



Mary Taylor, CPA  
Auditor of State



VILLAGE OF MOSCOW  
CLERMONT COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Village of Moscow, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

Ohio Revised Code § 1724.05 requires the Moscow Community Improvement Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying statements include the Community Improvement Corporation with nonmajor governmental funds, using the County's comprehensive accounting basis. The statements omit the Corporation's other assets, liabilities, fund equities, and disclosures that generally accepted accounting principles would require.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Village of Moscow, Clermont County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2005 and 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Mary Taylor, CPA**  
Auditor of State

June 18, 2007

Village of Moscow  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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This discussion and analysis of the Village of Moscow's financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005 and 2004, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

### **Highlights**

Key highlights for 2005 and 2004 are as follows:

Net assets of governmental activities decreased \$61,390, or 7 percent from 2003 to 2004, a slight change from the prior year. Net assets of governmental activities increased \$124,309, or 15 percent from 2004 to 2005, a moderate change from prior year. The funds most affected by the increase in cash and cash equivalents were the Ohio Department of Natural Resources Boat Ramp and Ohio Department of Natural Resources Bike Path Funds. These two funds received significant state grants during 2004 that were not received in 2005.

The Village's general receipts are primarily property taxes. These receipts represent respectively 97 and 98 percent of the total cash received for governmental activities during the year for both 2005 and 2004. Property tax receipts for 2005 and 2004 remained fairly consistent compared to 2003 as there has been no development within the Village.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Village of Moscow  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Village did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other nonfinancial factors as well, such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, all of the Village's basic services are reported as governmental, including police, fire, streets and parks. State grants, gasoline tax, local government revenue assistance, and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds – not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

All of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Village fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Village of Moscow  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2005 and 2004 on a cash basis. Since the village did not prepare financial statements in this format for 2003, a comparative analysis to that year has not been presented. In future years, when prior year information is available a comparative analysis will be presented.

	2005	2004	Variance	Change
<b>Assets</b>				
Cash and Cash Equivalents	724,951.00	849,260.00	(124,309.00)	-15%
Total Assets	<u>724,951</u>	<u>849,260</u>	<u>(124,309)</u>	
<b>Net Assets</b>				
Restricted for:				
Capital Projects	92,846	58,416	34,430	59%
Other Purposes	52,767	44,897	7,870	18%
Unrestricted	579,338	745,947	(166,609)	-22%
Total Net Assets	<u>\$724,951</u>	<u>\$849,260</u>	<u>(\$124,309)</u>	

As mentioned previously, net assets of governmental activities decreased \$124,309 or 15 percent from 2004 to 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- The Village received two large state grants from Ohio Department of Natural Resources for the Bike Path and Boat Ramp.

Table 2 reflects the changes in net assets in 2005 and 2004. Since the Village did not prepare financial statements in this format for 2003, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Village of Moscow  
Management's Discussion and Analysis  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2005	Governmental Activities 2004	Percentage Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$7,318	\$2,683	173%
Operating Grants and Contributions	7,432	12,244	-39%
Total Program Receipts	<u>14,750</u>	<u>14,927</u>	
General Receipts:			
Property and Other Local Taxes	149,543	146,174	
Grants and Entitlements Not Restricted to Specific Programs	323,285	427,358	-24%
Interest	24,300	9,813	148%
Sale of Capital Assets	0	37,504	
Total General Receipts	<u>497,128</u>	<u>620,849</u>	
Total Receipts	<u>511,878</u>	<u>635,776</u>	
Disbursements:			
General Government	468,163	491,302	-5%
Security of Persons and Property:	49,548	48,093	3%
Public Health Services	8,663	9,363	-7%
Leisure Time Activities	57,878	56,130	3%
Community Environment	0	416	-100%
Basic Utilities	29,060	24,160	20%
Transportation	7,305	12,948	-44%
Capital Outlay	15,570	65,331	-76%
Total Disbursements	<u>636,187</u>	<u>707,743</u>	
Decrease in Net Assets	(124,309)	(71,967)	
Net Assets, January 1	849,260	921,227	
Net Assets, December 31	<u>\$724,951</u>	<u>\$849,260</u>	

Program receipts represent only 3 percent and 2 percent of total receipts in 2005 and 2004, respectively, and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, building permits and inspection fees and charges.

General receipts represent 97 and 98 percent of the Village's total receipts in 2005 and 2004, respectively, and of this amount, over 30 percent are local taxes in 2005 and 24 percent are local taxes in 2004. State and federal grants and entitlements make up the balance of the Village's general receipts (65 percent in 2005 and 69 percent in 2004). Other receipts are very insignificant and somewhat unpredictable revenue sources.

In 2005 and 2004 disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, the mayor, and the clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs to 15 percent of General Fund unrestricted receipts.

Village of Moscow  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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Security of Persons and Property are the costs of contracted police and fire protection; Public Health Services is the health department; Leisure Time Activities are the costs of maintaining the parks and playing fields; the economic development department promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities on page 12 and 17 for 2005 and 2004, respectively, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for security of persons and property and general government, which account for 81 and 76 percent of all governmental disbursements in 2005 and 2004, respectively. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

	<b>Governmental Activities</b>			
	Total Cost Of Services	Net Cost of Services	Total Cost Of Services	Net Cost of Services
	2005	2005	2004	2004
General Government	\$468,163	\$365,831	\$491,302	\$430,982
Security of Persons and Property	49,548	38,718	48,093	\$42,188
Public Health Services	8,663	6,769	9,363	\$8,213
Leisure Time Activities	57,878	45,227	56,130	\$49,239
Community Environment	0	0	416	\$365
Basic Utilities	29,060	22,708	24,160	\$21,194
Transportation	7,305	5,708	12,948	\$11,358
Capital Outlay	15,570	12,167	65,331	\$57,310
<b>Total Expenses</b>	<b>\$636,187</b>	<b>\$497,128</b>	<b>\$707,743</b>	<b>\$620,849</b>

The dependence upon property tax receipts is apparent as over 78 and 88 percent of governmental activities are supported through these general receipts for 2005 and 2004, respectively.

**The Village's Funds**

Total village's funds had receipts of \$511,878 and \$635,776 and disbursements of \$636,187 and \$707,743 for 2005 and 2004, respectively. The greatest change within governmental funds occurred within the ODNR Bike Path and ODNR Boat Ramp. The fund balance of the General Fund decreased \$166,609 as the result of increased costs during a period when revenues remained constant.

Village of Moscow  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005 and 2004  
Unaudited

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General Fund receipts were less than disbursements by \$166,609 and \$130,730 in 2005 and 2004, respectively, indicating that the General Fund is in a deficit spending situation at the end of 2005. This indicates that the Village is not properly monitoring revenues in relation to disbursements and is in danger of fund deficits.

**General Fund Budgeting Highlights**

The Village's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2005 and 2004, the Village amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were below original budgeted receipts due to unexpected slow growth in tax receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$1,289,341 and \$1,093,324 for 2005 and 2004, respectively. The General Fund, respectively, while actual disbursements were \$667,212 and \$652,215 for 2005 and 2004, respectively, in the General Fund, respectively. Receipts lived up to expectations, and appropriations were not needed to be reduced. The Village kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$166,609 for 2005 in the General Fund.

**Capital Assets and Debt Administration**

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Village had no outstanding debt.

**Current Issues**

The challenge for all Villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Our newly prepared financial forecast predicts a continued surplus for the next 5 years. We reviewed our sources of revenue and determined that increases were likely to be expected as more subdivisions are built and property is annexed into the Village. We then reviewed the disbursement history of the Village. Disbursements over the last several years have remained constant and we expect to maintain the current level of effort on spending.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Skeene, Clerk, Village of Moscow, 79 Elizabeth Street, Moscow, Ohio 45153.

**Village of Moscow, Clermont County**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$724,957</u>
<i>Total Assets</i>	<u><u>\$724,957</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$54,430
Other Purposes	52,227
Unrestricted	<u>618,300</u>
<i>Total Net Assets</i>	<u><u>\$724,957</u></u>

See accompanying notes to the basic financial statements

**Village of Moscow, Clermont County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total
<b>Governmental Activities</b>				
General Government	\$468,163	\$5,963	\$0	(\$462,200)
Security of Persons and Property	49,548	1,355	0	(48,193)
Public Health Services	8,663	0	0	(8,663)
Leisure Time Activities	57,878	0	7,432	(50,446)
Basic Utility Services	29,060	0	0	(29,060)
Transportation	7,305	0	0	(7,305)
Capital Outlay	15,570	0	0	(15,570)
<i>Total Governmental Activities</i>	<u>\$636,187</u>	<u>\$7,318</u>	<u>\$7,432</u>	(621,437)
<b>General Receipts</b>				
Property Taxes Levied for:				
General Purposes				149,543
Grants and Entitlements not Restricted to Specific Programs				323,285
Interest				24,300
<i>Total General Receipts</i>				<u>497,128</u>
Total General Receipts, Special Item, Transfers and Advances				<u>497,128</u>
Change in Net Assets				(124,309)
<i>Net Assets Beginning of Year</i>				<u>849,260</u>
<i>Net Assets End of Year</i>				<u>\$724,951</u>

See accompanying notes to the basic financial statements

**Village of Moscow**  
**Clermont County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$618,300	\$106,657	\$724,957
<i>Total Assets</i>	\$618,300	\$106,657	\$724,957
<b>Fund Balances</b>			
Reserved:			
Reserved for Capital Projects		\$54,430	\$54,430
Reserved for Other Purposes		52,227	52,227
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	\$618,300		618,300
<i>Total Fund Balances</i>	\$618,300	\$106,657	\$724,957

See accompanying notes to the basic financial statements

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$149,495	\$2,762	\$152,257
Intergovernmental Receipts	310,308	10,269	320,577
Charges for Services	5,963		5,963
Fines, Licenses, and Permits	994	361	1,355
Earnings on Investments	23,551	749	24,300
Miscellaneous	7,432		7,432
 Total Receipts	 497,743	 14,141	 511,884
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	49,548		49,548
Public Health Services	8,663		8,663
Leisure Time Activities	57,878		57,878
Basic Utility Services	29,060		29,060
Transportation	3,900	3,405	7,305
General Government	468,163		468,163
Capital Outlay		15,570	15,570
 Total Disbursements	 617,212	 18,975	 636,187
 Total Receipts Over/(Under) Disbursements	 (119,469)	 (4,834)	 (124,303)
<b>Other Financing Sources and (Uses):</b>			
Transfers-In	3,406	50,000	53,406
Transfers-Out	(50,000)	(3,406)	(53,406)
 Total Other Financing Sources/(Uses)	 (46,594)	 46,594	 0
 Net change in Fund Balances	 (166,063)	 41,760	 (124,303)
 Fund Balances at Beginning of Year	 784,363	 64,897	 849,260
 <b>Fund Balances at End of Year</b>	 <b>\$618,300</b>	 <b>\$106,657</b>	 <b>\$724,957</b>

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



**Village of Moscow, Clermont County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$148,868	\$148,868	\$149,495	\$627
Charges for Services	6,500	4,500	5,963	1,463
Fines, Licenses and Permits	1,500	843	994	151
Intergovernmental	560,000	275,000	310,308	35,308
Interest	33,000	23,000	23,551	551
Miscellaneous	9,843	7,000	7,432	432
<i>Total receipts</i>	759,711	459,211	497,743	38,532
<b>Disbursements</b>				
Current:				
General Government	588,800	588,800	468,163	120,637
Security of Persons and Property	51,300	51,300	49,548	1,752
Public Health Services	10,000	10,000	8,663	1,337
Leisure Time Activities	89,041	89,041	57,878	31,163
Community Environment	7,000	7,000	0	7,000
Basic Utility Services	186,000	186,000	29,060	156,940
Transportation	10,000	10,000	3,900	6,100
<i>Total Disbursements</i>	942,141	942,141	617,212	324,929
<i>Excess of Receipts Over (Under) Disbursements</i>	(182,430)	(482,930)	(119,469)	363,461
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	3,406	3,406
Transfers Out	(320,500)	(320,500)	(50,000)	270,500
Other Financing Sources	(26,700)	(26,700)	0	26,700
Other Financing Uses	(3,406)	(3,406)	0	3,406
<i>Total Other Financing Sources (Uses)</i>	(350,606)	(350,606)	(46,594)	304,012
<i>Net Change in Fund Balance</i>	(533,036)	(833,536)	(166,063)	667,473
<i>Fund Balance Beginning of Year</i>	784,363	784,363	784,363	0
<i>Fund Balance End of Year</i>	\$251,327	(\$49,173)	\$618,300	\$667,473

See accompanying notes to the basic financial statements

**Village of Moscow, Clermont County**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$724,957</u>
<i>Total Assets</i>	<u><u>\$724,957</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$54,430
Other Purposes	52,227
Unrestricted	<u>618,300</u>
<i>Total Net Assets</i>	<u><u>\$724,957</u></u>

See accompanying notes to the basic financial statements

**Village of Moscow, Clermont County**

*Statement of Activities - Cash Basis*

*For the Year Ended December 31, 2004*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total
<b>Governmental Activities</b>				
General Government	\$491,302	\$1,627	\$0	(\$489,675)
Security of Persons and Property	48,093	1,056	0	(47,037)
Public Health Services	9,363	0	0	(9,363)
Leisure Time Activities	56,130	0	12,244	(43,886)
Community Environment	416	0	0	(416)
Basic Utility Services	24,160	0	0	(24,160)
Transportation	12,948	0	0	(12,948)
Capital Outlay	65,331	0	0	(65,331)
<i>Total Governmental Activities</i>	<u>\$707,743</u>	<u>\$2,683</u>	<u>\$12,244</u>	(692,816)
		<b>General Receipts</b>		
		Property Taxes Levied for:		
		General Purposes		146,174
		Grants and Entitlements not Restricted to Specific Programs		427,358
		Sale of Capital Assets		37,504
		Interest		9,813
		<i>Total General Receipts</i>		<u>620,849</u>
		Change in Net Assets		(71,967)
		<i>Net Assets Beginning of Year</i>		<u>921,227</u>
		<i>Net Assets End of Year</i>		<u>\$849,260</u>

**Village of Moscow**  
**Clermont County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2004*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$784,363	\$64,897	\$849,260
<i>Total Assets</i>	<u>\$784,363</u>	<u>\$64,897</u>	<u>\$849,260</u>
<b>Fund Balances</b>			
Reserved:			
Reserved for Encumbrances	\$4,980		\$4,980
Reserved for Capital Projects		\$20,000	20,000
Reserved for Other Purposes		44,897	44,897
Unreserved:			
Undesignated (Deficit), Reported in:			
General Fund	779,383		779,383
<i>Total Fund Balances</i>	<u>\$784,363</u>	<u>\$64,897</u>	<u>\$849,260</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>All Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$146,133	\$3,165	\$149,298
Intergovernmental Receipts	314,189	110,054	424,243
Charges for Services	1,627	0	1,627
Fines, Licenses, and Permits	876	180	1,056
Earnings on Investments	8,921	892	9,813
Miscellaneous	12,235	0	12,235
	<u>483,981</u>	<u>114,291</u>	<u>598,272</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	48,093	0	48,093
Public Health Services	9,363		9,363
Leisure Time Activities	17,664	38,466	56,130
Community Environment	416		416
Basic Utility Services	24,160		24,160
Transportation	8,317	4,631	12,948
General Government	491,302		491,302
Capital Outlay		65,331	65,331
	<u>599,315</u>	<u>108,428</u>	<u>707,743</u>
Total Receipts Over/(Under) Disbursements	<u>(115,334)</u>	<u>5,863</u>	<u>(109,471)</u>
<b>Other Financing Sources and (Uses):</b>			
Sale of Fixed Assets	37,504		37,504
Transfers-In		14,484	14,484
Transfers-Out	(14,484)		(14,484)
	<u>23,020</u>	<u>14,484</u>	<u>37,504</u>
Net change in Fund Balances	(92,314)	20,347	(71,967)
Fund Balances at Beginning of Year	<u>876,677</u>	<u>44,550</u>	<u>921,227</u>
<b>Fund Balances at End of Year</b>	<b><u>\$784,363</u></b>	<b><u>\$64,897</u></b>	<b><u>\$849,260</u></b>
Reserves for Encumbrances, December 31	<u>\$4,980</u>	<u>\$0</u>	<u>\$4,980</u>

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

**Village of Moscow, Clermont County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property and Other Local Taxes	\$145,473	\$145,686	\$146,133	\$447
Charges for Services	1,600	1,600	1,627	27
Fines, Licenses and Permits	982	875	876	1
Intergovernmental	287,496	314,145	314,189	44
Interest	8,000	8,900	8,921	21
Miscellaneous	11,000	12,100	12,235	135
<i>Total receipts</i>	<u>454,551</u>	<u>483,306</u>	<u>483,981</u>	<u>675</u>
<b>Disbursements</b>				
Current:				
General Government	541,824	541,824	491,302	50,522
Security of Persons and Property	50,500	50,500	48,093	2,407
Public Health Services	10,000	10,000	9,363	637
Leisure Time Activities	69,500	31,084	17,664	13,420
Community Environment	7,000	7,000	416	6,584
Basic Utility Services	174,000	174,000	24,160	149,840
Transportation	35,000	35,000	8,317	26,683
<i>Total Disbursements</i>	<u>887,824</u>	<u>849,408</u>	<u>599,315</u>	<u>250,093</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(433,273)</u>	<u>(366,102)</u>	<u>(115,334)</u>	<u>250,768</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	37,504	37,504	37,504	0
Transfers Out	(205,500)	(205,500)	(14,484)	191,016
<i>Total Other Financing Sources (Uses)</i>	<u>(167,996)</u>	<u>(167,996)</u>	<u>23,020</u>	<u>191,016</u>
<i>Net Change in Fund Balance</i>	(601,269)	(534,098)	(92,314)	441,784
<i>Fund Balance Beginning of Year</i>	<u>876,677</u>	<u>876,677</u>	<u>876,677</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$275,408</u>	<u>\$342,579</u>	<u>\$784,363</u>	<u>\$441,784</u>

See accompanying notes to the basic financial statements

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

**Note 1 – Reporting Entity**

The Village of Moscow, Clermont County, Ohio (the Village), 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. The Village is directed by a six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, maintenance of Village roads and bridges, park operations, and sewer utilities. The Village contracts with the Clermont County Sheriff's department to provide security of persons and property. The Village contracts with Washington Township for fire and EMS services.

**B. Component Units**

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 Fiscal 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 CIC is included in the Village financial statements as part of "Other Governmental Funds". The CIC is required under law to report on the GAAP basis, as a result of the CIC's inclusion in the Village's financial statements, the CIC is reported on the cash basis.

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**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Village's accounting policies.

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government. The statements classify all activities of the Village as governmental. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Village had no business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Village's general receipts.

**Fund Financial Statements**

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

**B. Fund Accounting**

The Village uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Village are all governmental.

**Governmental Funds**

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental fund is the General Fund. The General Fund is used to account for all financial resources, except those required to be accounted for 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. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.



**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

**C. Basis of Accounting**

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 2 – Summary of Significant Accounting Policies** (continued)

During 2005 and 2004, the Village invested in nonnegotiable certificates of deposits and STAR Ohio. The nonnegotiable certificates of deposits are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005 and 2004.

Interest earnings are allocated to Village funds according to State statutes and grant requirements. Interest receipts credited to the General Fund during 2005 and 2004 were \$23,552 and \$8,921, respectively. Other funds received interest in the amount of \$749 and \$892 during 2005 and 2004.

**F. Inventory and Prepaid Items**

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintenance of roads

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

VILLAGE OF MOSCOW  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)

**Note 2 – Summary of Significant Accounting Policies** (continued)

**K. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**L. Interfund Transactions**

Transfers between governmental funds on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

For 2003, the Village reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2005 and 2004, the Village has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Compliance**

Contrary to the Ohio Revised Code Section, the availability of funds were not certified for certain commitments.

Contrary to requirements of the Ohio Revised Code and the Ohio Administrative Code, the Village did not present the annual financial report of the Moscow Community Improvement Corporation in accordance with generally accepted accounting principles.

Contrary to the Ohio Revised Code, appropriations exceeded estimated resources in the General Fund for 2005.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 6 – Deposits and Investments**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) and by collateral pledged to the Village by the financial institution to secure the repayment of all public monies deposited with the institution.

At year end, the Village had no undeposited cash on hand included as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At year end, the carrying amount of the Village's deposits was \$724,951 and \$849,260 for 2005 and 2004, respectively, and the bank balance was \$724,852 and \$849,130 for 2005 and 2004, respectively. Of the bank balance \$344,917 and \$200,000 was covered by federal depository insurance in 2005 and 2004, respectively and \$344,917 and \$649,130 in 2005 and 2004, respectively was not covered through pooled collateral. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end 2005 and 2004, \$344,917 and \$649,130, respectively, of the Village's bank balances of \$724,852 and \$849,130 during 2005 and 2004 respectively, was exposed to custodial credit risk because those deposits were uninsured.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of December 31, 2005, the Village had the following investments:

	<u>Carrying Value</u>
STAR Ohio	<u>\$376,185</u>

Interest rate risk arises because the fair value of investments changes as interest rates change. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 6 - Deposits and Investments** (continued)

STAR Ohio carries a rating of AAAM by Standard and Poor's. The Village has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Village operations for the year ended December 31, 2005 and 2004, was \$2.50 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

	<u>2005</u>	<u>2004</u>
Real Property		
Residential	\$2,502,120	2,061,150
Commercial/Industrial/Mineral	9,051,200	8,410,920
Public Utility Property		
Personal	33,499,980	33,648,790
Tangible Personal Property	55,145	45,284
Total Assessed Value	\$45,108,445	44,166,144

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 8 – Risk Management**

The Village has obtained commercial insurance through Mariemont Insurance Company 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.

**Note 9 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the years ended December 31, 2005 and 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. The Village's contribution rate for pension benefits for 2005 and 2004 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)**

**Note 9 – Defined Benefit Pension Plans (Continued)**

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$33,817, \$32,993, and \$32,285 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$20,696 made by the Village and \$12,296 made by the plan members.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.



VILLAGE OF MOSCOW  
CLERMONT COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004  
(Continued)

**Note 11 – Interfund Transfers**

During 2005 and 2004 the following transfers were made:

Transfers from the General Fund to:	2005	2004
Other Governmental Funds	\$50,000	\$14,484
Total Transfers from the General Fund	<u>\$50,000</u>	<u>\$14,484</u>

Transfers from Other Governmental Funds to:	2005	2004
General Fund	\$3,406	\$0
Total Transfers from Other Governmental Funds	<u>\$3,406</u>	<u>\$0</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from Other Governmental Funds into the General Fund was to close out the FEMA Fund once the project was complete and all bills were paid.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Moscow, Clermont County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 18, 2007 wherein we noted the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-003.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. However, we do not believe the reportable conditions described above to be material weaknesses. In a separate letter to the Village's management dated June 18, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2005-001 through 2005-003. In a separate letter to the Village's management dated June 18, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 18, 2007

VILLAGE OF MOSCOW  
CLERMONT COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004

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

FINDING NUMBER 2005-001

**Material Noncompliance Citation**

**Ohio Rev. Code, Section 5705.41(D)(1),\*** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, the availability of funds were not certified for all year-end commitments. Furthermore, prior certification was not obtained for 6.7% of the 2005 and 14.3% for the 2004 vouchers reviewed and neither of the two exceptions provided for above were utilized. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-001  
(Continued)**

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village officials and employees obtain the Treasurer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response**

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

**FINDING NUMBER 2005-002**

**Material Noncompliance/Reportable Condition**

**Ohio Rev. Code, Section 1724.05**, requires the Moscow Community Improvement Corporation to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying statements include the Community Improvement Corporation with nonmajor governmental funds, using the County's comprehensive accounting basis. The statements omit the Corporation's other assets, liabilities, fund equities, and disclosures that generally accepted accounting principles would require. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Revised Code Section 1724.05.

**Ohio Administrative Code, Section 117-2-03**, requires the Community Improvement Corporation (CIC) to prepare its annual financial report in accordance with generally accepted accounting principles. The CIC prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The CIC can be fined and various other administrative remedies may be taken against the CIC.

We recommend the CIC take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response**

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

**FINDING NUMBER 2005-003**

**Material Noncompliance Citation/Reportable Condition**

**Ohio Rev. Code, Section 5705.39**, requires that the total appropriation from each fund should not exceed the total estimated revenue. Appropriations exceeded estimated revenue in 2005 in the General Fund by \$47,341. If the Village appropriates more than what the Village is expecting to receive in revenue the Village could potentially expend more money than they actually receive and funds could carry a negative fund balance as a result of not budgeting properly. We recommend that the Village only appropriate for amounts equal to or less than estimated revenues.

**Officials' Response**

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

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**VILLAGE OF MOSCOW  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	Village did not adequately secure deposited funds over \$100,000 by obtaining pooled collateral for all financial institutions.	Yes	
2003-002	Village had expenditures which exceeded appropriations.	Yes	





**Mary Taylor, CPA**  
Auditor of State

**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  
JULY 17, 2007**