

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

EXAMINATION REPORT
OF
BRANDYWINE TOWNSHIP
HANCOCK COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
04/27/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Long-Term Debt	6
Examination Results and Comments:	
Official Bond	7
Deposit of Public Funds.....	7
Receipt Issuance	8
Transaction Recording	8
Condition of Records	8-9
Penalties, Interest, and Other Charges	9
Board Minutes.....	10
Financial Report Opinion Modifications.....	10
Exit Conference.....	11

OFFICIALS

Office

Official

Term

Trustee

Marc Hill

08-01-05 to 12-31-10

Chairman of the
Township Board

Debra Hill

01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF BRANDYWINE TOWNSHIP, HANCOCK COUNTY, INDIANA

We have examined the financial information presented by Brandywine Township (Township), for the period of January 1, 2008 to December 31, 2009. The Township's management is responsible for the financial information.

The financial records presented for examination for the years ended December 31, 2008 and 2009, were incomplete and not reflective of the activity of the Township's funds. The records presented did not provide sufficient information to examine receipts, disbursements, ending balances, or the accuracy of the transactions due to the failure to post all transactions. As a result, the validity and accountability of cash and investments as of December 31, 2009, could not be established. However, we did examine available records to the extent possible for compliance with State statutes and with the Accounting and Uniform Compliance Guidelines Manual for Townships published by the State Board of Accounts. The results of this examination are stated in the Examination Results and Comments.

Because the Township was not able to provide evidence or corroborating evidence in support of the financial information, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the financial information referred to above presents fairly, in all material respects, the cash transactions of the Township for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 13, 2010

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
Township	\$ 79,341	\$ 35,684	\$ 13,000	\$ 102,025
Dog	85	-	-	85
Township Assistance	10,018	-	5,577	4,441
Firefighting	15,677	30,376	24,507	21,546
Park and Recreation	13,301	1,716	7,793	7,224
Cemetery	2,137	-	-	2,137
Fire Equipment Debt	(1,215)	54,877	53,128	534
Totals	<u>\$ 119,344</u>	<u>\$ 122,653</u>	<u>\$ 104,005</u>	<u>\$ 137,992</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Township	\$ 102,025	\$ 19,803	\$ 10,040	\$ 111,788
Dog	85	-	-	85
Township Assistance	4,441	-	2,339	2,102
Firefighting	21,546	19,680	25,241	15,985
Park and Recreation	7,224	-	6,000	1,224
Cemetery	2,137	-	-	2,137
Fire Equipment Debt	534	51,825	50,542	1,817
Totals	<u>\$ 137,992</u>	<u>\$ 91,308</u>	<u>\$ 94,162</u>	<u>\$ 135,138</u>

The accompanying notes are an integral part of the financial information.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Township was established under the laws of the State of Indiana. The Township provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Township uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Township. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance).

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Township to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Township has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable		
Fire Truck Loan	\$ 120,000	\$ 47,800

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The official bonds were not filed for the Trustee in the Office of the County Recorder for the years 2008 and 2009. A continuation certificate for the period November 8, 2009 to November 8, 2010, was observed but was not on file with the Recorder. The continuation certificate was for the amount of \$15,000. A similar comment appeared in prior Report B32618.

Effective July 1, 2009, IC 5-4-1-18 states in part:

"(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of . . . township trustees . . . as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee . . ."

The State Board of Accounts is of the audit position in order to comply with the changes made in Public Law 176 effective July 1, 2009, governments will have to purchase riders on their current bond coverage for the remainder of the calendar year; and beginning January 1, 2010, will have to provide annual bond coverage. We are also of the audit position a new bond should be obtained for each year and continuation certificates or renewals should not be used in lieu of obtaining a new bond. (The Township Bulletin and Uniform Compliance Guidelines, Volume 286)

DEPOSIT OF PUBLIC FUNDS

Instances were noted where the Trustee was not making timely deposit of public funds. The Hancock County Treasurer's Office made a Commercial Vehicle Excise Tax (CVET) distribution on September 19, 2008 that has not been deposited as of March 29, 2010. A property tax distribution made December 29, 2009, is still outstanding as of March 29, 2010. A CVET distribution made December 23, 2009, is still outstanding as of March 29, 2010. Additionally, several County Adjusted Gross Income Tax (CAGIT) distributions dating from March 19, 2009 to November 9, 2009, are still outstanding as of March 29, 2010. A similar comment appeared in prior Report B32618.

IC 5-13-6-1(c) states in part: "The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month."

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE

The Township did not issue any receipts during the examination period. A similar comment appeared in several prior reports, most recently Report B32618.

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 Townships, Chapter 13)

TRANSACTION RECORDING

Some items, such as transfers, were not entered correctly in the records. The 2009 annual report showed a \$5,000 transfer from the Township Fund to the Fire Fighting Fund. The ledger, however, showed a \$5,000 transfer disbursed from the Township Fund as well as \$5,000 being transferred from the Fire Fighting Fund. The two transfers were not shown as being receipted to any fund, but on the same ledger line shows \$5,000 expensed to a vendor from the Park and Recreation Fund. Additionally, the Township Trustee did not properly complete the appropriations portion of the ledger during the examination period. A similar comment appeared in prior Report B32618.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

CONDITION OF RECORDS

We noted the following during our examination concerning the condition of the Township's records:

The Annual Report ending balances for 2007 included balances for the Dog and Cemetery Funds; however, the beginning balances for 2008 did not include these funds

The Annual Report ending balances for 2008 do not agree to the 2009 Annual Report beginning balances for any of the funds.

The 2008 Annual Report does not include a Commercial Vehicle Excise Tax (CVET) distribution made, received, and deposited. The 2009 Annual Report does not include any receipts for the Township Fund, Township Assistance Fund, Fire Fighting Fund, or Park and Recreation Fund although tax distributions were made, received, and deposited for these funds.

Bank account reconciliations are attempted monthly; however, the reconciliations are incorrect. Investments are not included in the reconciliation amount. Additionally, outstanding checks are only shown in the month that they were written even though they may be outstanding in subsequent months. Check 2045, for example, was written in February 2009 and did not clear until April 2009 but only appeared as outstanding during the month of February.

A similar comment appeared in prior Report B32618.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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 Townships, Chapter 13)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$175.87 were paid to the Indiana Department of Revenue during the examination period for delinquent taxes. Penalties and interest totaling \$86.05 were paid to the Internal Revenue Service in 2009 for taxes delinquent in 2008.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination.

IC 5-14-1.5-4(b) states: "As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

FINANCIAL REPORT OPINION MODIFICATIONS

The receipts, disbursements, and ending balances presented for the current examination period were incomplete due to not all transactions being posted or posted incorrectly for 2008 and 2009. The records presented did not provide sufficient information to examine or establish receipts, disbursements, ending cash balances, or the accuracy or correctness of the transactions. Therefore, the scope of our work was not sufficient to enable the State Board of Accounts to express an unqualified opinion on the Independent Accountant's Report for the financial information.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2010, with Marc Hill, Trustee. The official concurred with our findings.