



**VILLAGE OF STRATTON
JEFFERSON COUNTY
REGULAR AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2020-2019**

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KEITH FABER



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Village Council
Village of Stratton
136 Second Avenue
Stratton, Ohio 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, 2019 through December 31, 2020. 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

November 19, 2021

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**VILLAGE OF STRATTON
JEFFERSON COUNTY
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INDEPENDENT AUDITOR'S REPORT

September 24, 2021

Village of Stratton
Jefferson County
136 Second Ave
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 for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of the Village of Stratton, Jefferson County, Ohio (the Village).

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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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, 2020 and 2019, 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 for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of the Village, 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.

Emphasis of Matters

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. As discussed in Note 13 to the 2020 financial statements, the Village adopted a change in accounting principle to their cash basis reporting model. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021 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 & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF STRATTON, OHIO
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, 2020**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 821,087	\$ -	\$ -	\$ 821,087
Municipal Income Tax	346,644	-	-	346,644
Intergovernmental	209,206	49,540	-	258,746
Charges for Services	3,375	13,380	-	16,755
Earnings on Investments	6,731	138	-	6,869
Miscellaneous	4,580	-	-	4,580
<i>Total Cash Receipts</i>	<u>1,391,623</u>	<u>63,058</u>	<u>-</u>	<u>1,454,681</u>
Cash Disbursements				
Current:				
Security of Persons and Property	98,478	-	-	98,478
Public Health Services	7,365	-	-	7,365
Leisure Time Activities	143,446	13,142	-	156,588
Basic Utility Services	126,758	41,804	-	168,562
Transportation	88,623	-	-	88,623
General Government	1,059,396	23,062	-	1,082,458
Capital Outlay	686,065	-	-	686,065
<i>Total Cash Disbursements</i>	<u>2,210,131</u>	<u>78,008</u>	<u>-</u>	<u>2,288,139</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(818,508)</u>	<u>(14,950)</u>	<u>-</u>	<u>(833,458)</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	28,041	-	28,041
Transfers Out	(28,041)	-	-	(28,041)
Other Financing Sources	108,108	-	-	108,108
<i>Total Other Financing Receipts (Disbursements)</i>	<u>80,067</u>	<u>28,041</u>	<u>-</u>	<u>108,108</u>
<i>Net Change in Fund Cash Balances</i>	(738,441)	13,091	-	(725,350)
<i>Fund Cash Balances, January 1</i>	<u>1,303,849</u>	<u>36,534</u>	<u>3,896</u>	<u>1,344,279</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 565,408</u>	<u>\$ 49,625</u>	<u>\$ 3,896</u>	<u>\$ 618,929</u>

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

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 is 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.

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.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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. They 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.

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. 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.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

A summary of 2020 budgetary activity appears in Note 3.

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 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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (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.

For regulatory purposes, limited disclosure related to fund balance is included in note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$970,842	\$1,499,731	\$528,889
Special Revenue	70,042	91,099	21,057
Total	\$1,040,884	\$1,590,830	\$549,946

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,274,377	\$2,238,172	\$36,205
Special Revenue	106,575	78,008	28,567
Debt Service	313	0	313
Capital Projects	3,896	0	3,896
Total	\$2,385,161	\$2,316,180	\$68,981

Note 4 – Deposits and Investments

To 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:

	2020
Demand deposits	\$173,924
Total deposits	173,924
STAR Ohio	445,005
Total investments	445,005
Total Deposits and Investments	\$618,929

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments (Continued)

The Village does not use a separate payroll clearing account. The expenditures included in the accompanying financial statement reflect net payroll plus all remitted payroll withholdings. At December 31, 2020, the Village is holding \$6,206 in unremitted employee payroll withholdings.

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 5 – Taxes

Property Taxes

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

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

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

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.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 - Risk Pool Membership

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2020</u>
Cash and investments	\$ 40,318,971
Actuarial liabilities	\$14,111,510

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Most Village 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

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, 2020.

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 contribution allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0% during calendar year 2020. OP&F contributes 0.5% to fund these benefits.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Postemployment Benefits (Continued)

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 9 – Contingent Liabilities

The Village is a defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of this matter could materially adversely affect the Village's financial condition. The potential loss of this suit could be \$42,500.

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 10 – Transfers

The Village transferred funds from the General Fund to the Water Fund, and Sewer Fund in the amount of \$28,041.

Note 11 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The Village had no outstanding encumbrances at December 31, 2020.

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. These restricted, committed and assigned amounts in the special revenue, debt service and capital projects would include the outstanding encumbrances, if applicable. In the general fund, outstanding encumbrances are considered assigned, if applicable.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. Of the amounts received, \$36,204 was spent on-behalf of other governments. These amounts are reflected as general government and leisure time activities expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Change in Accounting Principle

For 2020, the Village has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate Combined Statement of Additions, Deductions and Changes in Fund Balances (Regulatory Cash Basis) -- All Fiduciary Fund Types, and removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

**VILLAGE OF STRATTON, OHIO
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, 2019**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$ 917,936	\$ -	\$ -	\$ 917,936
Municipal Income Tax	534,826	-	-	534,826
Intergovernmental	239,926	11,363	-	251,289
Charges for Services	3,241	14,943	-	18,184
Earnings on Investments	23,757	485	-	24,242
Miscellaneous	8,005	-	-	8,005
<i>Total Cash Receipts</i>	<u>1,727,691</u>	<u>26,791</u>	<u>-</u>	<u>1,754,482</u>
Cash Disbursements				
Current:				
Security of Persons and Property	109,720	-	-	109,720
Public Health Services	16,551	-	-	16,551
Leisure Time Activities	137,436	-	-	137,436
Basic Utility Services	128,858	66,390	-	195,248
Transportation	92,706	15,886	-	108,592
General Government	1,044,551	-	-	1,044,551
Capital Outlay	8,390	-	-	8,390
<i>Total Cash Disbursements</i>	<u>1,538,212</u>	<u>82,276</u>	<u>-</u>	<u>1,620,488</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>189,479</u>	<u>(55,485)</u>	<u>-</u>	<u>133,994</u>
Other Financing Receipts (Disbursements)				
Transfers In	-	51,000	-	51,000
Transfers Out	(51,000)	-	-	(51,000)
Other Financing Sources	26,353	-	-	26,353
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(24,647)</u>	<u>51,000</u>	<u>-</u>	<u>26,353</u>
<i>Net Change in Fund Cash Balances</i>	164,832	(4,485)	-	160,347
<i>Fund Cash Balances, January 1</i>	<u>1,139,017</u>	<u>41,019</u>	<u>3,896</u>	<u>1,183,932</u>
Fund Cash Balances, December 31				
Restricted	-	36,534	3,896	40,430
Assigned	1,303,849	-	-	1,303,849
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,303,849</u>	<u>\$ 36,534</u>	<u>\$ 3,896</u>	<u>\$ 1,344,279</u>

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

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 is 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.

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.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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.

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. 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.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

A summary of 2019 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 into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

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

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

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

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (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.

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 \$14,000 and \$37,000, respectively, for the year ended December 31, 2019.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$989,894	\$1,754,044	\$764,150
Special Revenue	67,000	77,791	10,791
Total	\$1,056,894	\$1,831,835	\$774,941

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,077,911	\$1,589,212	\$488,699
Special Revenue	159,018	82,276	76,742
Capital Projects	3,896	0	3,896
Total	\$2,240,825	\$1,671,488	\$569,337

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 – Deposits and Investments

The Village maintains a deposits 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:

	<u>2019</u>
Demand deposits	<u>\$106,118</u>
Total deposits	<u>106,118</u>
STAR Ohio	<u>1,238,161</u>
Total investments	<u>1,238,161</u>
Total deposits and investments	<u><u>\$1,344,279</u></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.

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

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

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

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, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 6 – 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 7 – Risk Pool Membership

The (local entity) is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	\$14,705,917

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, 2019.

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, 2019.

Village of Stratton, Ohio
Jefferson County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0% during calendar year 2019. 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 \$51,000.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Village. The Village's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.



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1310 Market Street, Suite 300
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

September 24, 2021

Village of Stratton
Jefferson County
136 Second Ave
Stratton, Ohio 43961

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 for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of the **Village of Stratton**, Jefferson County, (the Village) and have issued our report thereon dated September 24, 2021, 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 financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the Village. In addition we noted a change in the cash basis reporting model.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

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 financial statement. 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2020-002 and 2020-003.

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, 2020 AND 2019

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

FINDING NUMBER 2020-001

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 2020 and 2019, receipts, 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 2020 and 2019;
- Manufactured Home Tax in the amount of \$313 was posted to Debt Service fund Intergovernmental instead of being posted to General fund Property and Other Local Taxes in 2019;
- The General Fund, Special Revenue Funds, Debt Service fund and Capital Projects Fund did not have fund balance classifications in 2019;
- 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 2020 and 2019;

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 accounts and posting of receipts. 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, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)
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FINDING NUMBER 2020-002

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.10(D) provides in part that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Village inappropriately recorded \$36,204 of CARES Act receipts and disbursements in the General Fund in 2020. Given the source of the revenue, this should have been recorded in a separate Special Revenue Coronavirus Relief Fund. Audit adjustments are reflected in the financial statements and in the accounting records correcting the misstatement.

The lack of controls over the posting of financial transactions decreases the reliability of financial data at year-end and can result in undetected errors and irregularities. The Village should implement controls to help ensure all transactions are reviewed to help ensure posting to the proper funds.

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

FINDING NUMBER 2020-003

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, 2019:

	Estimated Receipts including Unencumbered Fund Balance	Total Appropriations	Variance
At December 31, 2019			
Water Fund	\$25,409	\$39,409	\$14,000
Sewer Fund	\$25,421	\$62,421	\$37,000

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 PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Appropriations Exceeding Estimated Resources	Not Corrected	Repeated as Finding 2020-003
2018-002	Financial Reporting	Not Corrected	Repeated as Finding 2020-001
2018-003	Cash Reconciliation – Utility Clearing Account	Fully Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF STRATTON

JEFFERSON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/2/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov