



**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2005 & 2006



Mary Taylor, CPA
Auditor of State

VILLAGE OF WHITEHOUSE
LUCAS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Whitehouse
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 43571-0476

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Mary Taylor, CPA
Auditor of State

November 28, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Whitehouse
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 43571-0476

To the Village Council:

We have audited the accompanying financial statements of the Village of Whitehouse, Lucas County, (the Village) as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material. In addition, as described in Note 2, in 2005 the Village reclassified its expendable trust fund.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (*i.e.*, major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2006 and 2005, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Whitehouse, Lucas County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 28, 2007

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$324,465				\$324,465
Municipal Income Tax		\$1,572,846			1,572,846
Intergovernmental	416,958	839,468			1,256,426
Special Assessments			\$58,828		58,828
Charges for Services	82,908	1,300			84,208
Fines, Licenses and Permits	128,277	10		\$188,400	316,687
Earnings on Investments	169,441				169,441
Miscellaneous	51,294	71,523		3,250	126,067
Total Cash Receipts	1,173,343	2,485,147	58,828	191,650	3,908,968
Cash Disbursements:					
Current:					
Security of Persons and Property	1,113,096	775,497		960	1,889,553
Public Health Services	14,688				14,688
Leisure Time Activities	47,209			4,102	51,311
Community Environment	156,342				156,342
Basic Utility Service	204,793			24,110	228,903
Transportation		146,012		15,180	161,192
General Government	426,513	103,568		13,349	543,430
Debt Service:					
Redemption of Principal			258,675		258,675
Interest and Fiscal Charges			123,960		123,960
Financing and Other Debt-Service Related		46,320			46,320
Capital Outlay	144,559	42,891		338,615	526,065
Total Cash Disbursements	2,107,200	1,114,288	382,635	396,316	4,000,439
Total Receipts Over/(Under) Disbursements	(933,857)	1,370,859	(323,807)	(204,666)	(91,471)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds			105,019		105,019
Sale of Notes			134,072		134,072
Sale of Fixed Assets	133,308				133,308
Transfers-In	967,048	257,103	63,000	208,308	1,495,459
Transfers-Out	(303,308)	(1,168,548)		(87,103)	(1,558,959)
Other Financing Sources		761,743	784,022		1,545,765
Other Financing Uses		(784,022)	(761,743)		(1,545,765)
Total Other Financing Receipts / (Disbursements)	797,048	(933,724)	324,370	121,205	308,899
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(136,809)	437,135	563	(83,461)	217,428
Fund Cash Balances, January 1	386,764	1,560,937	117,015	1,044,249	3,108,965
Fund Cash Balances, December 31	\$249,955	\$1,998,072	\$117,578	\$960,788	\$3,326,393
Reserve for Encumbrances, December 31	\$128,760	\$5,508		\$25,358	\$159,626

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,119,221	\$1,006	\$1,120,227
Total Operating Cash Receipts	1,119,221	1,006	1,120,227
Operating Cash Disbursements:			
Personal Services	286,375		286,375
Employee Fringe Benefits	484		484
Contractual Services	316,483		316,483
Supplies and Materials	365,551		365,551
Capital Outlay	93,556		93,556
Total Operating Cash Disbursements	1,062,449		1,062,449
Operating Income	56,772	1,006	57,778
Non-Operating Cash Disbursements:			
Redemption of Principal	52,666		52,666
Interest and Other Fiscal Charges	28,530		28,530
Other Non-Operating Cash Disbursements	1,635	347	1,982
Total Non-Operating Cash Disbursements	82,831	347	83,178
Excess of Receipts Over Disbursements Before Interfund Transfers	(26,059)	659	(25,400)
Transfers-In	63,500		63,500
Net Receipts Over Disbursements	37,441	659	38,100
Fund Cash Balances, January 1	1,217,294	607	1,217,901
Fund Cash Balances, December 31	\$1,254,735	\$1,266	\$1,256,001
Reserve for Encumbrances, December 31	\$17,927	\$233	\$18,160

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$285,603				\$285,603
Municipal Income Tax		\$1,556,420			1,556,420
Intergovernmental	373,686	800,921		\$278,273	1,452,880
Special Assessments			\$28,331		28,331
Charges for Services	80,459	2,575		11,750	94,784
Fines, Licenses and Permits	152,506	470		38,300	191,276
Earnings on Investments	121,713				121,713
Miscellaneous	31,722	68,178		19,005	118,905
Total Cash Receipts	1,045,689	2,428,564	28,331	347,328	3,849,912
Cash Disbursements:					
Current:					
Security of Persons and Property	1,028,687	728,962			1,757,649
Public Health Services	12,310				12,310
Leisure Time Activities	36,911			2,001	38,912
Community Environment	33,174				33,174
Basic Utility Service	190,673			6,656	197,329
Transportation		142,093		31,167	173,260
General Government	466,178	100,806		23,448	590,432
Debt Service:					
Redemption of Principal			68,330		68,330
Interest and Fiscal Charges			116,330		116,330
Financing and Other Debt-Service Related		31,154			31,154
Capital Outlay	153,905	90,078		809,390	1,053,373
Total Cash Disbursements	1,921,838	1,093,093	184,660	872,662	4,072,253
Total Receipts Over/(Under) Disbursements	(876,149)	1,335,471	(156,329)	(525,334)	(222,341)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds				280,480	280,480
Transfers-In	788,393	340,681		464,646	1,593,720
Transfers-Out	(139,000)	(1,316,087)		(201,681)	(1,656,768)
Other Financing Sources		616,637	760,027		1,376,664
Other Financing Uses		(760,027)	(616,637)		(1,376,664)
Total Other Financing Receipts / (Disbursements)	649,393	(1,118,796)	143,390	543,445	217,432
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(226,756)	216,675	(12,939)	18,111	(4,909)
Fund Cash Balances, January 1, Restated	613,520	1,344,262	129,954	1,026,138	3,113,874
Fund Cash Balances, December 31	\$386,764	\$1,560,937	\$117,015	\$1,044,249	\$3,108,965
Reserve for Encumbrances, December 31	\$86,245	\$2,872		\$295,071	\$384,188

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

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$1,191,083	\$12,454	\$1,203,537
Total Operating Cash Receipts	1,191,083	12,454	1,203,537
Operating Cash Disbursements:			
Personal Services	277,778		277,778
Employee Fringe Benefits	140		140
Contractual Services	279,955		279,955
Supplies and Materials	349,308		349,308
Capital Outlay	52,878		52,878
Total Operating Cash Disbursements	960,059		960,059
Operating Income	231,024	12,454	243,478
Non-Operating Cash Disbursements:			
Redemption of Principal	58,413		58,413
Interest and Other Fiscal Charges	30,788		30,788
Other Non-Operating Cash Disbursements	6,142	12,346	18,488
Total Non-Operating Cash Disbursements	95,343	12,346	107,689
Excess of Receipts Over Disbursements Before Interfund Transfers	135,681	108	135,789
Transfers-In	63,048		63,048
Net Receipts Over Disbursements	198,729	108	198,837
Fund Cash Balances, January 1	1,018,565	499	1,019,064
Fund Cash Balances, December 31	\$1,217,294	\$607	\$1,217,901
Reserve for Encumbrances, December 31	\$38,378	\$130	\$38,508

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, 2006 AND 2005**

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, police services, and life squad services.

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. Cash 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 instruments at cost. Money market mutual funds (including STAR Ohio) are recorded at share values 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:

Local Income Tax Fund - This fund receives local income tax revenue for general operations and capital projects.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

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 Funds:

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.

Bond Retirement Special Assessment Fund – This fund receives receipts from residents of the Village to pay debt related to special assessment projects.

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 proceeds. These proceeds are being used to fund downtown improvement projects.

Street Capital Projects Fund - This fund receives grant and loan proceeds. The proceeds are being used for street related 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 and Sewer Funds - These funds receive charges for services from residents to cover water and 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.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund accounts for a 3% fee imposed by the State of Ohio on building permits. The fees are periodically remitted to the State.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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 2006 and 2005 budgetary activity appears in Note 4.

F. 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.

G. 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.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

2. RESTATEMENT OF PRIOR YEAR FUND BALANCE

Auditor of State Audit Bulletin 2005-005 requires local governments that prepare non-GAAP, cash basis financial statements to reclassify their funds using the same categories and fund types as provided for in GAAP, effective January 1, 2006. In order to conform with this requirement, the Village reclassified its Local Income Tax Fund from an Expendable Trust Fund type to a Special Revenue Fund type. This change had the following effect on the fund balances as it was previously reported as of December 31, 2004:

	Special Revenue Fund	Expendable Trust Fund
Fund Balance as Previously Reported	\$426,534	\$917,728
Restatement of Expendable Trust Fund	917,728	(917,728)
Restatement January 1, 2005	\$1,344,262	

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2006	2005
Demand deposits	\$64,482	\$103,089
Total deposits	64,482	103,089
U.S. Treasury Notes	1,982,929	
STAR Ohio	2,147,805	3,945,291
Special Assessment Bonds	316,216	229,528
Money Market Mutual Funds	70,962	48,958
Total investments	4,517,912	4,223,777
Total deposits and investments	\$4,582,394	\$4,326,866

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. Agency Notes 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's Special Assessment Bonds are held by the Village in its name.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,417,200	\$2,273,699	(\$143,501)
Special Revenue	3,200,400	3,503,993	303,593
Debt Service	7,824,800	1,144,941	(6,679,859)
Capital Projects	1,664,100	399,958	(1,264,142)
Enterprise	1,129,400	1,182,721	53,321
Agency	1,500	1,006	(494)
Total	\$16,237,400	\$8,506,318	(\$7,731,082)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,903,445	\$2,539,268	\$364,177
Special Revenue	3,605,972	3,072,366	533,606
Debt Service	1,147,500	1,144,378	3,122
Capital Projects	1,744,571	508,777	1,235,794
Enterprise	1,638,128	1,163,207	474,921
Agency	900	580	320
Total	\$11,040,516	\$8,428,576	\$2,611,940

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,295,300	\$1,834,082	(\$461,218)
Special Revenue	3,472,615	3,385,882	(86,733)
Debt Service	789,950	788,358	(1,592)
Capital Projects	2,047,300	1,092,454	(954,846)
Enterprise	970,000	1,254,131	284,131
Agency	12,961	12,454	(507)
Total	\$9,588,126	\$8,367,361	(\$1,220,765)

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,566,169	\$2,147,083	\$419,086
Special Revenue	4,494,805	3,172,079	1,322,726
Debt Service	1,044,000	801,297	242,703
Capital Projects	2,917,416	1,369,414	1,548,002
Enterprise	1,561,831	1,093,780	468,051
Agency	13,426	12,476	950
Total	\$12,597,647	\$8,596,129	\$4,001,518

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.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. DEBT

Debt outstanding at December 31, 2006, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$2,020,000	4.75 to 5.0%
Ohio Water Development Authority Loan	354,470	8.31%
Special Assessment Bonds	316,216	3.0 to 8.0%
Maumee River Wastewater Treatment Plant	214,918	
Farmers & Merchants Bank Loan	229,207	4.35%
Ohio Public Works Commission Loans	76,037	
Total	<u>\$3,210,848</u>	

General Obligation Bonds relate to bonds issued for the construction and equipping of a new municipal building. The loans will be repaid in semiannual installments over 25 years. The Village's Income Tax A fund has been pledged to repay debt service requirements.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer utility construction project. The loan will be repaid in semiannual installments over 25 years. The loan is collateralized by water and sewer receipts.

Outstanding Special Assessment Bonds consist of sewer improvement issues which are payable from the proceeds of tax assessments against individual property owners. The Village invested in its own bonds.

The Village has entered into an agreement with Lucas County to pay for a portion of the usage capacity of the Maumee River Wastewater Treatment Plant. Payments are to be made from the proceeds of tax assessments against individual property owners.

The Village entered into a loan agreement with Farmers & Merchants State Bank to pay for a new fire truck. The Village will repay the loan in monthly installments over 5 years.

Ohio Public Works Commission interest free loans are for various projects including the Industrial Parkway Lift Station Replacement; Storm Drainage Improvement; Swanton Street Reconstruction; Industrial Parkway Widening and Resurfacing; Reconstruction of Merritt Street, South Street & Gillett Street; and Waterville Street Construction.

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

7. DEBT – (CONTINUED)

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

Year Ending December 31:	General Obligation Bonds	OWDA Loan	Special Assessment Bonds	Maumee River Wastewater Treatment Plant	Fire Truck Bank Loan	OPWC Loan
2007	\$154,300	\$31,845	\$37,898	\$16,714	\$62,613	\$11,150
2008	156,550	64,165	34,573	16,714	62,613	17,560
2009	158,550	64,681	32,990	16,714	62,613	12,820
2010	155,300	65,239	32,528	16,714	62,613	12,820
2011	157,050	65,844	31,079	16,714		11,840
2012 – 2016	780,250	201,684	127,519	83,567		9,847
2017 – 2021	774,250		92,021	83,571		
2022 – 2027	19,150		32,093	125,991		
Total	<u>\$2,355,400</u>	<u>\$493,458</u>	<u>\$420,701</u>	<u>\$376,699</u>	<u>\$250,452</u>	<u>\$76,037</u>

8. 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. For 2006 and 2005, OP&F participants contributed 10% of their wages. For 2006 and 2005, 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 2006 and 2005, OPERS members contributed 9 and 8.5%, respectively, of their gross salaries and the Village contributed an amount equaling 13.7 and 13.55%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

9. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

VILLAGE OF WHITEHOUSE
LUCAS COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)

9. RISK POOL MEMBERSHIP – (CONTINUED)

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2004:

	<u>2006</u>	<u>2005</u>
Assets	\$9,620,148	\$8,219,430
Liabilities	<u>(3,329,620)</u>	<u>(2,748,639)</u>
Members' Equity	<u>\$6,290,528</u>	<u>\$5,470,791</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

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Mary Taylor, CPA

Auditor of State

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

Village of Whitehouse
Lucas County
6925 Providence Street
P.O. Box 2476
Whitehouse, Ohio 43571-0476

To the Village Council:

We have audited the financial statements of the Village of Whitehouse, Lucas County, (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated November 28, 2007, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Village reclassified its expendable trust fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance matter that we reported to the Village's management in a separate letter dated November 28, 2007.

We intend this report solely for the information and use of the Finance, Audit, and Investment Committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 28, 2007

**VILLAGE OF WHITEHOUSE
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number	2006-001
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Material Weakness-- Monitoring of Financial Activity

The Villages annual financial reports contained classification errors requiring adjustment to the financial statements. The following errors were noted during the audit:

- 2006 Special Revenue Fund - Debt issue memo receipts were posted as miscellaneous revenue rather than as an Other Source;
- 2006 Debt Service Fund - Special assessment revenue was erroneously posted as property tax revenue and debt principal and interest payments, with related offset memo payments, were erroneously posted as miscellaneous revenues rather than as other financing sources/uses.
- 2006 and 2005 Capital Projects Fund – Park, water tap, construction, and project fees were erroneously classified as miscellaneous revenue rather than as Fines, Licenses, and Permits;

As a result, the financial statements did not correctly reflect the financial activity of the Village. Inaccurate posting of transactions impedes the ability of Village Council to accurately assess the financial status of the Village.

We recommend the Finance Director post all transactions in accordance with the guidance established by the Village Officers’ Handbook issued by the Auditor of State. Further, the Village should adopt policies and procedures including a final review of the financial statements by the Finance, Audit, and Investment Committee to ensure that errors and omissions are detected and corrected.

Finding Number	2006-002
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Material Weakness – Fund Reclassification

Auditor of State Audit Bulletin 2005-005, as authorized under Ohio Rev. Code §117.38, requires all local governments to prepare their annual reports using the same fund categories (governmental, proprietary, and fiduciary) and the same fund types (general, special revenue, etc.) as provided for in GAAP. Non-GAAP, cash-basis financial statements are required to reclassify their funds using the new classifications beginning January 1, 2006. Specifically, the expendable trust fund must be reclassified as a special revenue fund if the government may spend the revenue for its own programs.

The Village did not reclassify its expendable trust fund as a special revenue fund in accordance with the above requirement. This condition resulted in audit adjustments reclassifying the expendable trust financial activity as special revenue fund financial activity.

We recommend the Village reclassify its expendable trust fund to a special revenue fund using guidance established by the Village Officers’ Handbook issued by the Auditor of State and in accordance with the above-stated requirement.

Official’s Response

We did not receive a response to these findings from Village officials.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WHITEHOUSE

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 3, 2008