



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

July 31, 2007

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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, 2006 and 2005. 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, 2006 and 2005 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, 2006 and 2005, 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, Ohio, as of December 31, 2006 and 2005, 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 July 31, 2007, 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

July 31, 2007

**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, 2006**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$26,063	\$0	\$26,063
Intergovernmental Receipts	45,333	45,183	90,516
Charges for Services	41,014	30,500	71,514
Fines, Licenses, and Permits	75		75
Earnings on Investments	14,418	508	14,926
Miscellaneous	5,135	26	5,161
Total Cash Receipts	132,038	76,217	208,255
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,110	9,512	10,622
Public Health Services	966		966
Leisure Time Activities	1,452		1,452
Basic Utility Services	33,495		33,495
Transportation		8,642	8,642
General Government	64,832		64,832
Debt Service:			
Principal Payments		23,619	23,619
Interest Payments		592	592
Capital Outlay	10,801	44,056	54,857
Total Cash Disbursements	112,656	86,421	199,077
Total Receipts Over/(Under) Disbursements	19,382	(10,204)	9,178
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	18,361	169	18,530
Refund of Prior Year Expenditure		22	22
Transfers-Out	(27,001)	0	(27,001)
Total Other Financing Receipts/(Disbursements)	(8,640)	191	(8,449)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	10,742	(10,013)	729
Fund Cash Balances, January 1	96,366	125,405	221,771
<b>Fund Cash Balances, December 31</b>	<b>\$107,108</b>	<b>\$115,392</b>	<b>\$222,500</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, 2006**

<b>Operating Cash Receipts:</b>	
Charges for Services	<u>\$503,031</u>
Total Operating Cash Receipts	<u>503,031</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	74,513
Fringe Benefits	28,185
Contractual Services	213,883
Supplies and Materials	41,777
Capital Outlay	65,406
Other	<u>5,250</u>
Total Operating Cash Disbursements	<u>429,014</u>
Operating Income	<u>74,017</u>
<b>Non-Operating Cash Receipts:</b>	
Refund of Prior Year Expenditures	11
Other Non-Operating Receipts	<u>11,030</u>
Total Non-Operating Cash Receipts	<u>11,041</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	20,027
Interest	<u>20,041</u>
Total Non-Operating Cash Disbursements	<u>40,068</u>
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	44,990
Transfers-In	50,262
Transfers-Out	<u>(41,791)</u>
Net Receipts Over Disbursements	53,461
Fund Cash Balances, January 1	<u>400,393</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$453,854</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, 2005**

	<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	\$24,353	\$0	\$0	\$24,353
Intergovernmental Receipts	43,922	60,686	44,500	149,108
Charges for Services	47,886	48,710		96,596
Fines, Licenses, and Permits	35			35
Earnings on Investments	8,257	287		8,544
Miscellaneous	3,198			3,198
	<u>127,651</u>	<u>109,683</u>	<u>44,500</u>	<u>281,834</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	560	8,672		9,232
Public Health Services	966			966
Leisure Time Activities	2,577			2,577
Basic Utility Services	31,962			31,962
Transportation		18,585		18,585
General Government	72,015			72,015
Debt Service:				
Principal Payments		22,310	18,393	40,703
Interest Payments		1,690		1,690
Capital Outlay	18,894	76,672	82,863	178,429
	<u>126,974</u>	<u>127,929</u>	<u>101,256</u>	<u>356,159</u>
Total Receipts Over/(Under) Disbursements	<u>677</u>	<u>(18,246)</u>	<u>(56,756)</u>	<u>(74,325)</u>
<b>Other Financing Receipts and (Disbursements):</b>				
Proceeds of Debt			29,212	29,212
Transfers-In	18,652	82		18,734
Transfers-Out	(23,124)			(23,124)
	<u>(4,472)</u>	<u>82</u>	<u>29,212</u>	<u>24,822</u>
Excess of Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(3,795)	(18,164)	(27,544)	(49,503)
Fund Cash Balances, January 1	<u>100,161</u>	<u>143,569</u>	<u>27,544</u>	<u>271,274</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$96,366</u></b>	<b><u>\$125,405</u></b>	<b><u>\$0</u></b>	<b><u>\$221,771</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, 2005**

<b>Operating Cash Receipts:</b>	
Charges for Services	\$492,356
Total Operating Cash Receipts	492,356
<b>Operating Cash Disbursements:</b>	
Personal Services	72,603
Fringe Benefits	27,724
Contractual Services	256,846
Supplies and Materials	38,855
Capital Outlay	71,241
Other	3,150
Total Operating Cash Disbursements	470,419
Operating Income	21,937
<b>Non-Operating Cash Receipts:</b>	
Proceeds of Debt	888
Other Non-Operating Receipts	13,229
Total Non-Operating Cash Receipts	14,117
<b>Non-Operating Cash Disbursements:</b>	
Debt Service:	
Principal	21,950
Interest	27,180
Total Non-Operating Cash Disbursements	49,130
Excess of Receipts Under Disbursements Before Interfund Transfers	(13,076)
Transfers-In	46,471
Transfers-Out	(42,081)
Net Receipts Under Disbursements	(8,686)
Fund Cash Balances, January 1	409,079
<b>Fund Cash Balances, December 31</b>	<b>\$400,393</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, 2006 AND 2005**

**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) and the Public Entities Pool of Ohio public entity risk pool. Notes 7 and 9 to the financial statements provides additional information for these entities. These organizations are:

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).

Public Entity Risk Pool:

Public Entities Pool of Ohio is a risk-sharing pool available to Ohio local governments that provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP).

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, 2006 AND 2005  
(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 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.

Federal Fire Grant Fund – This fund receives money from the federal government for the purchase of fire equipment.

**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 significant capital project funds:

Civic Hall Capital Improvement Fund – This fund received a Community Development Block Grant to demolish the old Civic Hall building.

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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

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

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. 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 \$2,681 in encumbrances at December 31, 2006 and \$5,118 at December 31, 2005 and re-encumbered the amounts in the subsequent years against current appropriations.

A summary of 2006 and 2005 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:

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**2. Equity in Pooled Cash and Investments (Continued)**

	2006	2005
Demand deposits	\$345,334	\$291,144
Certificates of deposit	281,020	281,020
Total deposits	626,354	572,164
STAR Ohio	50,000	50,000
Total investments	50,000	50,000
Total deposits and investments	\$676,354	\$622,164

**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.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2006 and 2006 follows:

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$104,650	\$150,399	\$45,749
Special Revenue	61,864	76,408	14,544
Enterprise	420,430	564,334	143,904
Total	\$586,944	\$791,141	\$204,197

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$188,100	\$139,657	\$48,443
Special Revenue	107,164	86,421	20,743
Enterprise	714,000	510,873	203,127
Total	\$1,009,264	\$736,951	\$272,313

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$146,303	\$41,303
Special Revenue	86,745	109,765	23,020
Capital Projects	137,957	73,712	(64,245)
Enterprise	395,430	552,944	157,514
Total	\$725,132	\$882,724	\$157,592

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**3. Budgetary Activity (Continued)**

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,450	\$150,098	\$51,352
Special Revenue	158,245	127,929	30,316
Capital Projects	165,500	101,256	64,244
Enterprise	678,000	561,630	116,370
Total	\$1,203,195	\$940,913	\$262,282

**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.

**5. Debt**

Debt outstanding at December 31, 2006 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$229,846	5%
1978 Sewer Revenue Bonds	164,000	5%
Ohio Public Works Commission Loan	91,715	0%
Total	\$485,561	

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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**5. Debt (Continued)**

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 12/31/06, the total loan amount is \$101,905. The loan will be repaid over 20 years in semiannual installments of \$2548. 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
2007	\$7,611	\$20,200	\$2,548
2008	15,223	19,600	5,095
2009	15,223	20,000	5,095
2010	15,223	19,350	5,095
2011	15,223	19,700	5,095
2012 - 2016	76,115	98,300	25,476
2017 - 2021	76,115	39,950	25,476
2022 - 2026	76,115		17,835
2027 - 2031	76,115		
2032 - 2034	45,669		
Total	<u>\$418,632</u>	<u>\$237,100</u>	<u>\$91,715</u>

**6. Retirement Systems**

The Village's full-time 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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

**7. Risk Management**

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim 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 \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, PEP retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2006 and 2005.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**7. Risk Management (Continued)**

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,245)</u>
Retained earnings	<u>\$4,262,163</u>	<u>\$3,375,087</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$14.4 million and \$14.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$14.4 million and \$14.3 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$47,282. This payable includes the subsequent year's contribution due if the Government terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<b><u>Contributions to PEP</u></b>	
2004	\$21,262
2005	\$22,942
2006	\$23,641

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**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.

**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, 2006 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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005  
(Continued)**

**9. Joint Ventures (Continued)**

The Village's net investment to date in OMEGA JV5 was \$8,643 at December 31, 2006. 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).

**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 received federal grants in 2005 and 2006 totaling \$27,598 and \$14,364, respectively. All monies are received by the Chief, given to the Clerk and deposited into the Village account/recorded on the Village books. The Fire Chief's salary is paid by the Village. The Eldorado Fire Department receives a payment semiannually 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 2005 and 2006 totaling \$2,912 and \$2,664, respectively. At December 31, 2006, the carrying amount of cash totaled \$815.



# 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 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 year ended December 31, 2006 and 2005, and have issued our report thereon dated July 31, 2007 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.

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.

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 matters that we reported to the Village's management in a separate letter dated July 31, 2007.

#### **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 July 31, 2007.

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

July 31, 2007



**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  
AUGUST 14, 2007**