



Dave Yost • Auditor of State

VILLAGE OF WHITEHOUSE
LUCAS COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Whitehouse
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 43571-2476

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Whitehouse, Lucas County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, 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 permitted 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, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Whitehouse, Lucas County, Ohio as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2013, the Village adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015, 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.

Dave Yost
Auditor of State

Columbus, Ohio

October 15, 2015

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**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

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

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$303,837	\$22,653			\$326,490
Municipal Income Tax	1,670,188	16,445		\$716,093	2,402,726
Intergovernmental	424,259	185,271		123,395	732,925
Special Assessments			\$16,751		16,751
Charges for Services	384,691	722,627			1,107,318
Fines, Licenses and Permits	75,180				75,180
Earnings on Investments	13,406	2,908			16,314
Miscellaneous	133,062	13,342		2,010	148,414
<i>Total Cash Receipts</i>	<u>3,004,623</u>	<u>963,246</u>	<u>16,751</u>	<u>841,498</u>	<u>4,826,118</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,582,798	917,975			2,500,773
Public Health Services	20,528				20,528
Leisure Time Activities	41,715				41,715
Community Environment	135,100				135,100
Basic Utility Services	242,502				242,502
Transportation		157,359			157,359
General Government	425,975	756		157,420	584,151
Capital Outlay				1,270,773	1,270,773
Debt Service:					
Principal Retirement		50,441	187,072		237,513
Interest and Fiscal Charges			48,107		48,107
<i>Total Cash Disbursements</i>	<u>2,448,618</u>	<u>1,126,531</u>	<u>235,179</u>	<u>1,428,193</u>	<u>5,238,521</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>556,005</u>	<u>(163,285)</u>	<u>(218,428)</u>	<u>(586,695)</u>	<u>(412,403)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	5,660				5,660
Transfers In		421,141	297,603		718,744
Transfers Out	(421,141)			(297,603)	(718,744)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(415,481)</u>	<u>421,141</u>	<u>297,603</u>	<u>(297,603)</u>	<u>5,660</u>
<i>Net Change in Fund Cash Balances</i>	140,524	257,856	79,175	(884,298)	(406,743)
<i>Fund Cash Balances, January 1</i>	<u>(22,292)</u>	<u>409,958</u>	<u>(32,678)</u>	<u>1,922,858</u>	<u>2,277,846</u>
Fund Cash Balances, December 31					
Restricted		667,814	46,497		714,311
Committed				1,326,114	1,326,114
Unassigned (Deficit)	118,232			(287,554)	(169,322)
<i>Fund Cash Balances, December 31</i>	<u>\$118,232</u>	<u>\$667,814</u>	<u>\$46,497</u>	<u>\$1,038,560</u>	<u>\$1,871,103</u>

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

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

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,518,964		\$1,518,964
Miscellaneous	14,077		14,077
<i>Total Operating Cash Receipts</i>	<u>1,533,041</u>		<u>1,533,041</u>
Operating Cash Disbursements			
Personal Services	282,516		282,516
Fringe Benefits	78,051		78,051
Contractual Services	693,559	\$450	694,009
Supplies and Materials	50,074		50,074
Other	960	401,116	402,076
<i>Total Operating Cash Disbursements</i>	<u>1,105,160</u>	<u>401,566</u>	<u>1,506,726</u>
<i>Operating Income (Loss)</i>	<u>427,881</u>	<u>(401,566)</u>	<u>26,315</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes		428,245	428,245
Capital Outlay	(87,452)		(87,452)
Principal Retirement	(88,748)		(88,748)
Interest and Other Fiscal Charges	(47,592)		(47,592)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(223,792)</u>	<u>428,245</u>	<u>204,453</u>
<i>Net Change in Fund Cash Balances</i>	204,089	26,679	230,768
<i>Fund Cash Balances, January 1</i>	<u>1,686,203</u>	<u>7,383</u>	<u>1,693,586</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$1,890,292</u></u>	<u><u>\$34,062</u></u>	<u><u>\$1,924,354</u></u>

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$322,624				\$322,624
Municipal Income Tax	1,536,504			\$630,278	2,166,782
Intergovernmental	146,625	\$225,896		148,898	521,419
Special Assessments			\$36,667		36,667
Charges for Services	286,014	708,401			994,415
Fines, Licenses and Permits	91,480				91,480
Earnings on Investments	21,475				21,475
Miscellaneous	102,230	1,669		16,365	120,264
<i>Total Cash Receipts</i>	<u>2,506,952</u>	<u>935,966</u>	<u>36,667</u>	<u>795,541</u>	<u>4,275,126</u>
Cash Disbursements					
Current:					
Security of Persons and Property	1,418,235	888,716			2,306,951
Public Health Services	18,900				18,900
Leisure Time Activities	38,717			12,500	51,217
Community Environment	136,260				136,260
Basic Utility Services	238,588			13,781	252,369
Transportation		203,444		245,793	449,237
General Government	445,424			329,161	774,585
Capital Outlay	138,653	40,920		806,669	986,242
Debt Service					
Principal Retirement		48,238	1,874,953		1,923,191
Interest and Fiscal Charges			88,434		88,434
<i>Total Cash Disbursements</i>	<u>2,434,777</u>	<u>1,181,318</u>	<u>1,963,387</u>	<u>1,407,904</u>	<u>6,987,386</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>72,175</u>	<u>(245,352)</u>	<u>(1,926,720)</u>	<u>(612,363)</u>	<u>(2,712,260)</u>
Other Financing Receipts (Disbursements)					
Sale of Bonds			1,720,000		1,720,000
Premium on Bonds			5,374		5,374
Sale of Capital Assets	11,627			10,425	22,052
Transfers In		134,248	70,545	264,152	468,945
Transfers Out	(134,247)			(402,698)	(536,945)
Other Financing Sources			464,848	592,313	1,057,161
Other Financing Uses			(592,313)	(464,848)	(1,057,161)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(122,620)</u>	<u>134,248</u>	<u>1,668,454</u>	<u>(656)</u>	<u>1,679,426</u>
<i>Net Change in Fund Cash Balances</i>	<u>(50,445)</u>	<u>(111,104)</u>	<u>(258,266)</u>	<u>(613,019)</u>	<u>(1,032,834)</u>
<i>Fund Cash Balances, January 1</i>	<u>28,153</u>	<u>521,062</u>	<u>225,588</u>	<u>2,535,877</u>	<u>3,310,680</u>
Fund Cash Balances, December 31					
Restricted		568,540	57,558		626,098
Committed				1,922,858	1,922,858
Unassigned (Deficit)	(22,292)	(158,582)	(90,236)		(271,110)
<i>Fund Cash Balances, December 31</i>	<u>(\$22,292)</u>	<u>\$409,958</u>	<u>(\$32,678)</u>	<u>\$1,922,858</u>	<u>\$2,277,846</u>

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$1,426,162		\$1,426,162
Miscellaneous	3,521		3,521
<i>Total Operating Cash Receipts</i>	<u>1,429,683</u>		<u>1,429,683</u>
Operating Cash Disbursements			
Personal Services	287,881		287,881
Fringe Benefits	61		61
Contractual Services	220,695		220,695
Supplies and Materials	478,788		478,788
Capital Outlay	63,201		63,201
<i>Total Operating Cash Disbursements</i>	<u>1,050,626</u>		<u>1,050,626</u>
<i>Operating Income</i>	<u>379,057</u>		<u>379,057</u>
Non-Operating Receipts (Disbursements)			
Property and Other Local Taxes		\$21,943	21,943
Intergovernmental		(18,839)	(18,839)
Debt Service	(168,436)		(168,436)
Other Nonoperating Disbursements	(1,502)		(1,502)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(169,938)</u>	<u>3,104</u>	<u>(166,834)</u>
<i>Income before Transfers</i>	209,119	3,104	212,223
Transfers In	68,000		68,000
<i>Net Change in Fund Cash Balances</i>	277,119	3,104	280,223
<i>Fund Cash Balances, January 1</i>	<u>1,409,084</u>	<u>4,279</u>	<u>1,413,363</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,686,203</u>	<u>\$7,383</u>	<u>\$1,693,586</u>

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

The Village obtained coverage under commercial liability insurance through Brooks Insurance. Note 10 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village 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 Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values U.S. Treasury Notes and Federal Agency/Securities at cost. Money market mutual funds (including STAR Ohio) are recorded at share values based on the mutual funds report.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies - (Continued)

Life Squad Fund – This fund receives revenue from Lucas County for life squad services.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Fund:

General Obligation Bond Fund - This fund receives Income Tax Fund proceeds to repay debt incurred for the construction and equipping of a new municipal building.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Capital Projects Fund – This fund receives CDBG grant and transfer proceeds. These proceeds are being used to fund downtown improvement as well as a phase I maintenance improvement project.

Street Capital Projects Fund - This fund receives grant and loan proceeds. The proceeds are being used for street related capital projects.

Local Income Tax Capital Projects Fund - This fund receives local income tax revenue for capital projects.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

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

6. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency funds account for a 3% and 1% fee imposed by the State of Ohio on building permits as well as the JEDD income tax revenue that is remitted to JEDD participants.

VILLAGE OF WHITEHOUSE
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. Summary of Significant Accounting Policies - (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2014 and 2013 budgetary activity appears in Note 4.

F. Fund Balance

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

1. Nonspendable

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

2. Restricted

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

VILLAGE OF WHITEHOUSE
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)

1. **Summary of Significant Accounting Policies - (Continued)**

3. **Committed**

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

4. **Assigned**

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

5. **Unassigned**

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

I. Joint Economic Development Districts

The Village of Whitehouse entered into two separate joint economic development district (JEDD) agreements; one with Monclova Township and the other one with Waterville Township. Each of these JEDDs is wholly situated within their respective township. The purpose of these JEDDs is to facilitate economic development by creating and preserving employment opportunities within the respective JEDD's territory.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. Summary of Significant Accounting Policies - (Continued)

Each of the JEDDs is governed by a Board of Directors consisting of five (5) members. The Board consists of a district business representative, a district employee's representative, an "at-large member", a representative appointed by the Village, and a member appointed by the Township. The main source of income is a tax levied upon the income earned by persons working within the JEDD's boundaries and the net profits of businesses located within the district. The income tax rate is 1.5%, the same that is levied within the Village.

2. Change in Accounting Principle and Restatement of Net Assets / Fund Equity

For fiscal year 2013, the Village reclassified certain funds by the fund classification guidance in Governmental Accounting Standards Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had the following effect on fund balances previously reported:

	Fund Balance at December 31, 2012	GASB 54 Change in Fund Structure	Adjusted Fund Balance at January 1, 2013
General	\$37,123	(\$8,970)	\$28,153
Special Revenue	1,557,898	(1,054,776)	521,062
Capital Projects	1,490,071	1,045,806	2,535,877

3. Equity in Pooled Deposits and Investments

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

	2014	2013
Demand Deposits	\$504,550	\$475,208
Certificates of Deposit	132,334	132,104
Total Deposits	<u>\$637,084</u>	<u>\$607,412</u>
Demand Deposits	<u>\$618,102</u>	<u>\$782,570</u>
U.S. Treasury Notes and Federal Agency Securities	2,369,258	2,361,043
STAR Ohio	656,542	656,326
Special Assessment Bonds	151,555	171,493
Total investments	<u>3,177,355</u>	<u>3,188,862</u>
Total Deposits and Investments	<u>\$3,795,457</u>	<u>\$3,971,432</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: The Federal Reserve holds the Village's U.S. Treasury Notes and Federal Agency/Instrumentality Securities in book-entry form, in the name of the Village's financial institution. The financial institution maintains records identifying the Village as owner of these securities. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form. The Village Special Assessment Bonds are held by the Village in its name.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Budgetary Activity

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,657,358	\$3,010,283	(\$1,647,075)
Special Revenue	1,221,127	1,384,387	163,260
Debt Service	355,776	314,354	(41,422)
Capital Projects	1,720,620	841,498	(879,122)
Enterprise	1,615,207	1,533,041	(82,166)
Fiduciary		428,245	428,245
Total	\$9,570,088	\$7,511,808	(\$2,058,280)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,206,318	\$2,883,940	\$2,322,378
Special Revenue	1,113,108	1,139,511	(26,403)
Debt Service	206,846	235,179	(28,333)
Capital Projects	2,216,774	1,747,996	468,778
Enterprise	1,463,756	1,331,360	132,396
Fiduciary	483,500	401,566	81,934
Total	\$10,690,302	\$7,739,552	\$2,950,750

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,253,435	\$2,518,579	(\$1,734,856)
Special Revenue	1,261,807	1,070,214	(191,593)
Debt Service	1,457,210	2,297,434	840,224
Capital Projects	2,538,007	1,662,431	(875,576)
Enterprise	1,487,000	1,497,683	10,683
Fiduciary		21,943	21,943
Total	\$10,997,459	\$9,068,284	(\$1,929,175)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,599,897	\$2,573,710	\$3,026,187
Special Revenue	1,204,058	1,181,380	22,678
Debt Service	901,140	2,555,700	(1,654,560)
Capital Projects	4,408,620	2,370,675	2,037,945
Enterprise	1,279,448	1,220,664	58,784
Fiduciary	20,000	18,839	1,161
Total	\$13,413,163	\$9,920,968	\$3,492,195

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. Budgetary Activity - (Continued)

During 2013 and 2014, contrary to Ohio law, (1) budgetary appropriations exceeded estimated resources; (2) actual disbursements exceeded appropriations; (3) appropriations posted to the Village's fiscal ledgers exceeded Council approved appropriations, and (4) negative fund balances occurred in various funds.

5. Property Tax

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

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. Local Income Tax

The Village levies a municipal income tax of 1.5 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.

7. Debt

Debt outstanding at December 31, 2014 was as follows:

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Debt - (Continued)

Type of Debt	Principal Outstanding	Interest Rate
2013 General Obligation Bonds	\$1,505,000	1.00%
Ohio Water Development Authority Loan #5533	241,405	2.75%
Fire Truck Capital Lease	68,298	3.29%
Ohio Public Works Commission Loan #CT44H	1,373	0.00%
Ohio Public Works Commission Loan #CT33G	8,495	0.00%
Ohio Public Works Commission Loan #CL11L	31,849	0.00%
Ohio Public Works Commission Loan #CL07M	15,823	0.00%
Ohio Public Works Commission Loan #CT45N	342,102	0.00%
Ohio Public Works Commission Loan #CT56P	41,856	0.00%
Special Assessment Bond, Lucas Street Improvement	621	5.25%
Special Assessment Bond, Gilead Street Improvement	311	5.50%
Special Assessment Bond, Bucher Road Sanitary Sewer	20,564	6.25%
Special Assessment Bond, Eastview Drive Construction	13,335	6.25%
Special Assessment Bond, North & West Maumee Streets	20,753	3.00%
Special Assessment Bond, Shepler Street Improvement	663	5.50%
Special Assessment Bond, S. Berkey-Southern Sewer Extension	9,139	3.75%
Special Assessment Bond, S. Berkey-Southern Water Extension	11,243	3.75%
Special Assessment Bond, South, Merritt, Gillett Street	22,626	3.00%
Special Assessment Bond, Swanton Street Construction	6,495	6.00%
Special Assessment Bond, Waterville Street Construction	38,227	3.75%
Special Assessment Bond, West Street Improvement	1,047	5.50%
Special Assessment Bond, Centerville Street Sanitary Sewer	5,558	5.50%
Totals	<u>\$2,406,783</u>	

The 2013 General Obligation Bonds relate to the refinancing of bonds originally issued in 2002 for the construction and equipping of a new municipal building. The refinanced bonds were issued for \$1,720,000 at a variable rate not to exceed 3.00 percent interest, payable semiannually over 15 years.

The Ohio Water Development Authority (OWDA) loan #5533 relates to a sewer utility construction project on Dutch Road. OWDA approved a \$273,544 loan to the Village for this project. The loan will be repaid in semiannual installments over 20 years, including interest of 2.75 percent. The loan is collateralized by water and sewer receipts.

The Fire Truck Lease/Purchase agreement was entered into on March 14, 2011, with Leasing 2 Inc. This purchased a fire engine for the Village. The total lease amount was \$330,959, with an interest rate of 3.29 percent payable as an annuity due in five annual installments of \$70,545.

The Ohio Public Works Commission (OPWC) loan #CT44H relates to the Dutch Road Turn Lane project. OPWC loaned the village \$27,425 for this project. The Village will repay the loan in semiannual installments of \$1,371 over 10 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT33G relates to the Waterville Street reconstruction project. OPWC loaned the Village \$169,916 for this project. The Village will repay the loan in semiannual installments of \$8,496 over 10 years. The loan is collateralized by undivided local government funds.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Debt - (Continued)

The Ohio Public Works Commission (OPWC) loan #CL11L relates to the Village streets and Monclova Road project. OPWC loaned the Village \$57,908 for this project. The Village will repay the loan in semiannual installments of \$2,895 over 10 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CL07M relates to the Finzel and Heller Mill resurfacing project. OPWC loaned the Village \$31,647. The Village will repay the loan in semiannual installments of \$1,582 over 10 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT45N relates to the Downtown Water and Storm Sewer project. OPWC loaned the Village \$390,974. The Village will repay the loan in semiannual installments of \$9,774 over 20 years. The loan is collateralized by undivided local government funds.

The Ohio Public Works Commission (OPWC) loan #CT56P relates to the Texas Street Phase I reconstruction project. OPWC loaned money to the Village and Whitehouse's principal portion of the loan was \$44,059. The Village will repay the loan in semiannual installments of \$2,203 over 10 years. The loan is collateralized by undivided local government funds.

The Lucas Street Improvement Special Assessment Bonds were originally issued for \$6,204. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$310, including interest of 5.50 percent over 20 years. The Village purchased these bonds as an investment.

The Gilead Street Improvement Special Assessment Bonds were originally issued for \$3,102. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$155, including interest of 5.50 percent over 20 years. The Village purchased these bonds as an investment.

The Bucher Road Sanitary Sewer Special Assessment Bonds were originally issued for \$68,547. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$3,427, including interest of 6.25 percent over 20 years. The Village purchased these bonds as an investment.

The Eastview Drive Reconstruction Special Assessment Bonds were originally issued for \$44,450. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$2,222, including interest of 6.25 percent over 20 years. The Village purchased these bonds as an investment.

The North, West/Maumee Streets Special Assessment Bonds were originally issued for \$51,881. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$2,594, including interest of 3.00 percent over 20 years. The Village purchased these bonds as an investment.

The Shepler Street Improvement Special Assessment Bonds were originally issued for \$13,275. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$664, including interest of 5.50 percent over 20 years. The Village purchased these bonds as an investment.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Debt - (Continued)

The South Berkey-Southern Sewer Extension Special Assessment Bonds were originally issued for \$15,232. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$762, including interest of 3.75 percent over 20 years. The Village purchased these bonds as an investment.

The South Berkey-Southern Water Extension Special Assessment Bonds were originally issued for \$18,739. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$937, including interest of 3.75 percent over 20 years. The Village purchased these bonds as an investment.

The South, Merritt, Gillett Street Special Assessment Bonds were originally issued for \$56,566. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$2,828, including interest of 3.00 percent over 20 years. The Village purchased these bonds as an investment.

The Swanton Street Reconstruction Special Assessment Bonds were originally issued for \$18,559. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$928, including interest of 6.00 percent over 20 years. The Village purchased these bonds as an investment.

The Waterville Street Reconstruction Special Assessment Bonds were originally issued for \$63,710. The bonds are payable from the proceeds of tax assessments against individual property owners in semi-annual installments of \$3,185, including interest of 3.75 percent over 20 years. The Village purchased these bonds as an investment.

The West Street Improvement Special Assessment Bonds were originally issued for \$20,933. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$1,047, including interest of 5.50 percent over 20 years. The Village purchased these bonds as an investment.

The Centerville Street Sanitary Sewer Special Assessment Bonds were originally issued for \$18,525. The bonds are payable from the proceeds of tax assessments against individual property owners in semiannual installments of \$1,853, including interest of 5.50 percent over 10 years. The Village purchased these bonds as an investment.

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	2013 General Obligation Bonds	OWDA Loan 5533	Fire Truck Capital Lease	OPWC Loan # CT44H
2015	\$140,822	\$17,873	\$70,545	\$1,373
2016	139,247	17,873		
2017	142,672	17,873		
2018	135,473	17,873		
2019	133,373	17,873		
2020-2024	690,298	89,365		
2025-2029	413,700	89,365		
2030-2032		44,682		
Total	<u>\$1,795,585</u>	<u>\$312,777</u>	<u>\$70,545</u>	<u>\$1,373</u>

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Debt - (Continued)

Year Ending December 31:	OPWC Loan #CT33G	OPWC Loan #CL11L	OPWC Loan #CL07M	OPWC Loan #CT45N	OPWC Loan # CT56P
2015	\$8,495	\$5,791	\$3,165	\$19,549	\$4,406
2016		5,791	3,165	19,549	4,406
2017		5,791	3,165	19,549	4,406
2018		5,791	3,164	19,549	4,406
2019		5,790	3,164	19,549	4,406
2020-2024		2,895		97,743	19,826
2025-2029				97,743	
2030-2032				48,871	
Total	<u>\$8,495</u>	<u>\$31,849</u>	<u>\$15,823</u>	<u>\$342,102</u>	<u>\$41,856</u>

Year Ending December 31:	Lucas Street Improvements	Gilead Street Improvements	Bucher Road Sanitary Sewer	Eastview Drive Reconstruction	North/West Maumee
2015	\$344	\$172	\$4,605	\$2,986	\$3,178
2016	319	160	4,391	2,847	3,100
2017			4,177	2,709	3,022
2018			3,963	2,570	2,944
2019			3,749	2,431	2,867
2020-2024			3,535	2,292	8,132
2025-2029					
2030-2032					
Total	<u>\$663</u>	<u>\$332</u>	<u>\$24,420</u>	<u>\$15,835</u>	<u>\$23,243</u>

Year Ending December 31:	Shepler Street Improvement	S. Berkey- Southern Sewer Extension	S. Berkey- Southern Water Extension	South, Merritt, Gillet Street	Swanton Street Reconstruction
2015	\$682	\$1,090	\$1,341	\$3,465	\$1,290
2016		1,061	1,306	3,380	1,234
2017		1,033	1,271	3,295	1,179
2018		1,004	1,236	3,210	1,123
2019		976	1,200	3,125	1,067
2020-2024		4,451	5,475	8,867	1,967
2025-2029		1,580	1,944		
2030-2032					
Total	<u>\$682</u>	<u>\$11,195</u>	<u>\$13,773</u>	<u>\$25,342</u>	<u>\$7,860</u>

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

7. Debt - (Continued)

Year Ending December 31:	Waterville Street Construction	West Street Improvement	Centerville Street Sanitary Sewer
2015	\$4,559	\$1,075	\$2,158
2016	4,440		2,056
2017	4,320		1,955
2018	4,201		
2019	4,082		
2020-2024	18,615		
2025-2029	6,610		
2030-2032			
Total	\$46,827	\$1,075	\$6,169

8. Contractual Commitments

Maumee Wastewater Treatment Plant

In 1994, the Maumee Wastewater Treatment Plant (the Plant) was expanded. The Village is required to pay a portion of the Plant's construction costs based on its quarterly consumption rates. Based on an average quarterly consumption rate between 2013 and 2014, the Village owed Lucas County approximately \$17,569. Since the amount owed by the Village is variable and is based on consumption, there is no amortization schedule available.

In 2003, the Plant expanded again. The Village is required to pay 8 percent of the improvement costs of the Plant to Lucas County over a period of 25 years. As of December 31, 2014, the Village owed Lucas County \$1,065,064. In addition, a 20 year loan was taken out with Ohio Public Works Commission. As of December 31, 2014, the Village owed \$53,460.

In 2010, the Plant expanded again. The Village is required to pay a portion of the Plant's construction costs based on its quarterly consumption rates. Based on an average quarterly consumption rate between 2013 and 2014, the Village owed Lucas County approximately \$29,385. Since the amount owed by the Village is variable and is based on consumption, there is no amortization schedule available.

In 2010-2011, further upgrades were made to the Plant. Various debt issues began amortizing in 2012. The Village is required to pay a portion of the Plant's construction costs based on its quarterly consumption rates. Based on an average quarterly consumption rate between 2013 and 2014, the Village owed Lucas County approximately \$88,437. Since the amount owed by the Village is variable and is based on consumption, there is no amortization schedule available.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

8. Contractual Commitments - (Continued)

The annual requirements to amortize the fixed commitments are as follows:

Year ending December 31:	OWDA Loan #3956
2015	\$76,076
2016	76,076
2017	76,076
2018	76,076
2019	76,076
2020-2024	380,380
2025-2029	304,304
Total	\$1,065,064

9. Retirement Systems

The Village's full-time Fire Fighters and full-time Law Enforcement Officer belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. From January 1, 2013 through June 30, 2013, July 1, 2013 through June 30, 2014, and July 1, 2014 through December 31, 2014, OP&F participants contributed 10%, 10.75%, and 11.5% of their wages, respectively. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2014 and 2013, 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, 2014.

10. Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Commercial property coverage,
- Commercial general liability coverage,
- Public officials' liability coverage,
- Law enforcement liability coverage,
- Commercial inland marine coverage,
- Commercial crime coverage,
- Commercial auto coverage,
- Boiler and machinery coverage, and
- Commercial umbrella coverage

11. Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. 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.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

12. Interfund Transfers

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
2014		
General Fund		\$421,141
Special Revenue Funds:		
Street Construction	\$160,000	
Life Squad	261,141	
Debt Service Fund:		
Fire Debt Retirement	70,545	
Bond Retirement	227,058	
Capital Project Funds:		
Income Tax A (Capital Projects)		297,603
Totals	<u>\$718,744</u>	<u>\$718,744</u>
2013		
General Fund		\$134,247
Special Revenue Funds:		
Street Construction	\$17,964	
Life Squad	116,284	
Debt Service Fund:		
Fire Debt Retirement	70,545	
Capital Project Funds:		
Income Tax A (Capital Projects)	264,152	138,545
Nona France Multi Use Trail		262,802
Bucher Road Micro Seal		1,318
Cemetery Road Reclamation		13
Downtown Water / Sewer Improvements		20
Enterprise Fund:		
OWDA Water Debt	68,000	
Totals	<u>\$536,945</u>	<u>\$536,945</u>

Transfers were made to move unrestricted balances from the General Fund and Income Tax Funds to support programs and capital projects accounted for in other funds. Monies moved from Sewer Operating fund were made to pay off applicable sewer debt.

During 2014, contrary to Ohio law, there were some transfers made which were not authorized by the Tax Commissioner and/or the Court of Common Pleas.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

13. Other Financing Sources and Uses

“Other Financing Uses” in the Income Tax A – Capital Improvements (Special Revenue) fund represent escrow monies paid into the Bond Retirement (Debt Service) fund as “Other Financing Sources” which is subsequently paid to an escrow agent. The escrow agent holds the monies until the Village has paid its debt obligation as designated in the 2002 General Obligation Bond Agreement. Once the debt obligation has been paid, the escrow monies are returned to the Debt Service fund which subsequently pays back the Income Tax A – Capital Improvement fund.

In 2013, the Village refinanced its 2002 General Obligation Bonds which were issued for the construction and equipping of a new municipal building. The current refinancing agreements does not require monies to be held in an escrow account.

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Dave Yost • Auditor of State

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

Village of Whitehouse
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 43571-2476

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 Village of Whitehouse, Lucas County, Ohio (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated October 15, 2015 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 Village adopted Governmental Accounting Standards Board Statement No. 54.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

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. 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. We consider findings 2014-001 and 2014-005 through 2014-009 described in the accompanying schedule of findings 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 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2014-002 through 2014-005 and 2014-008.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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

Dave Yost
Auditor of State

Columbus, Ohio

October 15, 2015

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Monitoring of Financial Statements

Accurate financial reporting is the responsibility of the Finance Director and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Village's activity.

The 2013 financial statements contained the following errors:

- Life Squad reimbursement monies in the amount of \$707,551 were improperly classified as Intergovernmental Revenues rather than Charges for Services in the Life Squad Fund.
- The Village failed to record its 2013 General Obligation Bond debt refunding in the amount of \$1,720,000 as both Bond Proceeds / Premium on Bonds and Principal / Interest and Other Fiscal Charges in the Bond Retirement Fund.
- In the Sewer Operating Fund, the Village's portion of the Wastewater Treatment Plant Debt totaling \$76,029 was misposted to Contractual Services instead of Principal (\$40,142) and Interest and Other Fiscal Charges (\$35,887).
- Monclova Township JEDD municipal income tax receipts totaling \$28,223 and Monclova Township JEDD disbursements totaling \$16,300 were incorrectly posted to the Village's Municipal Income Tax funds instead of the Monclova JEDD fund. In addition, in the Municipal Income Tax funds, there was \$6,280 of Monclova JEDD fees misclassified as Municipal Income Taxes versus Intergovernmental Revenues.

The 2014 financial statements contained the following errors:

- Water Quality Protection grant monies in the amount of \$78,265 were incorrectly classified as Municipal Income Taxes rather than Intergovernmental Revenues in the Loan Oak Demonstration Capital Projects Fund.
- OPWC grant monies in the amount of \$22,736 were incorrectly classified as Municipal Income Taxes rather than Intergovernmental Revenues in the Texas Street Reconstruction Capital Projects Fund.
- Ohio EPA grant funds in the amount of \$10,477 were incorrectly classified as Municipal Income Taxes rather than Intergovernmental Revenues in the Large Quarry Development Capital Projects Fund.
- In the Sewer Operating Fund, the Village's portion of the Wastewater Treatment Plant Debt totaling \$76,029 was misposted to Contractual Services instead of Principal (\$41,702) and Interest and Other Fiscal Charges (\$34,327).
- Adjustments were made to the beginning 2014 fund balances in the following funds due to the 2013 adjustments noted above and the conversion of the Village's fiscal information from CMI software to the Auditor of State's Uniform Accounting Network (UAN) software:

- General Fund - \$11,827
 - Street Construction Fund - \$2,229
 - Life Squad Fund - (\$34,402)
 - Capital Projects Fund Type - \$320
 - Water Operating Fund - \$593
 - Sewer Operating Fund - (\$1,379)
 - Water Deposit Fund - \$90
- Monclova Township JEDD municipal income tax receipts totaling \$4,907 were incorrectly posted to the Village's Municipal Income Tax A and the General fund instead of the Monclova JEDD fund.
 - Spencer Township JEDZ fees totaling \$39,720, which are owed to the Village of Whitehouse, were not properly remitted back to the Village's Income Tax A fund (\$11,916) and the General fund (\$27,804).

The Village's financial statements and accounting records have been adjusted to reflect corrections for these and other errors.

These errors occurred as a result of a lack of understanding of the types of monies received and proper classification per the uniform system of accounting for villages.

To help ensure the Village's financial statements are complete and accurate, the Council should adopt policies and procedures, including a final review of the financial statements to identify and correct errors and omissions.

Officials' Response:

The Administrator / Finance Director will continue to monitor and implement changes to the financial statements.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 5705.10 requires that money paid into any fund shall be used only for the purposes for which such fund was established. The existence of a deficit fund balance indicates money from another fund or funds was used to pay obligations of funds that carry the deficit fund balance.

According to the CMI Year to Date (YTD) Fund Period Report, the Village had negative fund balances as follows at 12/31/13:

Fund	Fund Balance
General Fund	(\$22,292)
Street Construction Repair and Maintenance Fund	(92,047)
Life Squad Fund	(66,535)
Bond Retirement Fund	(90,236)
OWDA Sewer Debt Service Fund	(17,267)

**FINDING NUMBER 2014-002
 (Continued)**

According to the UAN Fund Balance Report, the Village had negative fund balances as follows at 12/31/14:

Fund	Fund Balance
Finzel / 64 Roundabout CP Fund	(\$261,493)
Texas Street Reconstruction CP Fund	(1,962)
Maintenance Garage Improvement CP Fund	(24,099)

These negative balances occurred as a result of inadequate policies and procedures over reviewing the Village's fiscal records and financial statements.

The Village should monitor fund balances to ensure expenditures are made within appropriated levels of available funds and if negative fund balances are anticipated, Council should make an approved transfer or advance of funds to cover the necessary expenditure.

Officials' Response:

The Administrator / Finance Director will continue to monitor pertinent budgetary compliance and budgetary postings to the financial statements.

FINDING NUMBER 2014-003

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

Total appropriations exceeded the total estimated resources in the following funds for 2014 and 2013:

Fund	Appropriations	Estimated Resources	Variances
2014:			
Street Construction and Maintenance Fund	\$181,294	\$115,866	(\$65,428)
Parks and Recreation Fund	931,752	885,199	(46,553)
OWDA Sewer Debt Service Fund	52,977	50,710	(2,267)
Monclova Township JEDD Fund	80,000		(80,000)
Spencer Township JEDZ Fund	403,500		(403,500)
2013:			
General Fund	\$5,587,236	\$4,785,288	(\$801,948)
Monclova Township JEDD Fund	20,000		(20,000)

This could result in the Village expending more money than it receives and could cause possible negative fund balances as noted in Finding 2014-002. A lack of funds may result in the Village being unable to meet its current obligations.

These budgetary variances occurred as a result of inadequate policies and procedures over reviewing the Village's fiscal and budgetary records.

We recommend the Village ensure estimated resources are sufficient to cover appropriations at the time of certification or amendment.

**FINDING NUMBER 2014-003
 (Continued)**

Officials' Response:

The Administrator / Finance Director will continue to monitor pertinent budgetary compliance and budgetary postings to the financial statements.

FINDING NUMBER 2014-004

Noncompliance

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the Village is the level at which Council adopts the original appropriation measure.

Budgetary expenditures exceeded appropriations plus carryover encumbrances for the year ended December 31, 2014 and 2013 at the fund level for the following funds:

Fund	Appropriations	Disbursements	Variance
2014:			
Street Construction and Maintenance Fund	\$ 181,356	\$ 213,112	(\$ 31,756)
Capital Project Funds	2,216,774	2,620,262	(403,488)
Bond Retirement Fund	136,301	136,822	(521)
Bond Retirement Special Assessment Fund		27,813	(27,813)
OWDA Sewer Debt Service Fund	52,977	62,734	(9,757)
2013:			
Street Construction and Maintenance Fund	\$ 275,100	\$ 292,496	(\$ 17,396)
Bond Retirement Fund	830,595	2,456,455	(1,625,860)
Bond Retirement Special Assessment Fund		28,700	(28,700)
OWDA Sewer Debt Service Fund	40,658	85,465	(44,807)

These budgetary variances occurred as a result of inadequate policies and procedures over reviewing the Village's fiscal and budgetary records.

Failure to have adequate appropriation authority in place at the time expenditure are made may result in expenditures exceeding available resources and could result in deficit spending as well as negative fund balances as noted in Finding 2014-002.

The Finance Director should not certify the availability of funds and should deny payment requests exceeding appropriations. The Finance Director may request Council to approve increased appropriations.

Officials' Response:

The Administrator / Finance Director will continue to monitor pertinent budgetary compliance and budgetary postings to the financial statements.

FINDING NUMBER 2014-005

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.40 provides that appropriation measures may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation. The amount posted to the accounting records did not match the legally adopted appropriations in the following funds:

Fund	System	Approved Appropriations	Variance
2014:			
General Fund	\$5,197,632	\$5,201,632	(\$4,000)
Street Construction and Maintenance Fund	220,794	181,294	39,500
Bond Retirement Special Assessment Fund	33,000		33,000
Capital Project Funds	2,036,917	2,121,549	(84,632)
Monclova Township JEDD Fund		80,000	(80,000)
Spencer Township JEDZ Funds		403,500	(403,500)

2013:			
Street Construction and Maintenance Fund	285,100	274,946	10,154
Bond Retirement Fund	760,050	830,595	(70,545)
Monclova Township JEDD Fund		20,000	(20,000)

As a result, budgetary reports containing appropriations were inaccurate. This increases the risk management may draw inaccurate conclusions concerning the Village's financial status. The budgetary note to the financial statement was adjusted for these variances.

These budgetary variances occurred as a result of inadequate policies and procedures over reviewing the Village's fiscal and budgetary records.

We recommend the Village post appropriations to the financial records that Council approves in the annual appropriation resolution and any subsequent amendments. The appropriation amount approved by the Council does not have to match the total amount of the estimates resources that are approved. Council may appropriate any amount which is needed to meet the Village's annual operating requirements.

Officials' Response:

The Administrator / Finance Director will continue to monitor pertinent budgetary compliance and budgetary postings to the financial statements.

FINDING NUMBER 2014-006

Material Weakness

Timely Reconciliation of Bank Accounts

Strong accounting controls require bank accounts be accurately reconciled to book balances on a monthly basis.

During review of the December 2013 bank reconciliation, there were \$10,758 of checks cleared during 2013 which were included as part of outstanding checks in the December 2013 bank reconciliation.

During review of the 2013 and 2014 December bank reconciliations, there was \$26,208 in unreconciled differences which were attributed to a misposting of \$25,862 of prior audit adjustments and an unsupported amount of \$346. The December 2014 bank reconciliation appears reconciled despite the unreconciled differences noted above.

The Village has not performed any monthly bank reconciliations to date in 2015.

Accurate fund balances are not known if the Village does not reconcile its accounts on a timely basis.

Failure to reconcile the Village's fiscal records to bank balances on a timely basis also increases the risk of unauthorized or inaccurate transactions, undetected errors, and loss or misappropriation of funds occurring without timely detection.

Reconciliations are an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been properly posted to the bank and all transactions with the bank have been recorded on the Village's fiscal records and financial statements.

The lack of completing bank reconciliations occurred as a result of inadequate policies and procedures over reviewing the Village's fiscal records and financial statements.

The Fiscal Officer should complete bank reconciliations on a monthly basis. Any unknown variances should be investigated and corrected before closing the current month's activities. The Village Administrator and Council should closely review and scrutinize monthly bank reconciliations. This review should be clearly documented in the Village's minute record as well as on the bank reconciliations.

Officials' Response:

The Administrator / Finance Director will ensure all bank reconciliations are properly reconciled and completed in a timely manner.

FINDING NUMBER 2014-007

Material Weakness

Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Committed fund balances are established for specific purposes pursuant to constraints imposed by formal action of the Village Council. Council approved an income tax ordinance which collects income tax receipts and reports them in Special Revenue Income Tax A (Capital Projects) and Income Tax B (General) funds. In addition, the income tax ordinance specifies monies are to be transferred to the General fund and various Capital Projects funds on an as needed basis.

If an income tax is enacted with or without voter approval and constraints on the use of the revenue are imposed by a separate ordinance, the income tax revenue is included with the General fund if it is used for municipal purposes and is classified as part of the "unassigned" fund balance. The income tax could also be reported as a separate special revenue or capital projects fund depending on the use of the revenue and is classified as part of the "committed" fund balance.

In 2013 and 2014, the Income Tax A (Capital Projects) fund was not reported as part of the Capital Projects fund type and the Income Tax B (General) fund was not blended with the General fund as required for GASB 54 reporting purposes. In addition, various Capital Projects funds' balances were classified as "restricted" instead of "committed."

In 2013, the following adjustments were recorded to the Village's financial statements accounting records:

- The Income A (Capital Projects) fund was reclassified to the Capital Projects fund type with an ending fund balance of \$843,392 being classified as "committed".
- The Income Tax B fund was blended with the General fund with an ending fund balance of (\$8,970) being classified as "unassigned".
- Capital Projects fund balances totaling \$1,076,466 were reclassified as "committed".

In 2014, the following adjustments were recorded to the Village's financial statements and accounting records:

- The Income A (Capital Projects) fund was reclassified to the Capital Projects fund type with an ending fund balance of \$462,023 being classified as "committed".
- The Income Tax B fund was blended with the General fund with an ending fund balance of \$24,369 being classified as "unassigned".
- Capital Projects fund balances totaling \$864,091 were reclassified as "committed" and \$287,554 was reclassified as "unassigned".

These errors occurred as a result of a lack of understanding of the proper classification of fund balances in accordance with GASB 54.

**FINDING NUMBER 2014-007
(Continued)**

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Village review Auditor of State Bulletin 2011-004.

Officials' Response:

The Administrator / Finance Director will continue to monitor and implement changes to the financial statements.

FINDING NUMBER 2014-008

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.14 provides no transfer can be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions. The transfers permitted under **Ohio Rev. Code § 5705.14** require a resolution passed by a two-thirds vote of the members of the taxing authority, except transfers from the general fund, which require a resolution passed by a simple majority. In addition to the transfers permitted under **Ohio Rev. Code § 5705.14, § 5705.15 and § 5705.16** provide that the taxing authority, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to another.

In 2014, the Village improperly transferred \$36,242 from the Street Construction Fund to the General Fund and \$275,000 from the State Highway Fund to the Finzel / 64 Roundabout Capital Projects Fund. The \$36,242 transfer was not authorized by Village Council and neither transfers were authorized by the Tax Commissioner and the Court of Common Pleas.

The Village's financial statements and accounting records have been adjusted to reflect corrections for these and other errors.

These improper transfers occurred due to a lack of review of allowable transfers in accordance with the above code sections.

We recommend no transfers be made unless prior approval has been obtained in the form of a resolution authorizing the transfers by the Village Council and/or an approval of the Tax Commissioner and the Court of Common Pleas.

Officials' Response:

The Administrator / Finance Director will monitor future transfers to ensure they are compliant.

FINDING NUMBER 2014-009

Material Weakness

Posting Budgetary Receipts

Budgetary amounts (e.g. estimated receipts) reported on the accounting system differed from amounts submitted to the County Budget Commission in 2013. The following variances were noted:

Fund	System	Estimated Revenues	Variance
General Fund	\$4,221,322	\$4,253,435	(\$ 32,113)
Street Construction and Maintenance Fund	277,336	290,300	(12,764)
State Highway Fund	15,190	14,900	290
Parks and Recreation		1,000	(1,000)
Life Squad Fund	889,118	919,607	(30,489)
Motor Vehicle License Tax Fund	30,000	36,000	(6,000)
Capital Project Funds	2,236,260	2,538,007	(301,747)
Bond Retirement Fund	1,420,250	1,330,555	89,695
Bond Retirement Special Assessment Fund	70,555	56,100	14,455
Water Operating Fund	805,800	810,000	(4,200)
OWDA Sewer Debt Service Fund	67,208	73,000	(5,752)
Sewer Operating Fund	599,700	600,000	(300)

Failure to accurately reflect budgetary figures in the accounting records could result in poor management decisions and possible deficit spending. We recommend estimated resources be reported based on amounts certified by the County Budget Commission. The budgetary note to the financial statement was adjusted for these variances.

We recommend the Finance and Account Clerk post estimated receipts to the Village's financial ledgers based on amounts certified by the County Budget Commission.

Officials' Response:

The Administrator / Finance Director will continue to monitor pertinent budgetary compliance and budgetary postings to the financial statements.

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VILLAGE OF WHITEHOUSE
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 AND 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Material weakness due to errors in financial reporting.	No	Not corrected and reissued as Finding 2014-001 in this report.