

Town of Holland
Financial Audit Report
Year ended December 31, 2014

Town of Holland
December 31, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Town Board
Town of Holland, Wisconsin

We have audited the accompanying financial statements of the Town of Holland, Wisconsin, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance of the Town of Holland, Wisconsin, as of December 31, 2014, and its revenues and expenses and budgetary comparison for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

The Town of Holland, Wisconsin, has not adopted the provisions of GASB 34 and therefore has not included the government-wide financial statements and other information as required by accounting principles generally accepted in the United States of America. The amount by which this departure would affect the financial statements is not reasonably determinable.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The detailed schedules of revenues and expenses on pages 11 through 15 and the summary schedule of expenses by department on page 16 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Corson, Peterson & Hamann S.C.

Sheboygan, Wisconsin
April 3, 2015

Town of Holland
Statement of Assets, Liabilities and Fund Balance - Modified Cash Basis
December 31, 2014

Assets

	<u>2014</u>	<u>(Memorandum Only)</u> <u>2013</u>
Cash and investments		
General checking	\$ 3,613	\$ 6,126
General money market	19,953	20,179
Premium investment	1,755,324	1,594,095
Tax checking	3,588	4,499
Tax money market	<u>86,273</u>	<u>101,183</u>
Total cash and investments	\$1,868,751	\$1,726,082
Delinquent receivables		
Personal property taxes	<u>80</u>	<u>1,196</u>
Total assets	<u>\$1,868,831</u>	<u>\$1,727,278</u>

Liabilities and Fund Balance

Liabilities		
Advance tax collections	\$1,539,834	\$1,411,626
Dog licenses due County	<u>20</u>	<u>52</u>
Total liabilities	<u>\$1,539,854</u>	<u>\$1,411,678</u>
Fund balance		
Committed	\$ 142,426	\$ 141,518
Unassigned	<u>186,551</u>	<u>174,082</u>
Total fund balance	<u>\$ 328,977</u>	<u>\$ 315,600</u>
Total liabilities and fund balance	<u>\$1,868,831</u>	<u>\$1,727,278</u>

The accompanying notes are an integral part of these financial statements.

Town of Holland
Statement of Revenues, Expenses and Changes in Fund Balance - Modified Cash Basis
Year ended December 31, 2014

	<u>2014</u>	<u>(Memorandum Only)</u> <u>2013</u>
Revenues		
Taxes	\$702,213	\$ 657,515
Intergovernmental revenues	175,859	179,314
Licenses and permits	29,224	27,610
Fines, forfeits and penalties	921	932
Public charges for services	14,336	18,106
Intergovernmental charges for services	-	468
Miscellaneous	<u>12,843</u>	<u>23,384</u>
Total revenues	<u>\$935,396</u>	<u>\$ 907,329</u>
Expenses		
Current		
General government	\$120,409	\$ 180,991
Public safety	128,723	129,449
Public works	310,775	238,365
Culture, recreation and education	4,051	3,913
Conservation and development	14,767	13,460
Capital outlay	276,221	449,119
Debt service		
Principal	65,262	65,262
Interest	<u>1,811</u>	<u>2,485</u>
Total expenses	<u>\$922,019</u>	<u>\$1,083,044</u>
Excess revenues over (under) expenses	\$ 13,377	\$ (175,715)
Fund balance, January 1	<u>315,600</u>	<u>491,315</u>
Fund balance, December 31	<u>\$328,977</u>	<u>\$ 315,600</u>

The accompanying notes are an integral part of these financial statements.

Town of Holland
Statement of Revenues, Expenses and Changes in Fund Balance
Budget and Actual - Modified Cash Basis
Year ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$702,213	\$701,839	\$ 374
Intergovernmental revenues	175,859	180,008	(4,149)
Licenses and permits	29,224	19,825	9,399
Fines, forfeits and penalties	921	500	421
Public charges for services	14,336	7,300	7,036
Miscellaneous	<u>12,843</u>	<u>16,455</u>	<u>(3,612)</u>
Total revenues	<u>\$935,396</u>	<u>\$925,927</u>	<u>\$ 9,469</u>
Expenses			
Current			
General government	\$120,409	\$122,716	\$ 2,307
Public safety	128,723	140,880	12,157
Public works	310,775	252,845	(57,930)
Health and human services	-	200	200
Culture, recreation and education	4,051	3,050	(1,001)
Conservation and development	14,767	16,450	1,683
Capital outlay	276,221	321,500	45,279
Debt service			
Principal	65,262	65,262	-
Interest	<u>1,811</u>	<u>3,024</u>	<u>1,213</u>
Total expenses	<u>\$922,019</u>	<u>\$925,927</u>	<u>\$ 3,908</u>
Excess revenues over (under) expenses	\$ 13,377	\$ -	\$ 13,377
Fund balance, January 1	<u>315,600</u>	<u>315,600</u>	<u>-</u>
Fund balance, December 31	<u>\$328,977</u>	<u>\$315,600</u>	<u>\$ 13,377</u>

The accompanying notes are an integral part of these financial statements.

Town of Holland
Notes to Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies

The Town of Holland, Wisconsin ("the Town") operates under a Town Board form of government and provides the following services: public safety (law enforcement, fire protection, first responders and building inspections), streets, sanitation, health and human services, culture, recreation and education, public improvements, zoning and general administrative services.

The Town of Holland has elected not to implement the provisions of GASB 34 for the year ended December 31, 2014 as required by generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Town are described below:

(a) Reporting entity/component units

Generally accepted accounting principles require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town. All significant activities and organizations with which the Town exercises oversight responsibility have been considered for inclusion in the financial statements. The Town has no component units and it is not included in any other governmental reporting entity.

(b) Basis of accounting

The accounts of the Town are maintained and the accompanying statements have been prepared on the modified cash basis of accounting. Revenue and expenses are recognized only as cash is received or disbursed, except for the recognition of various tax roll related items. As mentioned above, the Town has elected not to implement the provisions of GASB 34.

(c) Comparative data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of the changes in the Town's financial position and operations. However, comparative data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

(d) Property taxes

The aggregate amount of property taxes to be levied is determined according to State statute. The Town collects its own property taxes and also taxes for the State, Sheboygan County, Cedar Grove-Belgium Area School District, School District of Oostburg, School District of Random Lake and Lakeshore Technical College. Property taxes attach an enforceable lien as of January 1. The Town collects the taxes through January 31.

Town of Holland
Notes to Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies - Continued

(d) Property taxes - Continued

Property tax calendar - 2013 tax roll collect 2014

Levy date	December 2013
Tax bills mailed	December 2013
Real property taxes	
Payment in full or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes	
Payment in full	January 31, 2014

Property taxes uncollected on January 31 are turned over to Sheboygan County for collection. Sheboygan County pays the remainder of the tax levy (excluding special charges) to the Town during August. Special charges are paid to the Town when collected by the County. Delinquent and postponed personal property taxes are retained at the local level for collection.

Property taxes received prior to January 1, for the subsequent year, are reported as deferred revenue on the statement of assets, liabilities and fund balance.

(e) Budgets

Annual budgets are adopted in accordance with Wisconsin statutes. All annual appropriations lapse at year end, except those intended to accumulate funds for future projects. Reported budget amounts are as originally adopted or as amended by Board resolution. Generally the budget is not significantly modified during the year.

(f) Fund balance designations

The Town classifies its fund balance as follows:

- (a) Committed fund balance - amounts intended to be used for a specific purpose established by the Town Board through the formal budget process, by placing funds in a segregated account or other formal action of the Board.
- (b) Unassigned fund balance - amounts that are available for any purpose.

The Town Board has the authority to set aside funds for a specific purpose. Any funds set aside as committed fund balance requires the approval of the majority of the Town Board, the Town's highest level of decision making authority. Commitments, once made, can only be modified by a majority vote of the Town Board.

The Town strives to maintain an unassigned fund balance that will maintain working capital to meet the cash flow needs of the Town and thus reducing the need for short-term borrowing, serve as a safeguard for unanticipated expenses and show fiscal responsibility.

Town of Holland
Notes to Financial Statements
December 31, 2014

Note 1. Summary of Significant Accounting Policies - Continued

(g) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 2. Cash and Investments

State statutes permit the Town to invest available cash balances in time deposits of authorized depositories, U.S. treasury obligations, U.S. agency issues, Wisconsin municipal obligations, high grade commercial paper and the local government investment pool, administered by the State Investment Board. The Town had no significant type of cash and investments during the year not included above.

Deposits in local and area banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest bearing and noninterest bearing). Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$1,211,550 of the Town's bank balance of \$1,902,447 was exposed to custodial credit risk. The entire \$1,211,550 is uninsured and uncollateralized.

For cash and investments shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit. At various times during the year, the Town's deposits may have been higher than the December 31, 2014 balance detailed below. This means that the Town's risk and exposure could be higher at these times.

The Town's cash and investments at December 31, 2014 are summarized as follows:

Cash on deposit with financial institutions	<u>\$1,868,751</u>
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Note 3. Long-Term Debt

Long-term debt of the Town is as follows:

<u>Type</u>	<u>Balance</u> <u>01-01-14</u>	<u>Payments</u>	<u>Balance</u> <u>12-31-14</u>
Notes*	<u>\$130,524</u>	<u>\$65,262</u>	<u>\$65,262</u>

Town of Holland
Notes to Financial Statements
December 31, 2014

Note 3. Long-Term Debt - Continued

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the Town. General obligation debt is expected to be repaid with general property taxes. General obligation debt at December 31, 2014 is comprised of the following issue:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate (%)</u>	<u>Date of Maturity</u>	<u>Balance 12-31-14</u>
Notes*	12-10-12	2.20%	01-20-15	<u>\$65,262</u>

General Obligation Debt Limit Calculation

The 2014 equalized valuation of the Town as certified by the Wisconsin Department of Revenue is \$326,166,200. The legal debt limit and margin of indebtedness as of December 31, 2014, in accordance with Section 67.03(1) of the Wisconsin statutes follows:

Debt limit (5% of \$326,166,200)	\$16,308,310
Deduct long-term debt applicable to debt margin*	<u>(65,262)</u>
Margin of indebtedness	<u>\$16,243,048</u>

Maturities of Long-Term Debt

Aggregate cash flow requirements for the retirement of long-term principal and interest as of December 31, 2014 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$65,262</u>	<u>\$367</u>	<u>\$65,629</u>

Note 4. Committed Fund Balance

The Town Board has established the following account to include the Town's current plans for accumulating funds for use in subsequent periods as follows:

<u>Committed To:</u>	<u>Amount</u>
Road improvements	<u>\$142,426</u>

Town of Holland
Notes to Financial Statements
December 31, 2014

Note 5. Excess of Actual Expenses Over Budget

The following departments had an excess of actual expenses over budget for the year ended December 31, 2014.

<u>Department</u>	<u>Excess Expenses</u>
Public works	\$57,930
Culture, recreation and education	1,001

Note 6. Simple IRA Contributions

The Town sponsors a Simple IRA plan that is available to all employees who receive at least \$5,000 in compensation and are employed by the Town for at least 2 years. The plan permits salary deferrals to be made by the employees and an employer matching contribution up to 3% of compensation. Town contributions to the plan for 2014 were \$2,180.

Note 7. Risk Management

The Town of Holland is exposed to various risks of loss related to torts, theft of, damage to or destruction of assets, errors and omissions and workers compensation. All of these risks are covered through the purchase of commercial insurance with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

Note 8. Subsequent Events

The Town has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed, April 3, 2015. There are no subsequent events that require recognition or disclosure.

Supplementary Financial Information

Town of Holland
Detailed Schedule of Revenues - Modified Cash Basis
Year ended December 31, 2014

Taxes		
General property taxes	\$701,639	
Managed forest land taxes	450	
Ag use value penalties	<u>124</u>	\$702,213
Intergovernmental revenues		
Shared revenues	\$ 48,514	
Fire insurance tax	9,129	
Exempt computer aid	35	
General transportation aid	115,800	
Recycling grant	2,289	
Natural resources aid	28	
Managed forest land aid	<u>64</u>	175,859
Licenses and permits		
Beer and liquor licenses	\$ 300	
Operator licenses	275	
Cigarette licenses	50	
Cable TV franchise fees	7,932	
Dog licenses retained	129	
Building permits	17,538	
Utility and driveway permits	850	
Zoning permits and hearing fees	2,100	
Fireworks permits	<u>50</u>	29,224
Fines, forfeits and penalties		
Law and ordinance violations	\$ 906	
Dog license penalties	<u>15</u>	921
Public charges for services		
Tax letters	\$ 580	
Road materials and services	7,571	
Disposal fees	2,355	
Development/engineering fees	<u>3,830</u>	14,336
Miscellaneous		
Interest on investments	\$ 3,924	
Town hall rent	1,675	
Land rent	1,886	
Sale of recyclable materials	3,629	
Patronage dividends	92	
Tax chargebacks	1,537	
Miscellaneous	<u>100</u>	<u>12,843</u>
Total revenues		<u>\$935,396</u>

Town of Holland
Detailed Schedule of Expenses - Modified Cash Basis
Year ended December 31, 2014

General government		
Town board		
Salary	\$22,300	
Social security	1,706	
Publishing and printing	1,761	
Town dues	745	
Web site	800	
Supplies and expense	<u>638</u>	\$ 27,950
Legal		
Professional services	\$ 4,292	
Town code update	<u>4,101</u>	8,393
Clerk		
Salary	\$13,650	
Clerk assistant salary	1,335	
Social security	1,146	
Simple IRA contribution	419	
Supplies and expense	<u>3,136</u>	19,686
Elections		
Salary	\$ 2,730	
Social security	16	
Supplies and expense	<u>2,315</u>	5,061
Treasurer		
Salary	\$ 9,600	
Social security	734	
Simple IRA contribution	288	
Tax collection expense	1,228	
Supplies and expense	<u>306</u>	12,156
Accounting and auditing		
Professional services		9,990
Assessment of property		
Board of review salary	\$ 250	
Social security	19	
Professional services	9,121	
Manufacturing property assessment fee	23	
Court reporters	<u>150</u>	9,563
Town hall		
Salary	\$ 4,810	
Social security	368	
Telephone	798	
Utilities	7,802	
Supplies and expense	<u>1,267</u>	<u>15,045</u>
Forward to page 13		<u>\$107,844</u>

Town of Holland
Detailed Schedule of Expenses - Modified Cash Basis
Year ended December 31, 2014

General government - Continued			
Brought forward			\$107,844
Tax refunds and uncollectible taxes			
Losses			1,196
Insurance			
Property and liability insurance	\$ 5,810		
Workers compensation insurance	4,914		
Employee bonds	600		
WFBF fee	<u>45</u>		<u>11,369</u>
Total general government			<u>\$120,409</u>
Public safety			
Law enforcement			
Sheriff contract			\$ 9,565
Fire protection			
Cedar Grove fire department	\$67,078		
Oostburg fire department	19,968		
Random Lake fire department	6,700		
Adell fire department	5,200		
Fire inspection services	<u>808</u>		99,754
First responders			
Cedar Grove first responders	\$ 9,400		
Adell first responders	<u>750</u>		10,150
Building inspections			
Salary	\$ 8,122		
Social security	621		
Simple IRA contribution	244		
Supplies and expense	<u>267</u>		<u>9,254</u>
Total public safety			<u>\$128,723</u>

Town of Holland
Detailed Schedule of Expenses - Modified Cash Basis
Year ended December 31, 2014

Public works		
Transportation		
Salary	\$ 61,136	
Social security	4,677	
Simple IRA contribution	1,219	
Road maintenance and brush control	56,130	
Snow and ice removal	117,000	
Machinery expense and road materials	<u>25,363</u>	\$265,525
Sanitation		
Salary	\$ 8,216	
Social security	629	
Disposal expense	34,718	
Utilities	453	
Supplies and expense	<u>1,234</u>	<u>45,250</u>
Total public works		<u>\$310,775</u>
Culture, recreation and education		
Parks		
Salary		\$ 2,089
Social security		160
Mileage		302
Amsterdam park expense		<u>1,500</u>
Total culture, recreation and education		<u>\$ 4,051</u>
Conservation and development		
Planning commission		
Salary	\$ 7,120	
Social security	545	
Simple IRA contribution	10	
Publishing and printing	257	
Legal expense	3,065	
Planning support	2,595	
Supplies and expense	<u>818</u>	\$ 14,410
Board of appeals		
Salary	\$ 332	
Social security	<u>25</u>	<u>357</u>
Total conservation and development		<u>\$ 14,767</u>

Town of Holland
Detailed Schedule of Expenses - Modified Cash Basis
Year ended December 31, 2014

Capital outlay		
General government		
Town hall equipment	\$1,882	
Town hall improvements	<u>6,657</u>	\$ 8,539
Public safety		
Fire truck improvements		8,874
Public works		
Road improvements		<u>258,808</u>
Total capital outlay		<u>\$276,221</u>
Debt service		
Principal		\$ 65,262
Interest		<u>1,811</u>
Total debt service		<u>\$ 67,073</u>
Total expenses		<u>\$922,019</u>

Town of Holland
 Summary Schedule of Expenses by Department - Modified Cash Basis
 Year ended December 31, 2014

<u>Department</u>	<u>Current</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
General government	\$120,409	\$ 8,539	\$21,463	\$150,411
Public safety	128,723	8,874	45,610	183,207
Public works	310,775	258,808	-	569,583
Culture, recreation and education	4,051	-	-	4,051
Conservation and development	<u>14,767</u>	<u>-</u>	<u>-</u>	<u>14,767</u>
Total expenses	<u>\$578,725</u>	<u>\$276,221</u>	<u>\$67,073</u>	<u>\$922,019</u>