



OHIO AUDITOR OF STATE
KEITH FABER



**VILLAGE OF ELDORADO
PREBLE COUNTY
DECEMBER 31, 2018 AND 2017**

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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 of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Eldorado, Preble County, Ohio (the Village) as of and for the years ended December 31, 2018 and 2017.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 such 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 opinions.

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

As described in Note 2 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2018 and 2017, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Eldorado, Preble County as of December 31, 2018 and 2017, 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(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, 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.



Keith Faber
Auditor of State

Columbus, Ohio

January 13, 2020

Village of Eldorado, Ohio*Preble County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$29,524	\$0	\$29,524
Intergovernmental	42,939	124,847	167,786
Charges for Services	48,508	55,000	103,508
Fines, Licenses and Permits	40	0	40
Earnings on Investments	4,696	81	4,777
Miscellaneous	12,465	0	12,465
<i>Total Cash Receipts</i>	<u>138,172</u>	<u>179,928</u>	<u>318,100</u>
Cash Disbursements			
Current:			
Security of Persons and Property	154	21,782	21,936
Leisure Time Activities	2,102	0	2,102
Community Environment	29	0	29
Basic Utility Services	47,388	0	47,388
Transportation	0	18,236	18,236
General Government	48,452	88,518	136,970
Capital Outlay	25,971	29,830	55,801
Debt Service:			
Principal Retirement	0	5,740	5,740
<i>Total Cash Disbursements</i>	<u>124,096</u>	<u>164,106</u>	<u>288,202</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,076</u>	<u>15,822</u>	<u>29,898</u>
Other Financing Receipts			
Transfers In	16,036	0	16,036
<i>Total Other Financing Receipts</i>	<u>16,036</u>	<u>0</u>	<u>16,036</u>
<i>Net Change in Fund Cash Balances</i>	30,112 #	15,822	45,934
<i>Fund Cash Balances, January 1</i>	<u>228,013</u>	<u>281,010</u>	<u>509,023</u>
Fund Cash Balances, December 31			
Restricted	0	296,832	296,832
Assigned	100,718	0	100,718
Unassigned	157,407	0	157,407
<i>Fund Cash Balances, December 31</i>	<u>\$258,125</u>	<u>\$296,832</u>	<u>\$554,957</u>

See accompanying notes to the basic financial statements.

Village of Eldorado, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2018

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$690,979
<i>Total Operating Cash Receipts</i>	<u>690,979</u>
Operating Cash Disbursements	
Personal Services	65,741
Employee Fringe Benefits	10,543
Contractual Services	383,200
Supplies and Materials	71,604
Other	2,250
<i>Total Operating Cash Disbursements</i>	<u>533,338</u>
<i>Operating Income</i>	<u>157,641</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2,259
Capital Outlay	(90,886)
Principal Retirement	(12,083)
Interest and Other Fiscal Charges	(6,792)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(107,502)</u>
<i>Income before Transfers Out</i>	50,139
Transfers Out	(16,036)
<i>Net Change in Fund Cash Balances</i>	34,103
<i>Fund Cash Balances, January 1</i>	<u>658,216</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$692,319</u></u>

See accompanying notes to the basic financial statements

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Village of Eldorado (the Village), Preble County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Jointly Governed Organizations

The Village participates in the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). Note 10 to the financial statements provide additional information for this entity. 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 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

FEMA Fund This fund receives grant money for the fire department purchase of equipment

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Operating Fund This fund receives charges for services from residents to cover the costs of this utility.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 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.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

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.

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:

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

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.

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.

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.

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.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2018 follows.

2018 Budgeted vs. Actual Receipts			
General	117,810	154,208	36,398
Special Revenue	172,508	179,928	7,420
Capital Projects	15,809	0	(15,809)
Enterprise	673,700	693,238	19,538
Total	\$979,827	\$1,027,374	\$47,547

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$208,350	\$124,096	\$84,254
Special Revenue	285,558	164,106	121,452
Capital Projects	15,809	0	15,809
Enterprise	918,600	659,134	259,466
Total	\$1,428,317	\$947,336	\$480,981

Note 4 – 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:

	2018
Demand deposits	\$916,256
Certificates of deposit	281,020
Total deposits	1,197,276
U.S. Treasury Notes	
STAR Ohio	50,000
Total investments	50,000
Total deposits and investments	\$1,247,276

Deposits

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

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Property Taxes

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Four 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. 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, 2018.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Social Security

Nine Village employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC Mill St	\$154,980	0.00%
OPWC Water	33,119	0.00%
Ohio Water Development Authority Loan	164,537	4.85%
Total	<u>\$352,636</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$239,334 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$7,611, including interest, over 30 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements. The Village's taxing authority collateralized the bonds.

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.

The Ohio Public Works Commission (OPWC) loan was obtained in 2015 for Mill Street construction. The loan will be repaid over 30 years in semiannual installments of \$2,870. The loan is collateralized by street tax receipts.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

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

Year Ending	<u>OPWC Water</u>	<u>OWDA Loan</u>	<u>OPWC Street</u>	<u>AMP Ohio</u>
December 31:				
2019	5,096	15,222	5,740	7,531
2020	5,096	15,222	5,740	7,531
2021	5,096	15,223	5,740	7,531
2022	5,096	15,223	5,740	7,531
2023	5,096	15,223	5,740	7,531
2024-2028	7,639	76,117	28,700	37,655
2029-2033		76,115	28,700	8,160
2034-2038		14,527	28,700	
2039-2043			28,700	
2044-2048			11,480	
Total	<u>\$ 33,119</u>	<u>\$ 242,872</u>	<u>\$ 154,980</u>	<u>\$ 83,470</u>

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 200 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.03 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$34,696. The Village received a credit of \$9,672 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$9,045 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired cost balance of \$15,979. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Since March 31, 2014 the Village has made payments of \$17,000 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$349 and interest expense incurred on AMP's line-of-credit of \$77, resulting in a net credit balance for impaired cost estimate at December 31, 2016 of \$595. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$9,302 resulting in a net total potential liability of \$8,707, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

Note 10 – 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.

Also 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, 2018, Eldorado has met its 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.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$2,390 at December 31, 2018. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – AMP Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

	2018
Total Fund Cash Balance	\$239,837
Total Long-Term Debt	\$83,470
Condensed Operating Information:	
Operating Receipts	
Charges for Services	499,292
Total Operating Receipts	499,292
Operating Expenses	
Personal Services	23,188
Fringe Benefits	6,129
Contractual Services	378,570
Supplies and Materials	22,675
Total Operating Expenses	430,562
Operating Income (Loss)	68,730
Nonoperating Receipts (Disbursements)	
Other Nonoperating Receipts (Disbursements)	(23,752)
Transfers	(16,036)
Change in Fund Cash Balance	28,942
Beginning Fund Cash Balance	210,895
Ending Fund Cash Balance	<u>\$239,837</u>

	2018
Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	\$68,730
Noncapital Financing Activities	
Other Noncapital Financing Activities	(14,013)
Net Cash Provided (Used) by Noncapital Financing Activities	(14,013)
Capital and Related Financing Activities	
Other Capital and Related Financing Activities	(25,775)
Net Cash Provided (Used) by Capital and Related Financing Activities	(25,775)
Net Increase (Decrease)	28,942
Beginning Fund Cash Balance	210,895
Ending Fund Cash Balance	<u>\$239,837</u>

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 13 – 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 receive federal grants in 2018 in the total amount of \$88,518. 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.

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Village of Eldorado, Ohio

Preble County

Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2017

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$28,805	\$0	\$28,805
Intergovernmental	26,121	61,432	87,553
Charges for Services	48,045	68,006	116,051
Fines, Licenses and Permits	375	0	375
Earnings on Investments	3,861	71	3,932
Miscellaneous	14,654	0	14,654
<i>Total Cash Receipts</i>	<u>121,861</u>	<u>129,509</u>	<u>251,370</u>
Cash Disbursements			
Current:			
Security of Persons and Property	12	16,062	16,074
Leisure Time Activities	3,494	0	3,494
Basic Utility Services	45,781	0	45,781
Transportation	0	7,045	7,045
General Government	49,148	0	49,148
Capital Outlay	22,015	27,184	49,199
Debt Service:			
Principal Retirement	0	5,740	5,740
<i>Total Cash Disbursements</i>	<u>120,450</u>	<u>56,031</u>	<u>176,481</u>
<i>Excess of Receipts Over Disbursements</i>	<u>1,411</u>	<u>73,478</u>	<u>74,889</u>
Other Financing Receipts			
Sale of Capital Assets	0	35,105	35,105
Transfers In	14,859	0	14,859
<i>Total Other Financing Receipts</i>	<u>14,859</u>	<u>35,105</u>	<u>49,964</u>
<i>Net Change in Fund Cash Balances</i>	16,270 #	108,583	124,853
<i>Fund Cash Balances, January 1</i>	<u>211,743</u>	<u>172,427</u>	<u>384,170</u>
Fund Cash Balances, December 31			
Restricted	0	281,010	281,010
Assigned	90,540	0	90,540
Unassigned	137,473	0	137,473
<i>Fund Cash Balances, December 31</i>	<u>\$228,013</u>	<u>\$281,010</u>	<u>\$509,023</u>

See accompanying notes to the basic financial statements.

Village of Eldorado, Ohio
Preble County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
Proprietary Fund Type
For the Year Ended December 31, 2017

	Enterprise
Operating Cash Receipts	
Charges for Services	\$637,251
<i>Total Operating Cash Receipts</i>	<u>637,251</u>
Operating Cash Disbursements	
Personal Services	78,497
Employee Fringe Benefits	12,681
Contractual Services	344,577
Supplies and Materials	77,291
Other	3,750
<i>Total Operating Cash Disbursements</i>	<u>516,796</u>
<i>Operating Income</i>	<u>120,455</u>
Non-Operating Receipts (Disbursements)	
Miscellaneous Receipts	2,821
Capital Outlay	(34,003)
Principal Retirement	(30,756)
Interest and Other Fiscal Charges	(7,219)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(69,157)</u>
<i>Income before Transfers</i>	51,298
Transfers In	3,905
Transfers Out	(18,764)
<i>Net Change in Fund Cash Balances</i>	36,439
<i>Fund Cash Balances, January 1</i>	<u>621,777</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$658,216</u></u>

See accompanying notes to the basic financial statements.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

The Village of Eldorado (the Village), Preble County, Ohio, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. 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.

Jointly Governed Organizations

The Village participates in the Ohio Municipal Electric Generation Agency Joint Venture 5 (JV5). Note 10 to the financial statements provide additional information for this entity. 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 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Sewer Operating Fund The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Electric Operating Fund This fund receives charges for services from residents to cover the costs of providing this utility.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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. Unencumbered appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Capital Assets

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon retirement, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

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:

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

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.

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.

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.

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.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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.

Note 3 - Budgetary Activity

Budgetary activity for the year ending 2017 follows:

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,505	\$136,720	\$19,215
Special Revenue	105,400	164,614	59,214
Capital Projects	16,094	0	(16,094)
Enterprise	667,130	643,977	(23,153)
Total	\$906,129	\$945,311	\$39,182

2017 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$196,350	\$120,450	\$75,900
Special Revenue	157,035	56,031	101,004
Capital Projects	16,094	0	16,094
Enterprise	907,600	607,538	300,062
Total	\$1,277,079	\$784,019	\$493,060

Note 4 – 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:

	2017
Demand deposits	\$836,219
Certificates of deposit	281,020
Total deposits	1,117,239
U.S. Treasury Notes	
STAR Ohio	50,000
Total investments	50,000
Total deposits and investments	\$1,167,239

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book entry form.

Note 5 – Property Taxes

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.

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

Note 6 - Risk Management

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omission

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Five 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. 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, 2017.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Social Security

Ten Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participant.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Street	\$160,720	0%
OPWC Water	38,215	0%
Ohio Water Development Authority Loan	171,524	4.85%
Total	\$370,459	

The Ohio Water Development Authority (OWDA) loan relates to a water treatment plant improvement project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$239,334 in loans to the Village for this project. The loan is for construction of water system improvements, and will bear interest at the rate of 4.85%, and is to be repaid over 30 years. The Village will repay the loans 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 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.

The Ohio Public Works Commission (OPWC) loan was obtained in 2015 for Mill Street construction. The loan will be repaid over 30 years in semiannual installments of \$2,870. The loan is collateralized by street tax receipts.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Year ending December 31:	<u>OPWC Water</u>	<u>OWDA Loan</u>	<u>OPWC Street</u>	<u>AMP Ohio</u>
2018	5,095	15,223	5,740	7,065
2019	5,095	15,222	5,740	7,531
2020	5,095	15,222	5,740	7,531
2021	5,095	15,223	5,740	7,531
2022	5,095	15,223	5,740	7,531
2023-2027	12,740	76,117	28,700	37,655
2028-2032		76,115	28,700	15,691
2033-2037		29,750	28,700	
2038-2042			28,700	
2043-2047			17,220	
Total	<u>\$38,215</u>	<u>\$258,095</u>	<u>\$160,720</u>	<u>\$90,535</u>

American Municipal Power

The Village is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project was intended to develop a pulverized coal power plant in Meigs County, Ohio. The Village's project share was 200 kilowatts (kW) of a total 771,281 kW, giving the Village a 0.03 percent project share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project. In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. All project costs incurred prior to the cancellation and related to the cancellation were therefore deemed impaired and participants were obligated to pay those incurred costs. In prior years, payment of these costs was not required due to AMP's pursuit of legal action to collect them from Bechtel. As a result of a March 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability. The Village's estimated share of the impaired costs at March 31, 2014 was \$34,696. The Village received a credit of \$9,672 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$9,045 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU), leaving an estimated net impaired cost balance of \$15,979. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact, either positively or negatively, the Village's net impaired cost balance. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a Settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the Settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the Settlement among the participants and the AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Since March 31, 2014 the Village has made payments of \$17,000 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the Village's allocation of additional costs incurred by the project is \$349 and interest expense incurred on AMP's line-of-credit of \$77, resulting in a net credit balance for impaired cost estimate at December 31, 2016 of \$595. The Village has opted to leave the credit balance with AMP to offset any additional AMPGS Project costs in the future. The Village does have a potential PHFU Liability of \$9,302 resulting in a net total potential liability of \$8,707, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the Village's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include items such negative items as property taxes as well as positive items revenue from leases or sale of all or a portion of the Meigs County site property.

Note 10 – 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.

Also 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, 2017, Eldorado has met its 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.

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The Village's net investment to date in OMEGA JV5 was \$2,390 at December 31, 2017. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 11 – Public Entity Risk Pool

The Village participates in the Ohio Municipal League Group Rating Plan (GRP) for worker's compensation. The pool's business and affairs are conducted by a twenty-six-member Board of Trustees consisting of fifteen mayors, two council members, three administrators, three finance directors, and three law directors which are voted on by the members for staggered two-year terms. The Executive Director of the Ohio Municipal League serves as the coordinator of the Program. Each year the participants pay an enrollment fee to the program to cover the costs of administering the program.

Note 12 – AMP Ohio Revenue Coverage

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 10. The Village is liable for debt related to the financing of the OMEGA JV5 joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	2017
Total Fund Cash Balance	\$210,895
Total Long-Term Debt	\$90,535
Condensed Operating Information:	
Operating Receipts	
Charges for Services	440,471
Total Operating Receipts	440,471
Operating Expenses	
Personal Services	32,393
Fringe Benefits	7,790
Contractual Services	339,817
Supplies and Materials	34,924
Total Operating Expenses	414,924
Operating Income (Loss)	25,547
Nonoperating Receipts (Disbursements)	
Other Nonoperating Receipts (Disbursements)	(7,361)
Transfers	(14,859)
Change in Fund Cash Balance	3,327
Beginning Fund Cash Balance	207,568
Ending Fund Cash Balance	<u>\$210,895</u>

	2017
Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	\$25,547
Noncapital Financing Activities	
Other Noncapital Financing Activities	(12,354)
Net Cash Provided (Used) by Noncapital Financing Activities	(12,354)
Capital and Related Financing Activities	
Other Capital and Related Financing Activities	(9,866)
Net Cash Provided (Used) by Capital and Related Financing Activities	(9,866)
Net Increase (Decrease)	3,327
Beginning Fund Cash Balance	207,568
Ending Fund Cash Balance	<u>\$210,895</u>

Village of Eldorado, Ohio
Preble County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 13 – 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 2017. 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.

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OHIO AUDITOR OF STATE KEITH FABER



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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 45891

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 cash balances, receipts, and disbursements by fund type of the Village of Eldorado, Preble County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated January 13, 2020, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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 opinions 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

January 13, 2020

**VILLAGE OF ELDORADO
PREBLE COUNTY**

**SCHEDULE OF FINDING
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

All financial information should be correctly reported and classified in the annual financial statements and accounting system. Due to lack of proper training of the Fiscal Officer, the following material errors which required re-classifications and adjustments to the financial statements and accounting system to correctly report the financial activity during the audit period were noted:

- In 2017, debt principal payments in the Street Special Revenue Fund were misclassified as capital outlay. This resulted in Debt Service-Principal being understated by \$5,740 and Capital Outlay being overstated in the same amount.
- In 2018, debt principal payments in the Street and State Highway Special Revenue Funds were misclassified as capital outlay. Furthermore, \$2,870 of debt payments were paid from the State Highway Fund rather than the Street Fund. This resulted in Debt Service Principal being understated by \$5,740 and Capital Outlay being overstated in the same amount (\$2,870 for the Street Fund; \$2,870 for the State Highway Fund). State Highway Fund Balance was understated by \$2,870 and Street Fund Balance was overstated by \$2,870.
- In 2017, proceeds from the sale of a fire truck were misclassified as miscellaneous revenue in the Fire Truck Reserve Special Revenue Fund. This resulted in Miscellaneous Revenue being overstated by \$35,105 and Sale of Capital Assets being understated by the same amount.
- Governmental Accounting Standards Board (GASB) Statement No. 54 paragraph 16 (GASB Codification 1800.176 - Fund Balance Reporting and Governmental Fund Type Definitions), states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. In addition, Auditor of State Bulletin 2011-004 states that when the appropriation measure is adopted for the subsequent year, and those appropriations exceed estimated receipts, the excess is to be assigned as it uses existing fund balance at year-end. This would be applicable only to the General Fund, as it is the only fund with a positive unassigned fund balance. At December 31, 2018 and 2017, General Fund subsequent year appropriations in excess of estimated receipts, in the amount of \$100,718 and \$90,540 were classified as Unassigned Fund Balance instead of Assigned Fund Balance.
- Permissive motor vehicle license tax receipts of \$1,154 were incorrectly posted to the Street Fund (\$1,067) and State Highway Fund (\$87) during 2018, rather than the Permissive Motor Vehicle License Tax Fund.
- In 2018, the Village received a reimbursement grant receipt for \$15,809. However, the receipt was posted to the incorrect fund. This resulted in Capital Projects Fund Intergovernmental receipts being overstated by \$15,809 and General Fund Intergovernmental receipts being understated by the same amount.

**FINDING NUMBER 2018-001
(Continued)**

The following errors were identified in the accounting records and/or financial statements. However, these errors were not material to the financial statements and therefore were not corrected.

- Homestead and rollback receipts were improperly posted to Property Tax revenue in the General Fund in the amounts of \$3,225 and \$3,300, during 2018 and 2017, respectfully. The monies should have been posted to Intergovernmental revenue.
- Cable franchise fees were improperly posted to Miscellaneous revenue in the General Fund during 2018 in the amount of \$2,784. The monies should have been posted to Fines, Licenses, and Permits.
- Transfers out of the Sewer Operating Fund to the Sewage Debt Funds in the amount of \$3,905 during 2017, should have been eliminated on the financial statements since both funds roll to the proprietary fund type.

The failure to correctly classify fund balances on financial statements may impact the user's understanding of the financial operations, the Council's ability to make sound financial decisions, and result in the material misstatement of the financial statements. Policies and procedures should be developed and implemented to verify that all receipts and expenditures are posted in correct accounts.

The errors identified should be reviewed by the Council to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in the classification of fund balances. In addition to the monthly review of financial reports, the Council should consider a detailed review of the accounting records and the year-end financial statements to help identify and correct errors in a timely manner.

Officials' Response:

We did not receive a response from Officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



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
FEBRUARY 11, 2020**