

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF HOLLAND

DUBOIS COUNTY, INDIANA

January 1, 2011 to December 31, 2014



**FILED**

02/26/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Raymond O. Schuetter	01-01-08 to 12-31-19
President of the Town Council	Thomas W. Thacker	01-01-11 to 12-31-15
Superintendent of Water Utility	Jerry Tislow Scott Hunefeld Gregg Miller Kevin Head (Vacant) Dean Moore	01-01-11 to 06-30-12 07-01-12 to 10-31-13 11-01-13 to 06-30-14 07-01-14 to 04-30-15 05-01-15 to 05-31-15 06-01-15 to 12-13-15
Superintendent of Wastewater Utility	Jerry Tislow Scott Hunefeld Ron Groeschen	01-01-11 to 06-30-12 07-01-12 to 10-31-13 11-01-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TOWN OF HOLLAND, DUBOIS COUNTY, INDIANA

This report is supplemental to our examination report of the Town of Holland (Town), for the period from January 1, 2011 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statements Examination Report of the Town, which provides our opinion on the Town's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

December 22, 2015

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CLERK-TREASURER  
TOWN OF HOLLAND

CLERK-TREASURER  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

The Annual Financial Reports for 2011, 2012, and 2013 were not filed electronically until June 3, 2012, July 14, 2013, and May 11, 2014, respectively. These reports are due not later than sixty (60) days after the close of each fiscal year.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

**OVERDRAWN CASH BALANCES**

The financial statements presented in the Financial Statements Examination Report included the following funds with overdrawn cash balances at December 31:

<u>Fund</u>	<u>Years</u>	<u>Amount Overdrawn</u>
Payroll	2012	\$ 1,334
Payroll	2014	2,997

A similar comment appeared in prior Reports.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**APPROPRIATIONS**

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General Corporation	2012	\$ 14,568
Park and Recreation	2012	2,770
Park and Recreation	2014	1,367

A similar comment appeared in prior Reports.

CLERK-TREASURER  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

***HYDRANT RENTAL RECEIVABLE/PAYABLE***

As of December 31, 2014, the Town of Holland owed the Water Utility hydrant rental fees of \$93,895 pursuant to current and prior rate ordinances passed by the Town Council.

Also, the inventory of fire hydrants shows one private fire hydrant. Pursuant to current and prior rate ordinances, the annual charge for private hydrant rental is \$803. No documentation was presented for audit that reflected that the private hydrant rental was billed or collected.

A similar comment appeared in prior Reports

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***RECEIPT ISSUANCE***

In most instances a receipt was not written for cash or checks received by the Clerk-Treasurer. Receipts were not written for any State or County distributions received. Nineteen credits to the Town bank account were reviewed and only two could be traced to a written receipt.

A similar comment appeared in prior Reports.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***DEPOSITS***

Receipts were deposited later than the next business day for 70 percent of receipts tested.

A similar comment appeared in prior Reports.

Indiana Code 5-13-6-1(c) states in part:

". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

CLERK-TREASURER  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**DELINQUENT WASTEWATER ACCOUNTS**

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor, which would result in a lien against the property.

A similar comment appeared in prior Reports.

Indiana Code 36-9-23-33 states in part:

"(c) Except as provided in subsection (m), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
  - (B) A description of the premises, as shown by the records of the county auditor.
  - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(d) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(f) . . . Using the lists and instruments prepared under subsection (c) and recorded under subsection (d), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (d), certify to the county auditor a list of the unpaid liens for collection with the next May installment of property taxes . . ."

**CAPITAL ASSETS**

The Town, including the Water and Wastewater Utilities, did not properly maintain a complete inventory of capital assets owned. The capital asset records have not been updated for over 20 years and an annual inventory is not taken.

A similar comment appeared in the prior Report.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**CUSTOMER DEPOSIT REGISTER**

The Guarantee Deposit register did not agree with the cash balance of the Water Utility - Customer Deposit fund maintained in the simplified cash journal. This is a result of numerous errors and a loan made to the Water Utility Operating fund in a previous year. The Clerk-Treasurer should transfer \$18,277.03 from the Water Operating fund to the Water Utility - Customer fund to pay back the loan and correct the errors. Monthly, the Water Utility Customer fund cash balance should be reconciled to the Guarantee Deposit register and any errors noted should be corrected.

A similar comment appeared in the prior Report.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**PAYROLL EXCEPTIONS**

During the examination of payroll records, the following exceptions were noted:

- (1) The Clerk-Treasurer was paid in advance. During the examination period, the Clerk-Treasurer had received his entire annual salary by June, July, May and April in the years 2011, 2012, 2013, and 2014, respectively.
- (2) Salaries of the Park Board were included in the salary ordinance adopted by the Town Council; however, the compensation was not paid through the payroll system and was not reported in accordance with state and federal requirements. The Park Board received their annual compensation early in the year resulting in the prepayment of salaries. In addition, a park employee serves on the Board and the salary he is paid as a Park Board member is not included in his Internal Revenue Service Wage Tax Statement, Form W-2 wages.
- (3) The Town Council members were paid monthly in the first week of the month resulting in a prepayment of salaries.
- (4) No documentation was provided for employees paid from more than one fund showing how the amount charged to each fund was determined.
- (5) The Town paid the entire cost of health insurance provided to employees.
- (6) Errors were made in the amounts transferred into the Payroll fund resulting in a negative balance in the fund at December 31, 2014.

A similar comment appeared in prior Reports.

Indiana Code 5-7-3-1 states: "(a) Public officers may not draw or receive their salaries in advance."

CLERK-TREASURER  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-9-4(b) states in part: " the state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: . . . (2) employed . . . in more than one (1) position by the same public agency . . ."

Indiana Code 5-10-8-2.6(c) states in part: "A public employer may pay a part of the cost of group insurance . . ."

**OFFICIAL BONDS**

The Official Bond for the Clerk-Treasurer was not filed in the Office of the County Recorder.

A similar comment appeared in prior Reports.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

**HANDGUN LICENSE APPLICATION FEES**

Handgun license application fees were not accounted for properly. There was no evidence that fees totaling \$610 collected in the years 2011, 2012, and 2013 were remitted to the Clerk-Treasurer. As no receipts were written by the Clerk-Treasurer nor were these fees posted as a cash receipt in the Law Enforcement Continuing Education Fund. In addition, receipts were not written by the Clerk-Treasurer for any handgun application fees remitted by the Town Marshal.

"The state board of accounts shall establish rules for the proper accounting and expenditure of funds collected under this subsection." (IC 35-47-2-3(b))

In keeping with the provisions of this statute, the following procedure is prescribed for accounting for such application fees:

1. Issue a Receipt, General Form Number 352, for each fee collected.
2. Remit receipts to the clerk-treasurer or controller at least once each week.
3. The clerk-treasurer or controller shall issue an official receipt for remittance specifying on such receipt the number of general receipts accounted for. (For example: General Receipt Numbers 1-4, \$40.00)

CLERK-TREASURER  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

4. The clerk-treasurer or controller shall receipt the fees to the local law enforcement continuing education fund and deposit such receipts in the municipality's general corporation bank account. A separate depository account is not required.
5. If the application is turned down, a refund shall be made from the local law enforcement continuing education fund without appropriation upon the basis of the claim filed, allowed, and paid in the proper legal manner. No refunds are to be made from any other fund of the unit." (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

**CONTRACTS**

The Town paid the Wastewater Superintendent, volunteer firefighters for responding to emergency calls and clothing allowances, and the Town attorney on a contractual basis in the years 2011, 2012, 2013, and 2014. No written contracts were presented for examination for these services.

A similar comment appeared in prior Reports.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**STORM WATER MANAGEMENT FEE**

The Town adopted an ordinance concerning Storm Water Management. The ordinance established an annual \$12 fee for each developed property in the Town. We noted that the Town did not comply with its existing ordinance, because no fees were assessed or collected in the years 2011, 2012, 2013, and 2014. There are approximately 300 properties that should have been assessed the \$12 fee each year.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLERK-TREASURER  
TOWN OF HOLLAND  
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2015, with Raymond O. Schuetter, Clerk-Treasurer, and Thomas W. Thacker, President of the Town Council.

TOWN COUNCIL  
TOWN OF HOLLAND

TOWN COUNCIL  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS

**APPROPRIATIONS**

The records presented for examination indicated the following expenditures in excess of budgeted appropriations and the Council did not receive an additional appropriation:

Fund	Years	Excess Amount Expended
General Corporation	2012	\$ 14,568
Park and Recreation	2012	2,770
Park and Recreation	2014	1,367

A similar comment appeared in prior Reports.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**HYDRANT RENTAL RECEIVABLE/PAYABLE**

As of December 31, 2014, the Town of Holland owed the Water Utility hydrant rental fees of \$93,895 pursuant to current and prior rate ordinances passed by the Town Council.

Also, the inventory of fire hydrants shows one private fire hydrant. Pursuant to current and prior rate ordinances, the annual charge for private hydrant rental is \$803. No documentation was presented for audit that reflected that the private hydrant rental was billed or collected for the years 2011, 2012, 2013, and 2014.

A similar comment appeared in prior Reports.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**PAYROLL EXCEPTIONS**

During the examination of payroll records, the following exceptions were noted:

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- (2) Salaries of the Park Board were included in the salary ordinance adopted by the Town Council; however, the compensation was not paid through the payroll system and was not reported in accordance with state and federal requirements. The Park Board received their annual compensation early in the year resulting in the prepayment of salaries. In addition, a park employee serves on the Board and the salary he is paid as a Park Board member is not included in his Internal Revenue Service Wage and Tax Statement, Form W-2 wages.

TOWN COUNCIL  
TOWN OF HOLLAND  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (3) The Town Council members were paid monthly in the first week of the month resulting in a prepayment of salaries.
- (4) No documentation was provided for employees paid from more than one fund showing how the amount charged to each fund was determined.
- (5) The Town paid the entire cost of health insurance provided to the full-time employee.

A similar comment appeared in prior Reports

Indiana Code 5-7-3-1 states: "(a) Public officers may not draw or receive their salaries in advance."

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-9-4(b) states in part: " the state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees: . . . (2) employed . . . in more than one (1) position by the same public agency . . ."

Indiana Code 5-10-8-2.6(c) states in part: "A public employer may pay a part of the cost of group insurance . . ."

### **OFFICIAL BONDS**

The following deficiencies were noted with official bonds:

- 1. Official bonds for elected or appointed officials and employees were not filed in the Office of the County Recorder.
- 2. The Utility Clerk was not bonded and the Town Marshal's bond was insufficient.

A similar comment appeared in prior Reports.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . ."

All employees who handle cash should be covered by some type of bond or crime insurance policy. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

### **CONTRACTS**

The Town paid the Wastewater Superintendent, volunteer firefighters for responding to emergency calls and clothing allowances, and the Town attorney on a contractual basis in the years 2011, 2012, 2013, and 2014. No written contracts were presented for examination for these services.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN COUNCIL  
TOWN OF HOLLAND  
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2015, with Thomas W. Thacker, President of the Town Council, and Raymond O. Schuetter, Clerk-Treasurer.

TOWN MARSHAL  
TOWN OF HOLLAND

TOWN MARSHAL  
TOWN OF HOLLAND  
EXAMINATION RESULT AND COMMENT

***HANDGUN LICENSE APPLICATION FEES***

Handgun license application fees were not accounted for properly. Some licenses were issued for which there was no evidence that a fee had been collected by the Town Marshal. Fees collected for which the Town Marshal had issued a receipt were not deposited weekly. In 2012, fees collected were held for the entire year and remitted to the Clerk-Treasurer on December 31st. There was no evidence that fees totaling \$610 collected in the years 2011, 2012, and 2013 were remitted to the Clerk-Treasurer

"The state board of accounts shall establish rules for the proper accounting and expenditure of funds collected under this subsection." (IC 35-47-2-3(b))

In keeping with the provisions of this statute, the following procedure is prescribed for accounting for such application fees:

1. Issue a Receipt, General Form Number 352, for each fee collected.
2. Remit receipts to the clerk-treasurer or controller at least once each week.
3. The clerk-treasurer or controller shall issue an official receipt for remittance specifying on such receipt the number of general receipts accounted for. (For example: General Receipt Numbers 1-4, \$40.00)
4. The clerk-treasurer or controller shall receipt the fees to the local law enforcement continuing education fund and deposit such receipts in the municipality's general corporation bank account. A separate depository account is not required.
5. If the application is turned down, a refund shall be made from the local law enforcement continuing education fund without appropriation upon the basis of the claim filed, allowed, and paid in the proper legal manner. No refunds are to be made from any other fund of the unit." (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2013)

TOWN MARSHAL  
TOWN OF HOLLAND  
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2015, with Ronald Drew, Town Marshal; Raymond O. Schuetter, Clerk-Treasurer; and Thomas W. Thacker, President of the Town Council.