(\$63,886)

2010 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$151,650	\$97,867	\$53,783
Special Revenue	266,000	77,188	188,812
Capital Projects	10,558	2,487	8,071
Enterprise	737,100	582,952	154,148
Total	\$1,165,308	\$760,494	\$404,814



**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. Budgetary Activity (Continued)**

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,977	\$132,681	\$1,704
Special Revenue	91,859	102,357	10,498
Capital Projects	251,500	204,410	(47,090)
Enterprise	559,430	565,403	5,973
Total	\$1,033,766	\$1,004,851	(\$28,915)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,550	\$114,309	\$59,241
Special Revenue	200,599	82,170	118,429
Capital Projects	251,500	193,902	57,598
Enterprise	712,012	555,048	156,964
Total	\$1,337,661	\$945,429	\$392,232

Contrary to Ohio law, actual receipts were less than estimated receipts and the deficiency reduced available resources below the current level of appropriations for the Street, Fire Truck Reserve, and Water Operating Funds at December 31, 2010 and for the Capital Projects, Water Operating, and Sewer Operating Funds at December 31, 2009.

**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.

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

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

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

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2010 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$212,092	5%
1978 Sewer Revenue Bonds	\$114,000	5%
Ohio Public Works Commission Loan	73,881	0%
Total	\$399,973	

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. 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:

Year ending December 31:	OWDA Loan	1978 Sewer Revenue Bonds	OPWC Loan
2011	\$7,611	\$19,700	\$5,095
2012	15,223	20,000	5,095
2013	15,223	19,250	5,095
2014	15,223	19,500	5,095
2015	15,223	19,700	5,095
2016-2020	76,115	59,800	25,476
2021-2025	76,115		22,930
2026-2030	76,115		
2031-2034	60,892		
Total	\$357,740	\$157,950	\$73,881

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**6. Retirement Systems**

The 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 this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, 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, 2010.

**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. 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.

**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.

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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**9. Joint Ventures (Continued)**

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, 2010 Eldorado has met/not 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, which acts as the joint venture's agent. During 1993 and 2001 AMP 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 \$8,642 at December 31, 2010. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**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 2009 or 2010. 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 are deposited into an account held and managed by the Eldorado Fire Department, and the funds held by the Eldorado Fire Department are not considered to be Village funds. 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 Village paid to the Fire Department \$3,912 in 2009 and \$3,792 in 2010. At December 31, 2010, the unaudited Fire Department carrying amount of cash was \$6,267.



# Dave Yost • 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 45321

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, 2010 and 2009, and have issued our report thereon dated September 6, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted 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(A) mandates 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness and another deficiency we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-02 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2010-03 described in the accompanying schedule of findings to be a significant deficiency.

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated September 6, 2011.

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



**Dave Yost**  
Auditor of State

September 6, 2011

**VILLAGE OF ELDORADO  
PREBLE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**Material Noncompliance**

**Ohio Revised Code, Section 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

Actual receipts were less than estimated receipts and the deficiency reduced available resources below the current level of appropriations as follows:

Date	Fund	Appropriations	Available Resources	Variance
12/31/10	Street	\$91,000	\$84,364	\$6,636
12/31/10	Fire Truck Reserve	94,000	92,894	1,106
12/31/10	Water Operating	121,100	110,251	10,849
12/31/09	Capital Projects	251,500	204,410	47,090
12/31/09	Water Operating	126,400	111,124	15,276
12/31/09	Sewer Operating	144,500	133,977	10,523

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriation can result in overspending and negative fund balances.

We recommend that the Village monitor estimated and actual receipts and obtain amendments when required.

**FINDING NUMBER 2010-02**

**Material Weakness**

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 tangible personal property tax replacement settlements of \$3,490 to tax revenue rather than intergovernmental revenue in 2009.
- The Village posted on-behalf CDBG settlements of \$1,031 to General Fund miscellaneous revenue and capital outlay rather than Capital Projects Fund intergovernmental revenue and capital outlay in 2009.

**FINDING NUMBER 2010-02  
(Continued)**

- The Village posted auto license revenue for the Street Fund in the amount of \$4,238 to tax revenue rather in intergovernmental revenue in 2009.
- The Village posted \$22 of auto license revenue to Street Fund intergovernmental revenue rather than State Highway Fund intergovernmental revenue in 2009.
- The Village posted auto license revenue for the State Highway Fund in the amount of \$321 to tax revenue rather in intergovernmental revenue in 2009.
- The Village posted a Fire Fund grant in the amount of \$500 to charges for services rather than intergovernmental revenue in 2009.
- The Village posted a Fire Fund reimbursement in the amount of \$570 to charges for services rather than miscellaneous revenue in 2009.
- The Village posted a Sewer Fund reimbursement in the amount of \$1,202 to charges for services rather than miscellaneous revenue in 2009.
- The Village posted cable franchise fees of \$2,078 to Electric Fund miscellaneous revenue rather than General Fund fines, licenses, permits in 2009.
- The Village under posted on-behalf CDBG receipts and disbursements by \$19,868 in 2009.
- The Village over posted OPWC on-behalf receipts and disbursements by \$61,935 in 2009.
- The Village overstated Capital Projects intergovernmental revenue and capital outlay by \$11,874 in 2009.
- The Village improperly posted tangible personal property tax replacement settlements of \$503 to tax revenue rather than intergovernmental revenue in 2010.
- The Village improperly posted a personal property settlement of \$208 to intergovernmental revenue rather than tax revenue in 2010.
- The Village posted auto license revenue for the Street Fund in the amount of \$4,018 to tax revenue rather in intergovernmental revenue in 2010.
- The Village posted a gas tax settlement of \$88 to Street Fund intergovernmental revenue rather than State Highway Fund intergovernmental revenue in 2010.
- The Village posted auto license revenue for the State Highway Fund in the amount of \$326 to tax revenue rather in intergovernmental revenue in 2010.
- The Village posted Fire Fund grants in the amount of \$8,150 to charges for services rather than intergovernmental revenue in 2010.
- The Village posted cable franchise fees of \$2,854 to Electric Fund miscellaneous revenue rather than General Fund fines, licenses, permits in 2009.



**FINDING NUMBER 2010-02  
 (Continued)**

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. The Village should develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year. For guidance, the Village should utilize the Village Officer's Handbook. We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the Village's annual report. Such procedures may include review of the financial statements and related components by a member of management with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.

**FINDING NUMBER 2010-03**

**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.

Estimated Resources at December 31, 2010 were not accurately posted to the accounting system as follows:

<b>Date</b>	<b>Fund</b>	<b>Estimated Receipts per Amended Certificate</b>	<b>Receipts posted to Accounting System</b>	<b>Variance</b>
12/31/10	FEMA	\$0	\$50	\$50
12/31/10	Capital Projects	0	50	50
12/31/09	General	130,977	131,977	1,000
12/31/09	Street	14,200	17,800	3,600
12/31/09	State Highway	1,050	1,300	250
12/31/09	Fire	41,962	42,062	100

Failure to properly post budgetary amounts can lead to improper spending and monitoring of budgetary activity as well as inaccurate budgetary reporting on the Village's annual report.. We recommend the Village properly post all budgetary information to their accounting system.

**Official's Response:**

We did not receive a response from Officials to the above findings.

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VILLAGE OF ELDORADO  
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	Lack of management oversight in the posting of financial activity.	No	Not Corrected. Reissued as Finding 2010-02.

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# Dave Yost • 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  
SEPTEMBER 27, 2011