

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

BRANDYWINE TOWNSHIP

HANCOCK COUNTY, INDIANA

January 1, 2016 to December 31, 2018



FILED
05/28/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Sandra Matthias Kevin Bates	01-01-16 to 12-31-18 01-01-19 to 12-31-20
Chairman of the Township Board	Marc Hill	01-01-16 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Brandywine Township (Township), for the period of January 1, 2016 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Township's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Township uses 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 the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

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

May 22, 2020

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

The financial statements and accompanying notes were approved by management of the Township. The financial statements and notes are presented as intended by the Township.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
Township	\$ 81,284	\$ 26,466	\$ 15,734	\$ 92,016	\$ 23,131	\$ 16,267	\$ 98,880
Park And Recreation	29,759	28,552	8,566	49,745	28,395	5,695	72,445
Township Assistance	43,945	-	7,161	36,784	-	4,863	31,921
Fire Fighting	39,920	36,531	15,000	61,451	39,028	53,245	47,234
LOIT Special Distribution	-	10,654	-	10,654	-	-	10,654
Fire Debt	31,284	31,276	46,115	16,445	39,028	44,088	11,385
Totals	<u>\$ 226,192</u>	<u>\$ 133,479</u>	<u>\$ 92,576</u>	<u>\$ 267,095</u>	<u>\$ 129,582</u>	<u>\$ 124,158</u>	<u>\$ 272,519</u>

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

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Township	\$ 98,880	\$ 25,457	\$ 16,526	\$ 107,811
Park And Recreation	72,445	17,752	6,005	84,192
Township Assistance	31,921	12,000	8,022	35,899
Fire Fighting	47,234	42,308	57,393	32,149
LOIT Special Distribution	10,654	-	-	10,654
Fire Debt	11,385	33,312	42,110	2,587
Totals	<u>\$ 272,519</u>	<u>\$ 130,829</u>	<u>\$ 130,056</u>	<u>\$ 273,292</u>

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

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The accompanying financial statements present the financial information for the Township.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts include the following sources:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Township.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Township. It includes all expenditures for the reduction of the principal and interest of the Township's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Township may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Township. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Township. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Township in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Township submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Township in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the Township is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be 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 statutes authorize the Township to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Township may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Township to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 6. Restatements

For the year ended December 31, 2016, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Township. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2015	New Fund	Prior Period Adjustment	Balances as of January 1, 2016
Township	\$ 76,728	Township	\$ 4,556	\$ 81,284
Park and Recreation	35,108	Park and Recreation	(5,349)	29,759
Township Assistance	85,001	Township Assistance	(41,056)	43,945
Fire Fighting	49,963	Fire Fighting	(10,043)	39,920
Fire Debt	(21,619)	Fire Debt	52,903	31,284
Cemetary	2,137		(2,137)	-
	<u>227,318</u>		<u>(1,126)</u>	<u>226,192</u>
Total Cash and Investments	<u>\$ 227,318</u>		<u>\$ (1,126)</u>	<u>\$ 226,192</u>

Note 7. Combined Funds

The Cemetery fund was reported individually in the prior financial statements, but was combined with another fund in the current financial statements.

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
REVIEW RESULTS AND COMMENTS

ADOPTION OF AND TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The minimum level of internal control standards, as defined by the Indiana State Board of Accounts, had not been adopted by the Township.

Township personnel had not received training concerning the internal control standards.

The Trustee had incorrectly certified in 2016, 2017, and 2018 that the Township had adopted an internal control policy, when in fact, they had not adopted such policy. The Trustee also incorrectly certified in the Indiana Gateway of Government Units financial reporting system that Township personnel had received training regarding internal control standards for 2016, 2017, and 2018. As of the current date, no training has been provided to any Township personnel.

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

CONDITION OF RECORDS

Condition and Context

There were variances identified within the financial statements between the ending balances as of December 31, 2015, and the beginning balances as of January 1, 2016. There were material variances identified for the Township Assistance and Fire Debt funds in the amounts of \$41,056 and \$(52,093), respectively. There were variances above trivial materiality identified for the Township, Park and Recreation, Fire Fighting, and Cemetery funds in the amounts of \$(4,556), \$5,349, \$10,043, and \$2,137, respectively. The total accumulated variance for all funds, however, was under trivial in the amount of \$1,126. Supporting documentation for the changes in beginning balances was not provided.

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

Criteria

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

PAYMENTS IN ADVANCE

The same comment appeared in prior Report B46469.

Condition and Context

During the review period, salaries were paid monthly at the beginning of each month and the rent was paid in one lump sum payment at the beginning of the year. All rent and salary payments made in 2016, 2017, and 2018 were made in advance of the receipt of the services.

Criteria

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 1)

APPROPRIATIONS

The same comment appeared in prior Report B46469.

Condition and Context

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

Fund	Excess Amount Expended 2016	Excess Amount Expended 2017	Excess Amount Expended 2018
Township	\$ -	\$ 3,377	\$ -
Parks and Recreation	1,066	-	-
Township Assistance	160	-	522
Fire Fighting	-	17,545	3,000
Fire Debt	99	88	110

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

Criteria

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."

TOWNSHIP BOARD ORGANIZATION AND MEETINGS

Condition and Context

None of the Township Board minutes were certified by a member of the legislative body.

The Township Board did not meet at the office of the executive on the first Tuesday after the first Monday in January during each year of the review period. In addition, the legislative body did not elect one member as chair for 2017 and 2018; and did not elect one member as secretary for 2016, 2017, and 2018.

The Township Board did not approve the annual report for 2016 or the annual budget for 2017 as required.

Criteria

Indiana Code 36-6-6-8 states:

"The legislative body shall keep a permanent record of its proceedings in a book furnished by the executive. The secretary of the legislative body shall, under the direction of the legislative body, record the minutes of the proceedings of each meeting in full and shall provide copies of the minutes to each member of the legislative body before the next meeting is convened. After the minutes are approved by the legislative body, the secretary of the legislative body shall place the minutes in the permanent record book. The chair of the legislative body shall retain the record in the chair's custody."

Indiana Code 36-6-6-7 states:

"(a) The legislative body shall meet at the office of the executive on the first Tuesday after the first Monday in January of each year. At this meeting the legislative body shall elect one (1) member as chair for that year and one (1) member as secretary for that year.

(b) If a newly elected legislative body holds a special meeting before the first Tuesday after the first Monday in the January following its election, it shall elect a chair and a secretary before conducting any other business. The chair and secretary elected at the special meeting retain those positions until the first Tuesday after the first Monday in January of the year following the special meeting."

Indiana Code 36-6-6-11(a) states: "The legislative body shall meet annually in accord with [IC 6-1.1-17](#), to adopt the township's annual budget."

BRANDYWINE TOWNSHIP, HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2020, with Kevin Bates, Trustee; Danielle Metz, Deputy Trustee; and Cherie Burrow, Secretary of the Township Board.