



Certified Public Accountants, A.C.

**VILLAGE OF STRATTON
JEFFERSON COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

Village Council
Village of Stratton
136 Second Avenue
Stratton, OH 43961

We have reviewed the *Independent Auditor's Report* of the Village of Stratton, Jefferson County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Stratton is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 5, 2019

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VILLAGE OF STRATTON
JEFFERSON COUNTY

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INDEPENDENT AUDITOR'S REPORT

June 28, 2019

Village of Stratton
Jefferson County
P.O. Box 145
Stratton, Ohio 43961

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 Stratton**, Jefferson County (the Village) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Members: American Institute of Certified Public Accountants

*Ohio Society of CPAs * West Virginia Society of CPAs * Association of Certified Fraud Examiners * Association of Certified Anti-Money Laundering Specialists*

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Stratton, Jefferson County as of December 31, 2018 and 2017, and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$ 889,542	\$ -	\$ -	\$ 889,542
Municipal Income Tax	611,748	-	-	611,748
Intergovernmental	272,499	9,672	-	282,171
Charges for Services	10,241	12,521	-	22,762
Earnings on Investments	13,825	263	-	14,088
Miscellaneous	7,600	-	-	7,600
	<u>1,805,455</u>	<u>22,456</u>	<u>-</u>	<u>1,827,911</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	92,199	-	-	92,199
Public Health Services	17,574	-	-	17,574
Leisure Time Activities	112,836	-	-	112,836
Basic Utility Services	113,273	54,521	-	167,794
Transportation	123,246	4,847	-	128,093
General Government	1,014,357	-	-	1,014,357
	<u>1,473,485</u>	<u>59,368</u>	<u>-</u>	<u>1,532,853</u>
<i>Excess of Receipts Over/(Under) Disbursements</i>	331,970	(36,912)	-	295,058
Other Financing Receipts/(Disbursements):				
Transfer-In	-	42,000	-	42,000
Transfer-Out	(42,000)	-	-	(42,000)
Other Financing Sources	74,785	-	-	74,785
	<u>32,785</u>	<u>42,000</u>	<u>-</u>	<u>74,785</u>
<i>Net Change in Fund Cash Balances</i>	364,755	5,088	-	369,843
<i>Fund Cash Balances, January 1</i>	<u>774,262</u>	<u>35,100</u>	<u>3,896</u>	<u>813,258</u>
Fund Cash Balances, December 31				
Restricted	-	40,188	3,896	44,084
Assigned	1,139,017	-	-	1,139,017
	<u>1,139,017</u>	<u>40,188</u>	<u>3,896</u>	<u>1,183,101</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,139,017</u>	<u>\$ 40,188</u>	<u>\$ 3,896</u>	<u>\$ 1,183,101</u>

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

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The Village of Stratton, Jefferson County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and law of the State of Ohio. The Village has an elected Mayor, elected Clerk, elected Treasurer, and an appointed Village Administrator. Each publicly-elected member of the six-member Council serves on 6-10 of the Village's 14 committees. The Village also employs a Solicitor. The Village has a Board of Public Affairs which consists of three elected members. As of April 1, 2015, the Village's Mayors Court has been declared inactive. The Village provides water, sewer, and refuse disposal to its residents. The Village provides park operation, police, fire, and first responder services to its residents and visitors as well. Police protection is paid from the General Fund and the Village Fire Department is volunteer.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 7 to the financial statements provides further information for this entity. The organization is:

Public Entities Pool of Ohio (PEP) – a local government risk pool that offers comprehensive liability and property coverages specifically tailored to meet the needs of political subdivisions throughout the state of Ohio and provide them with an alternative to traditional insurance.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction, Maintenance and Repair (SCM&R) – This fund receives the portion of the gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village. This fund also receives a portion of the monthly interest earned from US Bank.

VILLAGE OF STRATTON
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

State Highway Improvement Fund (SHIF) - This fund receives gasoline tax and motor vehicle license registration fees to be used to construct, maintain, and repair State Route 7 in the Village. This fund also receives a portion of the monthly interest earned from US Bank.

Water Fund – This fund receives money from the sale of water to Village residents and businesses. It also receives money from the General Fund in the form of transfers due to the Water Plant not being self-sufficient. The money generated is used for day to day operations of the municipal Water Plant.

Sewer Fund - This fund received money from the sale of sewage collection from the Village residents and businesses. It also receives money from the General Fund in the form of transfers due to the Waste Water Treatment Plant not being self-sufficient. The money generated is used for day to day operations of the municipal Waste Water Treatment Plant.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Project #2 Local Work Fund – This fund was originally created when the Waste Water Treatment Plant Project was created. There is money left in the fund that will need to be transferred by court order due to not being needed for the project anymore.

Basis of Accounting

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

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

Budgetary Process

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

VILLAGE OF STRATTON
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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 legal level of control is at the fund level for all funds except the General Fund for which the legal level of control is at each program level. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. The Village passes a Temporary Appropriation measure before January 1st that covers the first three months of the subsequent year. Annual appropriations must be passed by the Village Council prior to March 31st of the year for which the appropriations are intended.

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

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

A summary of 2018 budgetary activity appears in Note 4.

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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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

Note 3 – Compliance

Contrary to Ohio law, the appropriation authority exceeded estimated resources in the Water and Sewer Special Revenue Funds in the amounts of \$25,000 and \$17,000, respectively, for the year ended December 31, 2018.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,880,240	\$ 1,880,240	\$ -
Special Revenue	64,456	64,456	-
Capital Projects	-	-	-
Total	\$ 1,944,696	\$ 1,944,696	\$ -

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 4 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,838,240	\$ 1,515,485	\$ 322,755
Special Revenue	106,456	59,368	47,088
Capital Projects	3,896	-	3,896
Total	\$ 1,948,592	\$ 1,574,853	\$ 373,739

Note 5 – 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 cash at December 31 was as follows:

	2018
Demand deposits	\$ 269,113
Total deposits	269,113
STAR Ohio	913,988
Total investments	913,988
Total deposits and investments	\$ 1,183,101

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 6 – Taxes

Property Taxes

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 6 – Taxes (Continued)

Property Taxes (Continued)

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially 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.

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.

Note 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, 2017, 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.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 7 – Risk Management (Continued)

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, 2017 (the latest information available).

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the Government's share of these unpaid claims collectible in future years is approximately \$29,000.

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.

<u>2018 Contributions to PEP</u> \$46,564
--

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.

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

Note 9 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contribution allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0% during calendar year 2018. OP&F contributes 0.5% to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Transfers

The Village transferred funds from the General Fund to the Water Fund, and Sewer Fund in the amount of \$42,000.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$ 1,365,554	\$ -	\$ -	\$ -	\$ 1,365,554
Municipal Income Tax	442,955	-	-	-	442,955
Intergovernmental	305,007	10,409	332	-	315,748
Charges for Services	1,776	13,299	-	-	15,075
Earnings on Investments	204	4	-	-	208
Miscellaneous	4,800	-	-	-	4,800
Total Cash Receipts	2,120,296	23,712	332	-	2,144,340
Cash Disbursements:					
Current:					
Security of Persons and Property	100,161	-	-	-	100,161
Public Health Services	25,889	-	-	-	25,889
Leisure Time Activities	114,852	-	-	-	114,852
Basic Utility Services	105,230	52,418	-	-	157,648
Transportation	122,785	1,812	-	-	124,597
General Government	1,088,829	-	-	-	1,088,829
Capital Outlay	-	-	-	36,385	36,385
Debt Service:					
Principal Retirement	-	-	575,250	-	575,250
Interest and Fiscal Charges	-	-	29,368	-	29,368
Total Cash Disbursements	1,557,746	54,230	604,618	36,385	2,252,979
<i>Excess of Receipts Over/(Under) Disbursements</i>	562,550	(30,518)	(604,286)	(36,385)	(108,639)
Other Financing Receipts/(Disbursements):					
Transfer-In	-	39,119	604,286	-	643,405
Transfer-Out	(443,117)	(100,000)	-	(100,288)	(643,405)
Other Financing Sources	24,691	-	-	-	24,691
Total Other Financing Receipts/(Disbursements)	(418,426)	(60,881)	604,286	(100,288)	24,691
<i>Net Change in Fund Cash Balances</i>	144,124	(91,399)	-	(136,673)	(83,948)
<i>Fund Cash Balances, January 1</i>	630,138	126,499	-	140,569	897,206
Fund Cash Balances, December 31					
Restricted	-	35,100	-	3,896	38,996
Assigned	254,925	-	-	-	254,925
Unassigned	519,337	-	-	-	519,337
Fund Cash Balances, December 31	\$ 774,262	\$ 35,100	\$ -	\$ 3,896	\$ 813,258

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

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The Village of Stratton, Jefferson County (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and law of the State of Ohio. The Village has an elected Mayor, elected Clerk, elected Treasurer, and an appointed Village Administrator. Each publicly-elected member of the six-member Council serves on 6-10 of the Village's 14 committees. The Village also employs a Solicitor. The Village has a Board of Public Affairs which consists of three elected members. As of April 1, 2015, the Village's Mayors Court has been declared inactive. The Village provides water, sewer, and refuse disposal to its residents. The Village provides park operation, police, fire, and first responder services to its residents and visitors as well. Police protection is paid from the General Fund and the Village Fire Department is volunteer.

Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 6 to the financial statements provides further information for this entity. The organization is:

Public Entities Pool of Ohio (PEP) – a local government risk pool that offers comprehensive liability and property coverages specifically tailored to meet the needs of political subdivisions throughout the state of Ohio and provide them with an alternative to traditional insurance.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

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

Street Construction, Maintenance and Repair (SCM&R) – This fund receives the portion of the gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village. This fund also receives a portion of the monthly interest earned from US Bank.

VILLAGE OF STRATTON
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

State Highway Improvement Fund (SHIF) - This fund receives gasoline tax and motor vehicle license registration fees to be used to construct, maintain, and repair State Route 7 in the Village. This fund also receives a portion of the monthly interest earned from US Bank.

Water Fund – This fund receives money from the sale of water to Village residents and businesses. It also receives money from the General Fund in the form of transfers due to the Water Plant not being self-sufficient. The money generated is used for day to day operations of the municipal Water Plant.

Sewer Fund - This fund received money from the sale of sewage collection from the Village residents and businesses. It also receives money from the General Fund in the form of transfers due to the Waste Water Treatment Plant not being self-sufficient. The money generated is used for day to day operations of the municipal Waste Water Treatment Plant.

Sewer Repair, Maintenance and Improvement Fund - This fund was closed and all the monies in it were used to pay off the Sanitary Sewer Bonds. This fund had been created for the compliance of the Ordinance for the Sanitary Sewer Bonds. They are paid in full as of December 31, 2017.

Sewer Utility Surplus Fund - This fund was closed and all monies in it were used to pay off the Sanitary Sewer Bonds. This fund was created for the compliance of the Ordinance for the Sanitary Sewer bonds. They are paid in full as of December 31, 2017.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Bond Payment Fund – This fund is to retire debt for the Village’s Sanitary Sewer System Bonds. Since the Bonds have paid in full, this fund will no longer be used as of December 31, 2017.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Permanent Improvement Fund – This fund collected money from a capital project levy which is now expired as of December 31, 2017. This fund will no longer be used.

Project #2 Local Work Fund – This fund was originally created when the Waste Water Treatment Plant Project was created. There is money left in the fund that will need to be transferred by court order due to not being needed for the project anymore.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The legal level of control is at the fund level for all funds except the General Fund for which the legal level of control is at each program level. The Village Council must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. The Village passes a Temporary Appropriation measure before January 1st that covers the first three months of the subsequent year. Annual Appropriations must be passed by the Village Council prior to March 31st of the year for which the appropriations are intended.

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

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

The Village holds its deposits in an interest-bearing checking account.

Capital Assets

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

Accumulated Leave

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

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,421,338	\$ 2,144,987	\$ 723,649
Special Revenue	95,000	62,831	(32,169)
Debt Service	673,403	604,618	(68,785)
Total	\$ 2,189,741	\$ 2,812,436	\$ 622,695

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,000,863	\$ 2,000,863	\$ -
Special Revenue	181,499	154,230	27,269
Debt Service	673,403	604,618	68,785
Capital Projects	140,569	136,673	3,896
Total	<u>\$ 2,996,334</u>	<u>\$ 2,896,384</u>	<u>\$ 99,950</u>

Note 4 – Deposits

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

	2017
Demand deposits	<u>\$ 813,258</u>
Total deposits	<u>\$ 813,258</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

Income Taxes

The Village levies a municipal income tax of one percent on substantially 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.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 5 – Taxes (Continued)

Income Taxes (Continued)

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.

Note 6 – 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, 2017, 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, 2017.

	<u>2017</u>
Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Government's share of these unpaid claims collectible in future years is approximately \$29,000.

VILLAGE OF STRATTON
JEFFERSON COUNTY

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)

Note 6 – Risk Management (Continued)

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.

<p style="text-align: center;"><u>2017 Contributions to PEP</u> \$46,303</p>
--

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.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. OP&F contributes 0.5% to fund these benefits.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 – Debt

The Village issued Sanitary Sewer Systems Bonds in 2008 for the purpose of paying part of the construction costs of the waste water treatment plant improvements. The Village made the final payment on the bonds on October 25, 2017. As of December 31, 2017, the Village has no outstanding debt.

Note 10 – Contingent Liabilities

On April 8, 2015, Council approved Resolution 2015-03 entering into an agreement with First Energy to refund an overpayment of Municipal Income Tax in the amount of \$332,948 as certified and issued by the Ohio Department of Taxation. The Village made the last payment on December 13, 2017.

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Transfers

The Village transferred funds from the General Fund, Sewer Repair, Maintenance, and Improvement Fund, and Permanent Improvement Fund to the Bond Payment Fund, Water Fund, and Sewer Fund in the amount of \$643,405.



313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., Suite A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., Suite 300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740 435 3417

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

June 28, 2019

Village of Stratton
Jefferson County
P.O. Box 145
Stratton, Ohio 43961

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United State 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 Stratton**, Jefferson County, (the Village) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated June 28, 2019 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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 audit findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness 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 finding 2018-002 described in the accompanying schedule of audit findings to be a material weakness.

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Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2018-003 described in the accompanying schedule of audit findings to be a significant deficiency.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of audit findings as item 2018-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 28, 2019.

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF STRATTON
JEFFERSON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Noncompliance

Appropriations Exceeding Estimated Resources

Ohio Rev. Code §5705.39 states in part that the total appropriations from each fund should not exceed the total estimated revenue. The following funds had appropriations exceeding estimated receipts for the year ended December 31, 2018:

	Estimated Receipts including Unencumbered Fund Balance	Total Appropriations	Variance
At December 31, 2018			
Water Fund	\$30,731	\$55,731	\$25,000
Sewer Fund	\$23,790	\$40,790	\$17,000

Appropriating more money than expected or actually received could lead to negative fund balances and monies being used to cover expenses being charged to inappropriate funds or line items. It could also lead to commitments being made without sufficient funds to pay for those commitments.

Council should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Village is complying with applicable sections.

Officials' Response – We did not receive a response from officials to this finding.

**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-002

Material Weakness

Financial Reporting

The Village is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2018 and 2017, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Municipal Income Tax was classified as Property and Other Local Taxes instead of being presented as a separate line item on the financial statements in 2018 and 2017;
- State revenue was improperly classified as Other Financing Sources instead of Intergovernmental Revenue in 2018 and 2017;
- The General Fund, Special Revenue Funds, and Capital Projects Fund did not have fund balance classifications in 2018 and the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund did not have fund balance classifications in 2017;
- During the audit, aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures in 2018 and 2017; and
- Principal and Interest payments were not presented as separate line items on the financial statements in 2017;

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring several reclassifications and adjusting entries. The financial statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

In addition, the notes to the financial statements are an integral part of the financial statements, intended to be read with the financial statements, and are the entity's responsibility to prepare.

We recommend the Fiscal Officer refer to the Ohio Village Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

We also recommend the Village use the available templates for financial statements and notes to the financial statements on the Auditor of State's website to prepare an accurate annual financial report.

Officials' Response – We did not receive a response from officials to this finding.

VILLAGE OF STRATTON
JEFFERSON COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-003

Significant Deficiency

Cash Reconciliations – Utility Clearing Account

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance. Bank reconciliation means accounting for the differences between the bank statement's balances and the cash balances according to the entity's records at a specific point in time.

As of December 31, 2018, the accounting system shows an outstanding balance in the Water Fund and Sewer Fund, however, the utility clearing account statement shows a zero balance.

The Village should perform and complete monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

Officials' Response – We did not receive a response from officials to this finding.

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**VILLAGE OF STRATTON
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC 5705.39	Not Corrected	Repeated in Finding 2018-001
2016-002	ORC 5705.41(B)	Corrected	
2016-003	Posting of Authorized Budgetary Measures – Estimated Receipts not Posted in Accounting System	Corrected	
2016-004	Posting of Receipts and Expenses	Not Corrected	Repeated in Finding 2018-002

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF STRATTON

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
SEPTEMBER 17, 2019**