



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hardin Soil and Water Conservation District
Hardin County
12751 St. Rt. 309 W.
Kenton, Ohio 43326

We have performed the procedures enumerated below, with which the Board of Supervisors (the Board) and the management of the Hardin Soil and Water Conservation District (the District) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 through 2016, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. This agreed-upon procedures engagement followed the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Depository Balances, Investments and Fund Balances

We applied the following procedures to each *Cash Basis Annual Financial Report* (the Reports) for the fiscal years ending December 31, 2012 through December 31, 2015:

1. We footed and cross-footed the amounts on pages 3A and 3B of the Reports, and compared the *Fund Cash Balances, December 31* to the *Fund Balances* on page 2. For 2012, the Fund Cash Balances reported on page 3B was \$246,870.20 and the Fund Balances on Page 2 was \$250,339.85 for a difference of \$3,469.65. The total amount reported on Page 3b for nonspendable, committed, assigned, and unassigned fund balance was \$250,339.85.

Errors in financial reporting impact the users understanding of the balances and results of operations. The annual reports should be reviewed for accuracy and completeness prior to filing with the Auditor of State.

2. We compared the *Disbursements* plus *Other Financing Uses* for the Special Fund on pages 3A and 3B of the Reports to the Disbursements reported on page 4. The amounts agreed.
3. We compared the *Receipts* plus *Other Financing Sources* for the Special Fund on pages 3A and 3B of the Reports to the Actual Receipts reported on page 5. The amounts agreed.
4. We tested the mathematical accuracy of the reconciliation on page 2. In 2013 and 2014 outstanding checks, in the amounts of \$905 and \$950, respectively, were deducted from the depository balances but not the from the amount reported for the fund balance. For 2012, the total balances reported (depository balances net of cash on hand and outstanding checks) was \$246,870 compared to the amount reported as fund balance of \$250,339.85.

Depository Balances, Investments and Fund Balances (Continued)

Errors in financial reporting impact the users understanding of the balances and results of operations. The annual reports should be reviewed for accuracy and completeness prior to filing with the Auditor of State.

5. We agreed the January 1 and December 31 fund cash balances reported in the District's General Ledger to the corresponding *Fund Cash Balances* on page 3B of the Reports. The amounts agreed.

We also applied the following procedures to the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances* in the *Cash Basis Annual Financial Report* filed in the Hinkle System (the Report) at December 31, 2016:

6. We footed and cross-footed the amounts on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances*. We found no exceptions.
7. We compared the *Disbursements* for the Special Fund on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances* to the Budgetary Expenditures in the Special Fund Budgetary Activity footnote. The amounts agreed.
8. We attempted to compare the *Receipts* plus *Other Financing Sources* for the Special Fund on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances* to the Actual Receipts in the Special Fund Budgetary Activity footnote. The budgetary footnotes did not include receipt information. Receipt information should be included in the budgetary footnotes.
9. We agreed the January 1 and December 31 fund cash balances reported in the District's General Ledger to the corresponding *Fund Cash Balances* on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances*. The amounts agreed.
10. We confirmed the December 31, 2016 bank account depository balances for the District Fund with the District's financial institution. The balances agreed.
11. We compared the December 31, 2016 Special Fund depository balance from the *Report* to the amount reported in the Hardin County Fund History Report. We found no exceptions.
12. For the checks comprising the Outstanding Checks, we applied the following procedures:
 - a. We footed the supporting outstanding check list and compared it to the cash reconciliation. We found no exceptions.
 - b. We traced each check to the subsequent January bank statements. We found no exceptions.
 - c. We traced the amounts and dates of each check to the check register, to determine the check was recorded for the same amount and dated and recorded prior to December 31. We noted no exceptions.

Intergovernmental and Other Confirmable Cash Receipts

We applied the following procedures for the years ended December 31, 2012 through December 31, 2016:

- 1 We agreed the total of the receipts from the State Distribution Transaction Lists (DTL) and the total of the receipts from the County Auditor's Expenditure History by Vendor Report to the total amounts recorded in the respective receipt classification in the Special Fund in the Account Register Report. The amounts agreed.

Intergovernmental and Other Confirmable Cash Receipts (Continued)

- 2 We haphazardly selected five other confirmable receipts from the year ended December 31, 2016 and three other confirmable receipts from each of the years ended December 31 2012 through 2015 in the Account Register Report from funds other than the *Special Fund* such as grants, municipal and township funds We found no exceptions.
 - a. We confirmed or agreed to contract, copy of check, confirmation, or check stub and bank statement the amounts paid from the grantor to the District. We found no exceptions.
 - b. We inspected the Account Register Report to determine whether these receipts were allocated to the proper funds. We found no exceptions.

All Other Cash Receipts

We haphazardly selected 10 other cash receipts from the year ended December 31, 2016 and five other cash receipts from each of the years ended 2012 through 2015 recorded in the duplicate cash receipts book and determined whether the:

1. Receipt amount agreed to the amount recorded in the Account Register Report. The amounts agreed.
2. Amount charged complied with rates in force during the period, if applicable. We found no exceptions.
3. Receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for all employees from 2016 and one payroll check for two employees for each of the years ended December 31, 2012 through 2015 from the Hardin County Payroll of Employees Report and:
 - a. We compared the hours and pay rate, or salary recorded in the Hardin County Payroll of Employees Report to supporting documentation (timecard, Board-approved pay rates). We found no exceptions.
 - b. We inspected the Hardin County Payroll of Employees Report to determine whether salaries and benefits were paid only from the *Special Fund*, as required by the SWCD Administrative Handbook Chapter 5. We noted no exceptions.
 - c. We inspected the Hardin County Payroll of Employees Report to determine whether the check was classified as *salaries*. We also determined whether the payment was posted to the proper year. We found no exceptions.
2. For the employees selected in step 1 from 2016, we determined whether the following information in the employees' personnel files was consistent with the information used to compute gross and net pay related to the check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Retirement system participation and payroll withholding
 - d. Federal, State & Local income tax withholding authorization and withholding
 - e. Any other deduction authorizations (deferred compensation, etc.)

We found no exceptions related to steps a. – e. above.

Non-Payroll Cash Disbursements

1. We haphazardly selected five disbursements from the *Special Fund* and five disbursements from the *District Fund* and other funds from the Account Register Report for the year ended December 31, 2016 and two from the *Special Fund* and three from the *District Fund* and other funds for each of the years ended 2012 through 2015 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. For *District Fund* and other funds disbursements, we determined whether:
 - i. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the similar data recorded in the Account Register Report and to the names and amounts on the supporting invoices. We found no exceptions.
 - ii. The payment was posted to a fund consistent with the purpose for which the fund's cash can be used. In 2016, a payment was made from the District Fund to an employee "in-lieu" of raise. Testing was expanded to identify other such instances of payments "in-lieu" of raises. During 2012 thru 2016, payments were made to the employees of the District "in lieu" of a raise from the District fund.

Ohio Rev. Code § 940.08 states, in part, the supervisors of a soil and water conservation district may employ assistants and such other employees as they consider necessary and may provide for the payment of the reasonable compensation of such assistants and employees and expenses incurred by them in the discharge of their duties from the special fund established for the district pursuant to section 940.12 of the Revised Code.

26 C.F.R. § 1.6041-2(a)(1) states, in part, wages as defined in section 3401, paid to an employee are required to be reported on Form W-2.

26 U.S.C. § 3402(a)(1) requires, except, as otherwise provided in this section, every employer making payment of wages shall deduct and withhold upon such wages a tax determined in accordance with tables or computational procedures prescribed by the Secretary.

26 U.S.C. § 3102(a) requires the tax imposed by Section 3101 to be collected by the employer of the taxpayer, by deducting the amount of the tax from the wages as and when paid.

Ohio Rev. Code § 5747.06 states, in part, every employer, including the state and its political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to an employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

Ohio Rev. Code § 145.01(R)(1) provides, in part, "earnable salary" means all salary, wages, and other earnings paid to a contributor by reason of employment in a position covered by the Ohio Public Employees Retirement System. "Earnable salary" includes payments made by the employer in lieu of salary, wages, or other earnings for sick leave, personal leave, or vacation used by the contributor.

The District made payments from the District Fund to its employees for "in-lieu" of raises for the years 2012 through 2016 in the amount of \$10,500, \$12,250, \$10,500, \$15,750 and \$12,250, respectively. The employees received a Form 1099 for these payments.

Non-Payroll Cash Disbursements (Continued)

The failure to include raises as part of wages resulted in the under withholding and remittance of required deductions and applicable employer contributions. This may result in the District being liable for the employee and employer contributions along with any penalties and interest. The payment of wage related disbursements from the wrong fund not only results in the illegal disbursement of restricted money, but also may result in the need to adjust the impacted funds.

District employee's wages should be paid from the Special Fund with applicable deductions being withheld and remitted. If the Special Fund does not have the resources to make these payments from then the District, if allowable, should transfer money to the Special Fund from the District Fund. All wages earned by the District employees should be reported on their Form W-2 forms along with their applicable deductions.

This matter will be referred to the Internal Revenue Service, the Ohio Department of Taxation, and the Ohio Public Employees Retirement System.

- c. For *Special Fund* disbursements, we determined whether:
 - i. The payee name and amount recorded on the invoices submitted to the County Auditor agreed to the payee name and amount recorded in the Account Register Report and County Reports. We found no exceptions.
 - ii. The names and amounts on the voucher agreed to supporting invoices. We found no exceptions.
 - iii. The voucher sheet was signed by the fiscal officer and approved by a majority of the Board of Supervisors. We found no exceptions.

2016 Special Fund Budgetary Compliance

1. We inspected the District's Special Fund Budget Request submitted to the County Commissioners. We noted the request included the Special Fund's *Needs and Balances* anticipated for carry over from the current year, as required by the SWCD Administrative Handbook, Chapter 5; however, income was not included in the letter. We attempted to compare the budget amounts to the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report but estimated receipts were not presented in the Special Fund Budgetary Activity footnote. Income should be included in the Special Fund Budget Request and estimated receipts should be presented in the Special Fund Budgetary Activity footnote.
2. We attempted to compare the total estimated receipts reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report to the Amended Official Certificate of Estimated Resources, required by Ohio Rev. Code Section 5705.36(A)(1), and to the amounts recorded in the Revenue Account Report for the Special Fund. Estimated Receipts were not present in the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. Estimated receipts should be reported on the Special Fund Budgetary Activity footnote and in the Revenue Account Report.
3. We inspected the appropriation measures to determine whether the Supervisors appropriated separate amounts within the Special Fund for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
4. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Appropriation Report for the Special Fund, and to the appropriations reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. The amounts agreed.

2016 Special Fund Budgetary Compliance (Continued)

5. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.28(B)(2)(C) prohibit appropriations from exceeding estimated revenue. We noted appropriations did not exceed estimated resources for the Special Fund.
6. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus year-end certified commitments (i.e. encumbrances)) from exceeding appropriations. We compared total disbursements plus outstanding year-end encumbrances to total appropriations for the year ended December 31, 2016 for the "Special" fund, as recorded in the Annual Cash Basis Financial Report. We noted expenditures did not exceed appropriations for the Special Fund.
7. We inspected the Annual Cash Basis Financial Report for the year ended December 31, 2016 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses or another. We noted no funds having a negative cash fund balance.

2016 Compliance – Contracts & Expenditures

We inquired of management and inspected the General Ledger for the year ended December 31, 2016 to determine if the District purchased equipment and services allowed by ORC 1515.09 or purchased goods or services allowed by ORC 1515.08(H)(1) whose cost, other than personal service compensation or office space rent, exceeded \$50,000. There were no purchases exceeding \$50,000.

2016 Other Compliance

Ohio Rev. Code Section 117.38 requires Districts to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. We reviewed the HINKLE system and noted the District filed their financial information within the allotted timeframe for the year ended December 31, 2016.

This agreed-upon procedures engagement followed the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion respectively on the District's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is for the use of the District to assist in evaluating its receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 through 2016, and certain compliance requirements related to these transactions and balances and is not suitable for any other purpose

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

June 2, 2017

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HARDIN COUNTY SOIL AND WATER CONSERVATION DISTRICT

HARDIN 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
JULY 11, 2017**