



**Auditor of State
Betty Montgomery**

VILLAGE OF MOSCOW
CLERMONT COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Moscow
Clermont County
79 Elizabeth Street
Moscow, Ohio 45153

To the Village Council:

We have audited the accompanying financial statements of the Village of Moscow, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002. 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, 2003 and 2002, 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 September 22, 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 the audit committee, management, Village Council and other officials authorized to receive this report under § 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

September 22, 2004

**VILLAGE OF MOSCOW
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$193,930	\$0	\$0	\$0	\$193,930
Intergovernmental Receipts	299,351	9,011	33,159	137,800	479,321
Fines, Licenses, and Permits	572	83			655
Earnings on Investments	8,726	1,078			9,804
Miscellaneous	16,654	390			17,044
	<u>519,233</u>	<u>10,562</u>	<u>33,159</u>	<u>137,800</u>	<u>700,754</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	47,206				47,206
Public Health Services	10,092				10,092
Leisure Time Activities	57,488	1,351			58,839
Basic Utility Services	31,315				31,315
Transportation	19,163	4,549			23,712
General Government	309,724				309,724
Capital Outlay				191,753	191,753
	<u>474,988</u>	<u>5,900</u>	<u>0</u>	<u>191,753</u>	<u>672,641</u>
Total Receipts Over/(Under) Disbursements	<u>44,245</u>	<u>4,662</u>	<u>33,159</u>	<u>(53,953)</u>	<u>28,113</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	144,641			60,038	204,679
Transfers-Out	(60,038)		(144,641)		(204,679)
	<u>84,603</u>	<u>0</u>	<u>(144,641)</u>	<u>60,038</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	128,848	4,662	(111,482)	6,085	28,113
Fund Cash Balances, January 1	<u>748,137</u>	<u>22,918</u>	<u>111,482</u>	<u>0</u>	<u>882,537</u>
Fund Cash Balances, December 31	<u>\$876,985</u>	<u>\$27,580</u>	<u>\$0</u>	<u>\$6,085</u>	<u>\$910,650</u>
Reserves for Encumbrances, December 31	<u>\$25,065</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,505</u>	<u>\$32,570</u>

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

**VILLAGE OF MOSCOW
CLERMONT 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property Tax and Other Local Taxes	\$143,162	\$0	\$63,302	\$0	\$206,464
Intergovernmental Receipts	334,190	7,619	67,988		409,797
Fines, Licenses, and Permits	781				781
Earnings on Investments	13,699	1,694			15,393
Miscellaneous	21,038	5,460	504		27,002
	<u>512,870</u>	<u>14,773</u>	<u>131,794</u>	<u>0</u>	<u>659,437</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	43,174				43,174
Public Health Services	20,800				20,800
Leisure Time Activities	10,849				10,849
Basic Utility Services	20,831				20,831
Transportation	47,528	40,359			87,887
General Government	288,077		1,644		289,721
Debt Service:					
Principal Payments			125,000		125,000
Interest Payments			6,437		6,437
Capital Outlay	104,452				104,452
	<u>535,711</u>	<u>40,359</u>	<u>133,081</u>	<u>0</u>	<u>709,151</u>
Total Receipts Over/(Under) Disbursements	<u>(22,841)</u>	<u>(25,586)</u>	<u>(1,287)</u>	<u>0</u>	<u>(49,714)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In			10,000		10,000
Transfers-Out	(10,000)				(10,000)
Payment to Moscow CIC				(10,000)	(10,000)
Other Financing Uses	(260)				(260)
Sale of Assets	1,687				1,687
	<u>(8,573)</u>	<u>0</u>	<u>10,000</u>	<u>(10,000)</u>	<u>(8,573)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(31,414)	(25,586)	8,713	(10,000)	(58,287)
Fund Cash Balances, January 1	779,551	48,504	102,769	10,000	940,824
Fund Cash Balances, December 31	<u>\$748,137</u>	<u>\$22,918</u>	<u>\$111,482</u>	<u>\$0</u>	<u>\$882,537</u>
Reserves for Encumbrances, December 31	<u>\$28,326</u>	<u>\$692</u>	<u>\$0</u>	<u>\$0</u>	<u>\$29,018</u>

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

**VILLAGE OF MOSCOW
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Moscow, Clermont 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 sewer utilities and park operations (leisure time activities). The Village contracts with the Clermont County Sheriff's department to provide security of persons and property.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (3) the Village is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the levying of taxes. The Village has a component unit as described below.

The Moscow Community Improvement Corporation (CIC) is located within the corporate limits of the Village and has designated the Village of Moscow as its Village Agent. The governing Board of the Corporation is comprised of the Village Council including the Mayor and three other residents of the Village. The Mayor and the Village Council appoint the members of the Board for the CIC. The Clerk of the Village receives and disburses funds on behalf of the Corporation. The Corporation issues separate financial statements in accordance with general accepted accounting principles (GAAP).

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

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. STAR Ohio is recorded at share value reported by the fund.

VILLAGE OF MOSCOW
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

General Obligation Fund – The purpose of this fund is to retire general obligations related to the wastewater treatment and collection system. These bonds were paid off in 2002.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project fund in 2003:

Community Development Block Grant - This fund was used to account for monies spent by Clermont County on the Village's behalf for the renovation of the old Moscow school building.

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 or function 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 MOSCOW
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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. During the fiscal years ending December 31, 2003 and 2002, the Village did not consistently utilize the encumbrance method of accounting. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 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

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as a liability under the cash basis of accounting used by the Village.

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:

	2003	2002
Demand deposits	\$15,014	\$46,267
Petty Cash	25	25
Certificates of deposit	338,312	335,783
Total deposits	353,351	382,075
 STAR Ohio	 557,299	 500,462
Total investments	557,299	500,462
Total deposits and investments	\$910,650	\$882,537

Deposits: Deposits are insured by the Federal Depository Insurance Corporation. All amounts over that insured by the Federal Depository Insurance Corporation are uncollateralized, contrary to Ohio law.

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

**VILLAGE OF MOSCOW
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$661,208	\$663,874	\$2,666
Special Revenue	9,561	10,562	1,001
Debt Service	0	33,159	33,159
Capital Projects	197,838	197,838	0
Total	\$868,607	\$905,433	\$36,826

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,002,714	\$560,091	\$442,623
Special Revenue	28,122	5,900	22,222
Debt Service	99,913	144,641	(44,728)
Capital Projects	197,038	199,258	(2,220)
Total	\$1,327,787	\$909,890	\$417,897

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$513,287	\$514,557	\$1,270
Special Revenue	5,968	14,773	8,805
Debt Service	131,795	141,794	9,999
Total	\$651,050	\$671,124	\$20,074

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$800,167	\$574,297	\$225,870
Special Revenue	52,200	41,051	11,149
Debt Service	142,000	133,081	8,919
Capital Projects	10,000	10,000	0
Total	\$1,004,367	\$758,429	\$245,938

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Debt Service and Capital Projects funds by \$44,728 and \$2,220, respectively, for the year ended December 31, 2003.

**VILLAGE OF MOSCOW
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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. RETIREMENT SYSTEMS

Full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This 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 2003 and 2002, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003 and 2002. The Village has paid all contributions required through December 31, 2003.

6. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Public official's liability;
- Inland marine;
- Law enforcement;
- Crime;
- Boiler and machinery; and
- Umbrella;

The Village also provides health insurance, dental, and vision coverage to full-time employees through a private carrier.

**VILLAGE OF MOSCOW
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. PAYMENT TO MOSCOW COMMUNITY IMPROVEMENT CORPORATION

In 2002, the Village paid \$10,000 to the Moscow Community Improvement Corporation for the general operation of the Corporation.



**Auditor of State
Betty Montgomery**

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

Village of Moscow
Clermont County
79 Elizabeth Street
Moscow, Ohio 45153

To the Village Council:

We have audited the accompanying financial statements of the Village of Moscow, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 22, 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 certain instances of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2003-001 and 2003-002. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 22, 2004.

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 September 22, 2004.

This report is intended solely for the information and use of the audit committee, 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

September 22, 2004

VILLAGE OF MOSCOW
CLERMONT COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2003-001

Material Noncompliance

Ohio Rev. Code, Section 135.18, requires the treasurer of a political subdivision to require the depository to provide as security an amount equal to the funds on deposit at all times. At December 31, 2003 and 2002, deposits of \$241,973 and \$237,651, respectively, were not insured or collateralized and bank balances exceeded \$100,000 at various times through out the audit period without being collateralized.

FINDING NUMBER 2003-002

Material Noncompliance

Ohio Rev. Code, Section 5705.41(B), states that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following fund for 2003:

Year	Fund	Appropriations	Actual Expenditures	Variance
2003	Debt Service	99,913	144,641	(44,728)
2003	Capital Projects	197,038	199,258	(2,220)

The Clerk should deny payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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**VILLAGE OF MOSCOW
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30413-001	Revised Code 5705.41(D), invoice dates preceded purchase order dates.	Partially Corrected	Significant decrease in invoice dates preceding purchase order dates. Moved compliance cite to the management letter.



**Auditor of State
Betty Montgomery**

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VILLAGE OF MOSCOW

CLERMONT 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
NOVEMBER 30, 2004**