



**Auditor of State  
Betty Montgomery**



VILLAGE OF ELDORADO  
PREBLE COUNTY

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**Auditor of State  
Betty Montgomery**

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 a February 2, 2005 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 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 "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

December 13, 2005

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## Auditor of State Betty Montgomery

### 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, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004, (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds 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, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 December 13, 2005, 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.



**Betty Montgomery**  
Auditor of State

December 13, 2005

**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, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$24,269	\$4,723		\$28,992
Intergovernmental Receipts	44,468	81,124	\$81,889	207,481
Charges for Services	48,128	32,250		80,378
Fines, Licenses, and Permits	285			285
Earnings on Investments	6,157	176		6,333
Miscellaneous	561	316		877
	<u>123,868</u>	<u>118,589</u>	<u>81,889</u>	<u>324,346</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	749	11,680		12,429
Public Health Services	966			966
Leisure Time Activities	2,684			2,684
Community Environment	136			136
Basic Utility Services	31,744			31,744
Transportation		4,089		4,089
General Government	74,969			74,969
Debt Service:				
Principal Payments		24,111	22,000	46,111
Interest Payments		2,889		2,889
Capital Outlay	15,329	72,455	394,443	482,227
	<u>126,577</u>	<u>115,224</u>	<u>416,443</u>	<u>658,244</u>
Total Cash Disbursements	<u>126,577</u>	<u>115,224</u>	<u>416,443</u>	<u>658,244</u>
Total Receipts Over/(Under) Disbursements	<u>(2,709)</u>	<u>3,365</u>	<u>(334,554)</u>	<u>(333,898)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds of Loan			361,898	361,898
Transfers-In	18,170	58		18,228
Transfers-Out	(21,136)			(21,136)
	<u>(2,966)</u>	<u>58</u>	<u>361,898</u>	<u>358,990</u>
Total Other Financing Receipts/(Disbursements)	<u>(2,966)</u>	<u>58</u>	<u>361,898</u>	<u>358,990</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,675)	3,423	27,344	25,092
Fund Cash Balances, January 1	105,836	140,146	200	246,182
<b>Fund Cash Balances, December 31</b>	<b><u>\$100,161</u></b>	<b><u>\$143,569</u></b>	<b><u>\$27,544</u></b>	<b><u>\$271,274</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, 2004

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$473,709</u>
Total Operating Cash Receipts	<u>473,709</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	69,002
Fringe Benefits	17,524
Contractual Services	232,122
Supplies and Materials	49,906
Capital Outlay	73,340
Other	<u>4,050</u>
Total Operating Cash Disbursements	<u>445,944</u>
Operating Income	<u>27,765</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>2,650</u>
Total Non-Operating Cash Receipts	<u>2,650</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	10,000
Interest	<u>9,800</u>
Total Non-Operating Cash Disbursements	<u>19,800</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	10,615
Transfers-In	44,509
Transfers-Out	<u>(41,600)</u>
Net Receipts Over Disbursements	13,524
Fund Cash Balances, January 1	<u>395,555</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$409,079</u></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 GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$23,168	\$5,493	\$0	\$28,661
Intergovernmental Receipts	44,352	22,038		66,390
Charges for Services	42,782	42,450		85,232
Fines, Licenses, and Permits	145			145
Earnings on Investments	9,826	297		10,123
Miscellaneous	895			895
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	121,168	70,278	0	191,446
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property		10,481		10,481
Public Health Services	966			966
Leisure Time Activities	4,393			4,393
Community Environment	361			361
Basic Utility Services	39,113			39,113
Transportation		6,265		6,265
General Government	68,061			68,061
Debt Service:				
Principal Payments		38,799		38,799
Interest Payments		4,201		4,201
Capital Outlay	16,553	15,699	15,227	47,479
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	129,447	75,445	15,227	220,119
Total Receipts Under Disbursements	<hr/>	<hr/>	<hr/>	<hr/>
	(8,279)	(5,167)	(15,227)	(28,673)
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds of Loan			14,119	14,119
Transfers-In	18,214	92		18,306
Transfers-Out	(22,945)			(22,945)
Other Financing Uses	(10)			(10)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(4,741)	92	14,119	9,470
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(13,020)	(5,075)	(1,108)	(19,203)
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>	<hr/>
	118,856	145,221	1,308	265,385
<b>Fund Cash Balances, December 31</b>	<hr/> <b>\$105,836</b>	<hr/> <b>\$140,146</b>	<hr/> <b>\$200</b>	<hr/> <b>\$246,182</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, 2003**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$453,885</u>
Total Operating Cash Receipts	<u>453,885</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	64,146
Fringe Benefits	14,017
Contractual Services	213,015
Supplies and Materials	56,337
Capital Outlay	71,393
Other	<u>4,500</u>
Total Operating Cash Disbursements	<u>423,408</u>
Operating Income	<u>30,477</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>5,141</u>
Total Non-Operating Cash Receipts	<u>5,141</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	10,000
Interest	<u>10,300</u>
Total Non-Operating Cash Disbursements	<u>20,300</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	15,318
Transfers-In	46,283
Transfers-Out	(41,644)
Other Financing Uses	<u>(120)</u>
Net Receipts Over Disbursements	19,837
Fund Cash Balances, January 1	<u>375,718</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$395,555</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, 2004 AND 2003**

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

The Village participates in the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5), described in Note 10.

**B. Basis of Accounting**

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

**C. Cash and Investments**

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

The Village values certificates of deposit. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports.

**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:

**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 that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Capital Project Funds**

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

Water Treatment Plant Improvement Fund - This fund receives proceeds from the Ohio Public Works Commission and the Ohio Water Development Authority. The proceeds are being used to construct a new water treatment plant facility.

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

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

Electric 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. 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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2004 and 2003 budgetary activity appears in Note 4.

**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. RESTATEMENT OF FUND BALANCES**

There was a restatement in the Capital Projects Fund and the Enterprise Funds due to the balances being incorrectly reported in the prior financial statement. The fund balance in the Capital Project Fund, as of December, 31, 2002, increased by \$1,308 from \$0 to \$1,308. The fund balance in the Enterprise Funds, as of December 31, 2002, decreased by \$1,308 from \$377,026 to \$375,718.

**3. 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:

	2004	2003
Demand deposits	\$349,333	\$310,717
Certificates of deposit	281,020	281,020
Total deposits	630,353	591,737
STAR Ohio	50,000	50,000
Total investments	50,000	50,000
Total deposits and investments	\$680,353	\$641,737

**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 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, 2004 AND 2003  
(Continued)**

**4. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$142,038	\$37,038
Special Revenue	105,713	118,647	12,934
Capital Projects	496,950	443,787	(53,163)
Enterprise	385,430	520,868	135,438
Total	\$1,093,093	\$1,225,340	\$132,247

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$204,350	\$147,713	\$56,637
Special Revenue	165,213	115,224	49,989
Capital Projects	496,950	416,443	80,507
Enterprise	648,950	507,344	141,606
Total	\$1,515,463	\$1,186,724	\$328,739

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$139,382	\$34,382
Special Revenue	51,800	70,370	18,570
Capital Projects	510,150	14,119	(496,031)
Enterprise	353,430	505,309	151,879
Total	\$1,020,380	\$729,180	(\$291,200)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$202,141	\$152,402	\$49,739
Special Revenue	184,647	75,445	109,202
Capital Projects	14,508	15,227	(719)
Enterprise	624,506	485,472	139,034
Total	\$1,025,802	\$728,546	\$297,256

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**5. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

**6. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$242,817	4.85%
1978 Sewer Revenue Bonds	186,000	5.00%
2002 Fire Tanker Note	45,929	4.75%
Ohio Public Works Commission Loan	120,000	0.00%
Total	<u>\$594,746</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water treatment plant improvement project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$262,950 in loans to the Village for this project. The loan of \$262,950 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 \$7,611.48, including interest. The scheduled payment amount below assumes that \$262,950 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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 Fire Tanker Note was initially issued on April 30, 2002 for the purpose of purchasing a 2002 International Fire Tanker Truck. This loan has a variable interest rate between 2.75% and 6.75% and a maturity date of April 30, 2012. The interest rate on this loan at December 31, 2002 was 4.75%. The Fire Tanker secures the loan.

The Ohio Public Works Commission (OPWC) loan was obtained in 2003 in the amount of \$120,000 for water treatment plant improvements. As December 31, 2004, \$120,000 had been drawn. The loan will be repaid over 20 years in semiannual installments of \$3,000. The loan is collateralized by water receipts. The Village had agreed to set water rates sufficient to cover bond payment requirements.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**6. DEBT (Continued)**

Amortization of the above debt, including interest, follows:

Year ending December 31:	OWDA Loan	1978 Sewer Revenue Bonds	2002 Fire Tanker Loan	Ohio Public Works Commission Loan
2005	\$15,223	\$20,300	\$12,000	\$6,000
2006	15,223	19,750	12,000	6,000
2007	15,223	20,200	12,000	6,000
2008	15,223	19,600	12,000	6,000
2009	15,223	20,000	12,000	6,000
2010-2014	76,115	97,800	15,940	30,000
2015-2019	76,115	79,500		30,000
2020-2024	76,115			30,000
2025-2029	76,115			
2030-2034	76,115			
Total	<u>\$456,690</u>	<u>\$277,150</u>	<u>\$75,940</u>	<u>\$120,000</u>

**7. RETIREMENT SYSTEMS**

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

**8. RISK MANAGEMENT**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**8. RISK MANAGEMENT**

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective local government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31.

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,547,049	\$25,288,098
Liabilities	<u>(16,989,918)</u>	<u>(12,872,985)</u>
Retained earnings	<u>\$13,557,131</u>	<u>\$12,415,113</u>

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$3,652,970	\$3,158,813
Liabilities	<u>(544,771)</u>	<u>(792,061)</u>
Retained earnings	<u>\$3,108,199</u>	<u>\$2,366,752</u>

**9. CONTINGENT LIABILITIES**

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor , principally the federal government. Grantors 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, 2004 AND 2003  
(Continued)**

**10. JOINT VENTURE**

The Village of Eldorado is a Financing Participant with an ownership percentage of .11 %, 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, 2004 Eldorado has 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 \$9,510 at December 31, 2004. 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](http://www.auditor.state.oh.us).



## Auditor of State Betty Montgomery

### 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, 2004, and 2003, and have issued our report thereon dated December 13, 2005, 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 that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated December 13, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **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*. In a separate letter to the Village's management dated December 13, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Village of Eldorado  
Preble County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 13, 2005

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004 AND 2003**

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>
2002-001	Ohio Rev. Code, Section 5705.41 (D), the Village did not properly certify the availability of funds for all purchase commitments	No	Partially Corrected – Reissued as a 2004-2003 management letter citation.





**Auditor of State  
Betty Montgomery**

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**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  
DECEMBER 30, 2005**