



**Auditor of State  
Betty Montgomery**



VILLAGE OF ELDORADO  
PREBLE COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Village of Eldorado  
Preble County  
160 North Main Street  
P.O. Box 250  
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, 2002 and 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by 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

January 20, 2004

**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, 2002**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$22,645	\$11,444	\$34,089
Intergovernmental Receipts	46,721	12,782	59,503
Charges for Services	31,610	54,148	85,758
Fines, Licenses, and Permits	295		295
Earnings on Investments	16,856	444	17,300
Miscellaneous	2,086	6,804	8,890
Total Cash Receipts	120,213	85,622	205,835
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,061	10,826	11,887
Public Health Services	966		966
Leisure Time Activities	1,778		1,778
Community Environment	234		234
Basic Utility Services	28,975		28,975
Transportation		1,185	1,185
General Government	59,519		59,519
Debt Service:			
Principal Payments		35,831	35,831
Interest Payments		4,239	4,239
Capital Outlay	14,051	109,691	123,742
Total Cash Disbursements	106,584	161,772	268,356
Total Receipts Over/(Under) Disbursements	13,629	(76,150)	(62,521)
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	18,123	150	18,273
Transfers-Out	(25,646)		(25,646)
Proceeds of Loan		122,000	122,000
Total Other Financing Receipts/(Disbursements)	(7,523)	122,150	114,627
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	6,106	46,000	52,106
Fund Cash Balances, January 1	112,750	99,221	211,971
<b>Fund Cash Balances, December 31</b>	<b>\$118,856</b>	<b>\$145,221</b>	<b>\$264,077</b>
Reserves for Encumbrances, December 31	\$892	\$434	\$1,326

*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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$410,954
Miscellaneous	2,791
	<u>413,745</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	52,280
Fringe Benefits	10,288
Contractual Services	235,754
Supplies and Materials	53,640
Capital Outlay	71,270
Other	2,700
	<u>425,932</u>
Total Operating Cash Disbursements	<u>425,932</u>
Operating Income/(Loss)	<u>(12,187)</u>
<b>Non-Operating Cash Receipts:</b>	
Proceeds from Notes and Bonds	8,800
	<u>8,800</u>
Total Non-Operating Cash Receipts	<u>8,800</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	19,750
	<u>19,750</u>
Total Non-Operating Cash Disbursements	<u>19,750</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(23,137)
Transfers-In	48,925
Transfers-Out	(41,553)
	<u>(15,765)</u>
Net Receipts Over/(Under) Disbursements	(15,765)
Fund Cash Balances, January 1	<u>392,791</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$377,026</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$6,556</u></u>

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



**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$22,756	\$11,848	\$34,604
Intergovernmental Receipts	46,501	12,785	59,286
Charges for Services	31,926	40,173	72,099
Fines, Licenses, and Permits	145		145
Earnings on Investments	21,703	619	22,322
Miscellaneous	5,405		5,405
 Total Cash Receipts	 128,437	 65,425	 193,862
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	289	10,635	10,924
Public Health Services	997		997
Leisure Time Activities	4,798		4,798
Community Environment	272		272
Basic Utility Services	28,700		28,700
Transportation		5,058	5,058
General Government	59,780		59,780
Debt Service:			
Principal Payments		18,964	18,964
Interest Payments		2,037	2,037
Capital Outlay	13,733	10,335	24,067
 Total Cash Disbursements	 108,568	 47,027	 155,595
 Total Receipts Over/(Under) Disbursements	 19,869	 18,398	 38,267
<b>Other Financing Receipts and (Disbursements):</b>			
Transfers-In	9,444	180	9,624
Transfers-Out	(20,993)		(20,993)
 Total Other Financing Receipts/(Disbursements)	 (11,550)	 180	 (11,370)
 Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	 8,319	 18,578	 26,897
 Fund Cash Balances, January 1	 104,431	 80,643	 185,074
 <b>Fund Cash Balances, December 31</b>	 <b>\$112,750</b>	 <b>\$99,221</b>	 <b>\$211,971</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 - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$378,122
Miscellaneous	4,702
	<u>382,824</u>
Total Operating Cash Receipts	<u>382,824</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	42,323
Fringe Benefits	8,348
Contractual Services	201,058
Supplies and Materials	48,461
Capital Outlay	95,521
Miscellaneous	2,850
	<u>398,561</u>
Total Operating Cash Disbursements	<u>398,561</u>
Operating Income/(Loss)	<u>(15,737)</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	20,200
	<u>20,200</u>
Total Non-Operating Cash Disbursements	<u>20,200</u>
Excess of Receipts (Under) Disbursements Before Interfund Transfers	(35,937)
Transfers-In	44,243
Transfers-Out	(32,874)
	<u>(24,568)</u>
Net Receipts (Under) Disbursements	(24,568)
Fund Cash Balances, January 1	417,359
	<u>417,359</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$392,791</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, 2002 AND 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Eldorado, Preble County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water, sewer, and electric utilities, garbage collection, and fire protection services. 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 9.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**2. Special Revenue Fund**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

*Fire Disability Pension Fund* - This fund receives money from area townships for which the Village provides fire protection services. Expenditures are for operating costs of the fire department.

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

**3. Enterprise Funds**

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

*Water Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

*Sewer Fund* - This fund receives charges for services from residents to cover the cost of providing this utility.

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

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2002	2001
Demand deposits	\$310,032	\$273,691
Certificates of deposit	281,020	281,020
Total deposits	591,052	554,711
STAR Ohio	50,051	50,051
Total investments	50,051	50,051
Total deposits and investments	\$641,103	\$604,762

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) 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, 2002 AND 2001  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$138,336	\$33,336
Special Revenue	174,700	207,772	33,072
Enterprise	375,430	471,470	96,040
Total	\$655,130	\$817,579	\$162,449

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$183,750	\$133,122	\$50,628
Special Revenue	211,000	162,206	48,794
Enterprise	671,950	493,791	178,159
Total	\$1,066,700	\$789,119	\$277,581

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$105,000	\$137,881	\$32,881
Special Revenue	51,400	65,605	14,205
Enterprise	349,430	427,067	77,637
Total	\$505,830	\$630,553	\$124,723

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$185,611	\$129,561	\$56,050
Special Revenue	82,500	47,027	35,473
Enterprise	636,734	451,635	185,099
Total	\$904,845	\$628,224	\$276,622

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$8,800	0.00%
1978 Sewer Revenue Bonds	206,000	5.00%
2002 Fire Tanker Note	108,838	4.75%
Total	<u>\$323,638</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 \$284,950 in loans to the Village for this project. The initial loan of \$22,000 is for planning purposes, bears no interest, and is to be repaid over a period of 10 years. The subsequent 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 \$9,462.54, including interest. The scheduled payment amount below assumes that \$284,950 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% based on changes in the prime rates 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.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**5. DEBT (Continued)**

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

Year ending December 31:	OWDA Loan	1978 Sewer Revenue Bonds	2002 Fire Tanker Note
2003	\$0	\$20,300	\$12,000
2004	1,100	19,800	12,000
2005	18,925	20,300	12,000
2006	18,925	19,750	12,000
2007	18,925	20,200	12,000
Subsequent	465,877	196,900	85,940
Total	<u>\$523,752</u>	<u>\$297,250</u>	<u>\$145,940</u>

**6. RETIREMENT SYSTEMS**

The Village's full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

**7. 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 insurance 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. Claims exceeding \$250,000 are reinsured with APEEP 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.

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.



**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 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>2002</u>	<u>2001</u>
Assets	\$20,174,977	\$19,358,458
Liabilities	(8,550,749)	(8,827,588)
Retained earnings	<u>\$11,624,228</u>	<u>\$10,530,870</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$2,565,408	1,890,323
Liabilities	(655,318)	(469,100)
Retained earnings	<u>\$1,910,090</u>	<u>\$1,421,223</u>

**8. CONTINGENT LIABILITIES**

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001  
(Continued)**

**9. JOINT VENTURE**

The Village is a participant, with forty-two other subdivisions within the State of Ohio, in a joint venture to construct a hydroelectric plant and associated transmission facilities in West Virginia (on the Ohio River at the Belleville Locks and Dam) and receive electricity from its operation. The Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5) was created for that purpose. On dissolution of the joint venture, the net assets of JV5 will be shared by the participants on a percentage basis. The JV5 is managed by AMP-Ohio who acts as the joint venture's agent. The participants are obligated by the agreement to remit, on a monthly basis, those costs incurred from using electricity generated by the joint venture and a portion of the \$138,420,000 Certificates of Beneficial Interest debt that was issued to construct the fixed asset. In accordance with the joint venture agreement, the Village remitted \$15,041 to the joint venture for 2001 and \$13,935 for 2002. The Village's net investment and its share of the operating results of JV5 are reported in the Village's Electric enterprise fund. The Village's equity interest in JV5 was \$5,759 at December 31, 2002. Financial information for JV5 may be obtained from AMP-Ohio, 2600 Airport Drive, Columbus, Ohio 43219.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Eldorado  
Preble County  
160 North Main Street  
P.O. Box 250  
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, 2002 and 2001, and have issued our report thereon dated January 20, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated January 20, 2004.

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by 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

January 20, 2004

**VILLAGE OF ELDORADO  
PREBLE COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2002 AND 2001**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Noncompliance**

Ohio Rev. Code, Section 5705.41(D), states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the Clerk’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free from any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
  
- B. If the amount involved is less than \$1,000 (\$3,000 effective 4/7/03), the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Council, if such expenditure is otherwise valid.

The Village did not properly certify the availability of funds for purchase commitments for 36% of expenditures tested and neither of the exceptions were used. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying the availability of funds on properly approved purchase orders. We recommend the Village obtain approved purchase orders, which contain the Clerk’s certification indicated by a signature that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

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**VILLAGE OF ELDORADO  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2002 AND 2001**

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>
Management Letter	ORC Section 5705.41(D)	No	Not Corrected - Reissued as Finding # 2002-001







**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**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  
MARCH 4, 2004**