



Dave Yost • Auditor of State

VILLAGE OF EMPIRE
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Empire
Jefferson County
151 Nessley Street
PO Box 307
Empire, Ohio 43926

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Empire, Jefferson County, (the "Village") as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Empire, Jefferson County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the Village has restated the cash fund balances of the General and Agency Fund types as of December 31, 2013 to reflect the Village's share of mayor's court monies which should have been posted to the General Fund. We did not modify our opinion regarding the matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2016

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VILLAGE OF EMPIRE
JEFFERSON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$10,015	\$4,877	\$14,892
Municipal Income Tax	4,970		4,970
Intergovernmental	8,200	15,475	23,675
Fines, Licenses and Permits	7,321		7,321
Earnings on Investments	2		2
Miscellaneous	616		616
<i>Total Cash Receipts</i>	<u>31,124</u>	<u>20,352</u>	<u>51,476</u>
Cash Disbursements			
Current:			
Security of Persons and Property	22,059	5,458	27,517
Leisure Time Activities	265		265
Transportation		16,719	16,719
General Government	7,286		7,286
<i>Total Cash Disbursements</i>	<u>29,610</u>	<u>22,177</u>	<u>51,787</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,514</u>	<u>(1,825)</u>	<u>(311)</u>
Other Financing Receipts (Disbursements)			
Other Financing Sources	160		160
Other Financing Uses	(8,569)	(550)	(9,119)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(8,409)</u>	<u>(550)</u>	<u>(8,959)</u>
<i>Net Change in Fund Cash Balances</i>	(6,895)	(2,375)	(9,270)
<i>Fund Cash Balances, January 1</i>	<u>13,698</u>	<u>10,772</u>	<u>24,470</u>
Fund Cash Balances, December 31			
Restricted	0	8,397	8,397
Unassigned	6,803	0	6,803
<i>Fund Cash Balances, December 31</i>	<u>\$6,803</u>	<u>\$8,397</u>	<u>\$15,200</u>

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

VILLAGE OF EMPIRE
JEFFERSON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$35,632		\$35,632
Fines, Licenses and Permits		\$10,025	10,025
<i>Total Operating Cash Receipts</i>	<u>35,632</u>	<u>10,025</u>	<u>45,657</u>
Operating Cash Disbursements			
Personal Services	17,000		17,000
Employee Fringe Benefits	2,488		2,488
Contractual Services	8,421		8,421
Supplies and Materials	3,406		3,406
<i>Total Operating Cash Disbursements</i>	<u>31,315</u>	<u>0</u>	<u>31,315</u>
<i>Operating Income (Loss)</i>	<u>4,317</u>	<u>10,025</u>	<u>14,342</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(1,000)		(1,000)
Other Financing Uses		(10,025)	(10,025)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,000)</u>	<u>(10,025)</u>	<u>(11,025)</u>
<i>Net Change in Fund Cash Balances</i>	<u>3,317</u>	<u>0</u>	<u>3,317</u>
<i>Fund Cash Balances, January 1</i>	<u>1,298</u>	<u>0</u>	<u>1,298</u>
<i>Fund Cash Balances, December 31</i>	<u>\$4,615</u>	<u>\$0</u>	<u>\$4,615</u>

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

**VILLAGE OF EMPIRE
JEFFERSON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$9,434	\$5,622	\$15,056
Intergovernmental	12,634	15,594	28,228
Fines, Licenses and Permits	6,696		6,696
Earnings on Investments	4	1	5
Miscellaneous	1,168		1,168
<i>Total Cash Receipts</i>	<u>29,936</u>	<u>21,217</u>	<u>51,153</u>
Cash Disbursements			
Current:			
Security of Persons and Property	28,801	7,965	36,766
Leisure Time Activities	338		338
Transportation		16,828	16,828
General Government	6,533		6,533
<i>Total Cash Disbursements</i>	<u>35,672</u>	<u>24,793</u>	<u>60,465</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,736)</u>	<u>(3,576)</u>	<u>(9,312)</u>
Other Financing Receipts (Disbursements)			
Advances In	5,000		5,000
Advances Out		(5,000)	(5,000)
Other Financing Sources	215		215
<i>Total Other Financing Receipts (Disbursements)</i>	<u>5,215</u>	<u>(5,000)</u>	<u>215</u>
<i>Net Change in Fund Cash Balances</i>	(521)	(8,576)	(9,097)
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>14,219</u>	<u>19,348</u>	<u>33,567</u>
Fund Cash Balances, December 31			
Restricted		10,772	10,772
Unassigned	13,698		13,698
<i>Fund Cash Balances, December 31</i>	<u>\$13,698</u>	<u>\$10,772</u>	<u>\$24,470</u>

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

VILLAGE OF EMPIRE
JEFFERSON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$34,351		\$34,351
Fines, Licenses and Permits		\$8,931	8,931
<i>Total Operating Cash Receipts</i>	<u>34,351</u>	<u>8,931</u>	<u>43,282</u>
Operating Cash Disbursements			
Personal Services	22,452		22,452
Employee Fringe Benefits	6,000		6,000
Contractual Services	16,774		16,774
Supplies and Materials	11,258		11,258
<i>Total Operating Cash Disbursements</i>	<u>56,484</u>	<u>0</u>	<u>56,484</u>
<i>Operating Income (Loss)</i>	<u>(22,133)</u>	<u>8,931</u>	<u>(13,202)</u>
Non-Operating Receipts (Disbursements)			
Capital Outlay	(1,300)		(1,300)
Other Financing Uses		(8,931)	(8,931)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,300)</u>	<u>(8,931)</u>	<u>(10,231)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(23,433)</u>	<u>0</u>	<u>(23,433)</u>
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>24,731</u>	<u>0</u>	<u>24,731</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,298</u>	<u>\$0</u>	<u>\$1,298</u>

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

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Empire, Jefferson County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, and police and fire services.

The Village participates in the Public Entities Pool of Ohio, a risk sharing pool available to Ohio local governments. Public Entities Pool of Ohio provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

The Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members.

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

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

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds

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

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

Fire Protection Operating Fund - This fund receives charges for services revenue in order to provide fire protection services.

3. Enterprise Funds

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

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

4. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for monies received and disbursed through the Magistrate's Court.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

VILLAGE OF EMPIRE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

G. Property, Plant, and Equipment

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$19,815	\$25,768

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$37,510	\$31,284	(\$6,226)
Special Revenue	27,815	20,352	(7,463)
Enterprise	36,505	35,632	(873)
Fiduciary	12,500	10,025	(2,475)
Total	\$114,330	\$97,293	(\$17,037)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,900	\$38,179	(\$279)
Special Revenue	34,950	22,727	12,223
Enterprise	37,600	32,315	5,285
Fiduciary	16,000	10,025	5,975
Total	\$126,450	\$103,246	\$23,204

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,250	\$35,151	\$2,901
Special Revenue	17,915	21,217	3,302
Enterprise	40,505	34,351	(6,154)
Fiduciary	3,000	8,931	5,931
Total	\$93,670	\$99,650	\$5,980

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$25,000	\$35,672	(\$10,672)
Special Revenue	33,000	29,793	3,207
Enterprise	64,000	57,784	6,216
Fiduciary	15,000	8,931	6,069
Total	\$137,000	\$132,180	\$4,820

Variance in the General Fund was attributed to an audit adjustment to reflect mayor's court activity, therefore no citation was issued.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

5. LOCAL INCOME TAX

During 2014, the Village residents approved a 1 percent income tax on wages to begin on January 1, 2015. All earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village will be taxed.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2015.

7. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015:

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

7. RISK MANAGEMENT (Continued)

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$8,101.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2014	2015
\$12,807	\$12,858

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

8. RESTATEMENT OF CASH FUND BALANCES

The Village has restated the cash fund balances of the General and Agency Fund types to reflect the Village's share of mayor's court monies which should have been posted to the General Fund.

	General Fund	Agency Fund
Fund cash balances as previously reported at December 31, 2013	\$1,982	\$12,237
Portion of Fund Balance which should have been posted to the General Fund	12,237	(12,237)
Restated fund cash balances at December 31, 2013	\$14,219	\$0

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Empire
Jefferson County
151 Nessley Street
P.O. Box 307
Empire, Ohio 43926

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Village of Empire, Jefferson County, (the "Village") as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 16, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the General and Agency Fund cash balances were restated as of December 31, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2015-001 and 2015-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-003 described in the accompanying schedule of findings to be a significant deficiency.

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Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instance of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

December 16, 2016

**VILLAGE OF EMPIRE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014**

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

FINDING NUMBER 2015-001

Material Weakness – Accurate Posting of Transactions

Sound financial reporting is the responsibility of the Clerk/Treasurer and Council and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Village Clerk/Treasurer did not correctly post receipts and disbursements. This was attributed to the Clerk/Treasurer not abiding by the adopted chart of accounts and the lack of procedures to help ensure accurate postings. The Clerk/Treasurer has agreed to and posted the following adjustments and reclassifications, which are reflected in the accompanying financial statements:

2015:

Fund Name	Account Type	Amount	Description
Reclassifications:			
General	Nonspendable and Unassigned Fund Balances	\$7,235	Fund balance incorrectly recorded as nonspendable rather than unassigned.
Special Revenue	Nonspendable and Restricted Fund Balance	7,965	Fund balance incorrectly recorded as nonspendable rather than restricted.
Adjustments:			
General Fund	Fines, Licenses and Permits	7,321	To record the Village's share of Mayor's Court receipts and disbursements and to adjust the fund balance to properly report it within the General Fund.
	Other Financing Sources Revenue	160	
	Security of Persons and Property	9,146	
	Disbursement	1,665	
	Fund Balance		
Mayor's Court Agency Fund	Fines, Licenses and Permits	2,704	To remove the Village's share of Mayor's court receipts and disbursements that should have been recorded in the General Fund.
	Other Financing Sources Revenue	160	
	Security of Persons and Property	879	
	Disbursements		
	Fund Balance	1,665	

**FINDING NUMBER 2015-001
 (Continued)**

2014:

Fund Name	Account Type	Amount	Description
Reclassifications:			
General Fund	Nonspendable and Unassigned Fund Balances	\$14,130	Fund balance incorrectly recorded as nonspendable rather than unassigned.
General Fund	Intergovernmental and Miscellaneous Revenue	5,000	County recreation grant incorrectly posted as miscellaneous revenue rather than intergovernmental revenue.
General Fund	Advance In and Miscellaneous Revenue	5,000	Repayment of an advance out incorrectly recorded as miscellaneous revenue.
Special Revenue	Nonspendable and Restricted Fund Balance	10,340	Fund balance incorrectly recorded as nonspendable rather than restricted.
Special Revenue	Advance Out and Transfer Out	5,000	Advance out to the General Fund recorded as a Transfer Out.
Adjustments:			
General and Mayor's Court Agency Funds	Beginning Fund Balance	12,237	Adjust to record Mayor's court balance that should be recorded in the General Fund.
General Fund	Fines, Licenses and Permits	6,696	To record the Village's share of Mayor's Court receipts and disbursements and to adjust the fund balance in the General Fund.
	Other Financing Sources Revenue	215	
	Security of Persons and Property Fund Balance	13,187	
		6,276	

**FINDING NUMBER 2015-001
 (Continued)**

Fund Name	Account Type	Amount	Description
Adjustments:			
Mayor's Court Agency Fund	Fines, Licenses and Permits Other Financing Sources Revenue Security of Persons and Property Disbursements Fund Balance	\$2,235 215 4,256 6,276	To remove the Village's share of Mayor's court receipts and disbursements that should have been recorded in the General Fund.

Other mispostings were identified but deemed immaterial. Failure to consistently properly post all transactions increases the possibility the Village will not be able to identify, assemble, analyze, classify record and report its transactions correctly or to document compliance with finance related legal and contractual requirements.

The Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the UAN chart of accounts to help ensure that financial activity of the Village is accurately recorded and reported.

FINDING NUMBER 2015-002

Material Weakness – Mayor’s Court Activity

On or about the first of the month, the Mayor's Court Clerk distributes all fines, forfeitures, and costs collected and due to the Village by form of check to the Village. The Village Clerk/Treasurer will deposit this check and record the Village's portion in the Mayor's Court Agency Fund. The Village does not have a policy in place to record all mayor's court collections and distributions into the proper funds.

Recording of only the Village's share of the monthly mayor's court collections resulted in court collections being understated. In addition, the Village's portion should be recorded in the General Fund. Due to mispostings, the Village is charging costs associated with the operation of the mayor's court to the Agency Fund rather than the General Fund. In addition, the ending balance in the mayor's court bank account of \$0 and \$1,215 at December 31, 2015 and 2014 did not agree to the amounts per the accounting system of \$3,912 and \$5,961 as of December 31, 2015 and 2014, respectively. These matters resulted in adjustments to the financial statements. Failure to properly post total mayor's court receipts and disbursements to the accounting system may result in subsequent adjustments to the financial statements and possible findings for adjustment.

The Village should implement procedures to help ensure all monies collected by the Mayor's court are properly recorded in the accounting system and ensure the ending balance per the docket agrees to the ending balance per the bank statement.

FINDING NUMBER 2015-003

Significant Deficiency

26 USC Sections 3102 and 3402 require the employing government to withhold federal and employment related taxes (such as Medicare and Social Security) from each employee. Furthermore, these chapters hold employers liable for reporting and payment of these taxes. In addition, **Ohio Rev. Code § 5747.06** requires every employer to withhold a tax from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748. Finally, **Ohio Rev. Code § 145.01** outline the requirements for withholding Ohio Public Employees Retirement (OPERS) amounts from a public employees payroll check. The Village has not implemented policies over withholdings to assure they are paid in a timely manner.

The Village properly withheld Federal and State along with OPERS amounts, however, the Village failed to remit the deductions in a timely manner throughout 2015 and 2014. This resulted in the Village paying penalties and late fees to Internal Revenue Service (IRS) in the amounts of \$53 and \$432 in 2015 and 2014, respectively. In addition, State Income tax and OPERS withholdings due in January of 2016 were not paid until April of 2016 and State Income Tax withholding due in January of 2015 was not paid until February of 2015. Failure to remit withholdings accurately and in a timely manner could result in additional late fee assessments and possible findings for recovery. A referral will be made the Internal Revenue Service, Treasurer of the State of Ohio and the Ohio Public Employees Retirement System (OPERS).

**FINDING NUMBER 2015-003
(Continued)**

The Village should implement procedures in which the Clerk/Treasurer remits withholdings to the Ohio Public Employees Retirement System, State Treasurer of Ohio and the Internal Revenue Service in a timely manner and can accurately track when all remittances are due and paid. This may help strengthen control over the village payroll cycle and reduce the risk of unnecessary penalties and interest, as well as duplicate payments.

Officials Response: No responses received from officials.

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Dave Yost • Auditor of State

VILLAGE OF EMPIRE

JEFFERSON 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
JANUARY 31, 2017