



Dave Yost • Auditor of State

VILLAGE OF ELDORADO
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Eldorado, Preble County, (the Village) as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Eldorado, Preble County, Ohio, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011 the Village of Eldorado, Preble County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

May 31, 2013

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,456			\$20,456
Intergovernmental	33,965	\$34,303		68,268
Charges for Services	37,505	52,419		89,924
Fines, Licenses and Permits	330			330
Earnings on Investments	3,936	120		4,056
Miscellaneous	2,180			2,180
<i>Total Cash Receipts</i>	<u>98,372</u>	<u>86,842</u>	<u>0</u>	<u>185,214</u>
Cash Disbursements				
Current:				
Security of Persons and Property	378	17,773		18,151
Public Health Services	573			573
Leisure Time Activities	1,845			1,845
Community Environment	186			186
Basic Utility Services	36,436			36,436
Transportation		31,731		31,731
General Government	58,491			58,491
Capital Outlay	17,920	27,718		45,638
<i>Total Cash Disbursements</i>	<u>115,829</u>	<u>77,222</u>	<u>0</u>	<u>193,051</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,457)</u>	<u>9,620</u>	<u>0</u>	<u>(7,837)</u>
Other Financing Receipts				
Transfers In	17,408			17,408
<i>Total Other Financing Receipts</i>	<u>17,408</u>	<u>0</u>	<u>0</u>	<u>17,408</u>
<i>Net Change in Fund Cash Balances</i>	(49)	9,620	0	9,571
<i>Fund Cash Balances, January 1</i>	<u>131,459</u>	<u>173,673</u>	<u>9,812</u>	<u>314,944</u>
Fund Cash Balances, December 31				
Restricted	0	183,293	9,812	193,105
Unassigned (Deficit)	131,410	0	0	131,410
<i>Fund Cash Balances, December 31</i>	<u>\$131,410</u>	<u>\$183,293</u>	<u>\$9,812</u>	<u>\$324,515</u>

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

VILLAGE OF ELDORADO
PREBLE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Operating Cash Receipts	
Charges for Services	\$552,203
<i>Total Operating Cash Receipts</i>	<u>552,203</u>
Operating Cash Disbursements	
Personal Services	51,680
Employee Fringe Benefits	11,250
Contractual Services	274,613
Supplies and Materials	55,177
Other	3,900
<i>Total Operating Cash Disbursements</i>	<u>396,620</u>
<i>Operating Income</i>	<u>155,583</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2,473
Capital Outlay	(76,752)
Principal Retirement	(27,865)
Interest and Other Fiscal Charges	(20,081)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(122,225)</u>
<i>Income before Transfers</i>	33,358
Transfers In	23,430
Transfers Out	(40,838)
<i>Net Change in Fund Cash Balances</i>	15,950
<i>Fund Cash Balances, January 1</i>	<u>500,684</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$516,634</u></u>

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$20,562			\$20,562
Intergovernmental	43,890	\$33,592	\$166,300	243,782
Charges for Services	37,003	51,938		88,941
Fines, Licenses and Permits	100			100
Earnings on Investments	5,167	197		5,364
Miscellaneous	2,131	1,225		3,356
<i>Total Cash Receipts</i>	<u>108,853</u>	<u>86,952</u>	<u>166,300</u>	<u>362,105</u>
Cash Disbursements				
Current:				
Security of Persons and Property	101	12,819		12,920
Leisure Time Activities	2,760			2,760
Basic Utility Services	35,737			35,737
Transportation		21,119		21,119
General Government	58,128			58,128
Capital Outlay	70,053	120,012	166,300	356,365
<i>Total Cash Disbursements</i>	<u>166,779</u>	<u>153,950</u>	<u>166,300</u>	<u>487,029</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(57,926)</u>	<u>(66,998)</u>	<u>0</u>	<u>(124,924)</u>
Other Financing Receipts (Disbursements)				
Transfers In	18,390			18,390
Other Financing Uses	(161)			(161)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>18,229</u>	<u>0</u>	<u>0</u>	<u>18,229</u>
<i>Net Change in Fund Cash Balances</i>	<u>(39,697)</u>	<u>(66,998)</u>	<u>0</u>	<u>(106,695)</u>
<i>Fund Cash Balances, January 1</i>	<u>171,156</u>	<u>240,671</u>	<u>9,812</u>	<u>421,639</u>
Fund Cash Balances, December 31				
Restricted	0	173,673	9,812	183,485
Unassigned (Deficit)	131,459	0	0	131,459
<i>Fund Cash Balances, December 31</i>	<u>\$131,459</u>	<u>\$173,673</u>	<u>\$9,812</u>	<u>\$314,944</u>

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

VILLAGE OF ELDORADO
PREBLE COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Operating Cash Receipts	
Charges for Services	\$575,256
<i>Total Operating Cash Receipts</i>	<u>575,256</u>
Operating Cash Disbursements	
Personal Services	57,808
Employee Fringe Benefits	14,449
Contractual Services	275,959
Supplies and Materials	60,369
Other	3,000
<i>Total Operating Cash Disbursements</i>	<u>411,585</u>
<i>Operating Income</i>	<u>163,671</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	11,017
Capital Outlay	(70,754)
Principal Retirement	(21,564)
Interest and Other Fiscal Charges	(10,843)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(92,144)</u>
<i>Income before Transfers</i>	71,527
Transfers In	23,430
Transfers Out	(41,820)
<i>Net Change in Fund Cash Balances</i>	53,137
<i>Fund Cash Balances, January 1</i>	<u>447,546</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$500,683</u></u>

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, 2012 AND 2011**

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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

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 – This fund receives money from area townships for which the Village provides fire protection services. Expenditures are for the purchase of a fire truck.

3. Capital Project Funds

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Capital Projects Fund – This fund receives proceeds from the Ohio Public Works Commission grant for the wastewater.

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.

E. Budgetary Process

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

VILLAGE OF ELDORADO
PREBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

4. Assigned

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

5. Unassigned

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

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

G. 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.

H. 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 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:

	2012	2011
Demand deposits	\$510,079	\$484,557
Certificates of deposit	281,020	281,020
Total deposits	791,099	765,577
STAR Ohio	50,000	50,000
Total investments	50,000	50,000
Cash on Hand	50	50
Total deposits, investments and cash on hand	\$841,149	\$815,627

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$120,489	\$115,780	(\$4,709)
Special Revenue	84,275	86,842	2,567
Capital Projects	286,112	0	(286,112)
Enterprise	554,360	578,106	23,746
Total	\$1,045,236	\$780,728	(\$264,508)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$156,800	\$115,829	\$40,971
Special Revenue	171,000	77,222	93,778
Enterprise	704,900	562,156	142,744
Total	\$1,032,700	\$755,207	\$277,493

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$130,550	\$127,243	(\$3,307)
Special Revenue	86,350	86,952	602
Capital Projects	276,300	166,300	(110,000)
Enterprise	598,210	609,703	11,493
Total	\$1,091,410	\$990,198	(\$101,212)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$193,920	\$166,940	\$26,980
Special Revenue	265,000	153,950	111,050
Capital Projects	286,112	166,300	119,812
Enterprise	701,900	556,566	145,334
Total	\$1,446,932	\$1,043,756	\$403,176

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio law, the Village did not properly post appropriations for the following funds to the system in 2012: General, Street CM&R, State Highway, Permissive MVLT, Water and Sewer Funds.

Also, 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 Capital Projects Fund at December 31, 2011.

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, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$201,854	5%
1978 Sewer Revenue bonds	\$85,000	5%
Ohio Public Works Commission Loan	<u>63,691</u>	0
Total	<u><u>\$350,545</u></u>	

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

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

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

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
2013	\$7,611	\$19,250	\$5,095
2014	15,223	19,500	5,095
2015	15,223	19,700	5,095
2016	15,223	19,850	5,095
2017	15,223	19,950	5,095
2018-2022	76,115	20,000	25,476
2023-2027	76,115		12,740
2028-2032	76,115		
	30,446		
Total	<u>\$327,294</u>	<u>\$118,250</u>	<u>\$63,691</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

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.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Contingent Liabilities

- A. 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.
- B. The Village of Eldorado is a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The Village executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project.

History of the AMPGS Project

In November 2009, the participants of the AMP Generating Station Project (the "AMPGS Project") voted to terminate the development of the pulverized coal power plant in Meigs County, Ohio. (Please see attached Joint Resolution No. 09-11-2891 dated November 24, 2009.) The AMPGS Project was to be a 1,000 MW base load, clean-coal technology plant scheduled to go on-line in 2014. This pulverized coal plant was estimated to be a \$3 billion project, but the project's estimated capital costs increased by 37% and the engineer, procure and construct ("EPC") contractor could not guarantee that the costs would not continue to escalate. At the termination date, minimal construction had been performed on the AMPGS Project at the Meigs County site.

At the same time, the participants voted to pursue conversion of the project to a Natural Gas Combined Cycle Plant (the "NGCC Plant") to be developed under a lump-sum-turn-key fixed-price contract that would be open to interested AMP members. The NGCC Plant was planned to be developed on the Meigs County site previously planned for the AMPGS project. In February 2011, development of the NGCC Plant was suspended due to the availability of purchasing the AMP Fremont Energy Center ("AFEC") at a favorable price. AMP intends to develop this site for the construction of a generating asset; however, at December 31, 2012, the type of generating asset has not been determined.

As mentioned above, the AMPGS project participants signed "take or pay" contracts with AMP. As such, the participants of the project are obligated to pay all costs incurred for the project. To date it has not been determined what those total final costs are for the project participants.

As a result of these decisions to date, the AMPGS Project costs have been reclassified out of construction work-in-progress and into plant held for future use or regulatory assets in the combined balance sheet. AMP has reclassified \$34,881,075 of costs to plant held for future use as these costs were determined to be associated with the undeveloped Meigs County site regardless of the determination of which type of generating asset will be developed on the site. The remaining costs previously incurred were determined to be impaired but reclassified as a regulatory asset which is fully recoverable from the AMPGS Project participants as part of their unconditional obligation under the "take or pay" contract. At December 31, 2012 AMP has a regulatory asset of \$96,544,650 for the recovery of these abandoned construction costs. AMP is currently working with the AMPGS project participants to establish a formal plan for the recovery on a participant by participant basis.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

8. Contingent Liabilities (Continued)

AMP has consistently communicated with the AMPGS participants as to the risks and uncertainties with respect to the outstanding potential liability the Village has as a result of the cancellation of the AMPGS Project. Meetings with AMPGS Project participants have been held as necessary to communicate any updates to both costs being incurred and ongoing litigation. At the request of the participants, on November 18, 2011 and December 13, 2011 AMP sent memos to AMPGS participants providing the participant's information identifying their potential AMPGS stranded cost liability and providing options for payment of those stranded costs, if the participant so chose. These memos were not invoices, but provided the participants with information which they could utilize in determining if they wanted to pay down a portion or all of the identified maximum exposure. AMP is holding the AMPGS Project stranded costs on its revolving credit facility and is accruing interest in addition to legal fees being incurred in its case with the EPC contractor. AMP would hold any payments received as a deposit in order to cease interest accruals on that portion paid.

Based on an allocation to Eldorado of 200 kW and the allocation methodology, both approved as the same by the AMP Board of Trustees, as of December 31, 2012 the Village of Eldorado has a potential stranded cost obligation of \$34,164 for the AMPGS Project. The Village of Eldorado does not have any payments on deposit with AMP at December 31, 2012.

AMP Fremont Energy Center (AFEC) Development Fee –

The AFEC Development Fee is the amount paid by AFEC participants to the AMPGS project as a Development Fee in August, 2011. AFEC participants are a separate group of AMP members that obtained financing for engineering, consulting and other development costs for expertise obtained by AMP for Natural Gas Combined Cycle power plants. This amount is financed by AMP, Inc. and is to be collected through debt service from AFEC participants. The Development Fee paid by all AFEC Participants is credited to the potential AMPGS costs of each AFEC participant that is also an AMPGS participant in proportion to their relative percentage of AFEC (but not less than zero) as approved by the AMP Board (please see attached Amended Minutes of May 3, 2011). The Village is a participant in the AFEC project and has received a credit to reduce its share of AMPGS potential stranded costs as noted below.

Based on the allocation methodology approved by the AMP Board of Trustees as mentioned above, the Village receives a credit of \$9,423 for being a participant in both projects. This credit is proportionate to its AFEC allocation kW share of 90 and the total kW share of those participating in both projects. The Village has not recorded this credit in its financial statements as of December 31, 2012.

The Village of Eldorado has not requested an invoice from AMP for the potential stranded costs. The Village is not intending to request an invoice from AMP until such time as the litigation with the EPC contractor is finalized. Had the Village chosen to expense the potential stranded costs the Village believes it would have not violated its covenant obligations for its Electric Fund bonds or its debt covenant obligation(s) with Ohio Municipal Electric Generation Agency (OMEGA) Joint Venture 5/6/2.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

9. Joint Ventures

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

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

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, 2012 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, 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 \$7,818 at December 31, 2012. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

10. Eldorado Fire Department

The Eldorado Fire Department provides fire protection for the Village of Eldorado and surrounding Townships. The Fire Department applies for its own federal grants through the Village. All grants are applied for under the name Eldorado Fire Department and the Village's federal ID number is used. The Village's Fire Department did not receive any federal grants in 2011 or 2012. 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 \$2,672 in 2011 and \$2,864 in 2012. At December 31, 2012, the unaudited Fire Department carrying amount of cash was \$7,441.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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 in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Eldorado, Preble County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated May 31, 2013 wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted that during 2011 the Village of Eldorado, Preble County, Ohio adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2012-01, 2012-03 and 2012-04 to be significant deficiencies.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-01 and 2012-02.

Purpose of this Report

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



Dave Yost
Auditor of State

May 31, 2013

**VILLAGE OF ELDORADO
PREBLE COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-01

Noncompliance Citation / Significant Deficiency

Ohio Administrative Code Section 117-2-02(C)(1) states, in part, that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

The Village failed to properly post all estimated resources and appropriations to the accounting system in 2012 as follows:

Fund	Estimated Resources per Final Certificate of Estimated Resources	Estimated Resources Posted to the Village's Accounting System	Variance
General Fund	\$120,489	\$130,711	\$(10,222)
Street CM&R	23,800	25,000	(1,200)
Fire Fund	36,000	37,000	(1,000)
Capital Projects Fund	286,112	0	286,112
Sewer Fund	81,182	105,132	(23,950)
Electric Fund	355,100	375,050	(19,950)

Fund	Appropriations per Appropriation Resolutions	Final Appropriations Posted to the Village's Accounting System	Variance
General Fund	\$156,800	\$151,820	\$4,980
Street CM&R	55,000	63,000	(8,000)
State Highway	10,000	1,000	9,000
Permissive MVL	30,000	10,000	20,000
Water Fund	121,100	120,100	1,000
Sewer Fund	124,000	125,000	(1,000)

Failure to properly post estimated resources and appropriations could result in excessive spending and possible negative fund balances. We recommend the Village properly post estimated resources and appropriations to its accounting system. Once posted, the Fiscal Officer and Council should compare the estimated resources and appropriations on the accounting system to the official documents.

FINDING NUMBER 2012-02

Noncompliance Citation

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
12/31/11	Capital Projects	286,112	176,112	110,000

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 2012-03

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.

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

- The Village posted \$3,821 of rollback money to General Fund tax receipts instead of Intergovernmental Revenue in 2012.
- The Village posted \$4,143 in local government distribution money to Street Fund tax receipts instead of Intergovernmental Revenue in 2012.
- The Village posted \$289 in local government distribution money to State Highway Fund tax receipts instead of Intergovernmental Revenue in 2012.
- The Village posted \$4,492 in local government distribution money to Street Fund tax receipts instead of Intergovernmental Revenue in 2011.
- The Village posted \$350 in local government distribution money to State Highway Fund tax receipts instead of intergovernmental revenue in 2011.
- The Village posted \$4,485 of state grant money to Fire Fund charges for services instead of Fire Fund Intergovernmental revenue for grant receipts.

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

**FINDING NUMBER 2012-03
(Continued)**

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

FINDING NUMBER 2012-04

Significant Deficiency

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

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

- \$88,000 was posted to the Fire Department's debt service line item. This expenditure was for the purchase of a fire truck and should have been posted to the capital outlay line item.

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

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

Officials' Response:

Officials did not provide responses to these findings.

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**VILLAGE OF ELDORADO
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Ohio Rev. Code, Section 5705.36 (A)(4), appropriations exceeded available fund balance.	No	Not Corrected – Reissue as Finding Number 2012-02
2010-02	Lack of controls over posting of financial activity.	No	Partially Corrected – Reissued as Finding Number 2012-03
2010-03	Estimated resources were not accurately posted to system.	No	Not Corrected – Reissue as Finding Number 2012-01

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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
JUNE 20, 2013**