

CHAPTER 5 – SOIL AND WATER CONSERVATION DISTRICT FINANCES

INTRODUCTION TO SWCD FINANCES

The basic operating funds for the SWCD consist of local appropriations from either (or a combination of) the county commissioners, townships, or municipalities which are then matched by state funds from the Ohio Soil and Water Conservation Commission (OSWCC). These dollars make up what is called “The Special Fund.” The county treasurer acts as the bank for this fund and no monies can be deposited or spent out of this account unless specifically directed by the SWCD board of supervisors. Operating expenses such as rent, utilities, employee salaries and benefits are typical expenditures that are paid from the Special Fund. Expenses regarding employee salaries, benefits, and performance merit payments are made from the Special Fund to ensure appropriate payroll deductions are made by the county auditor.

Local appropriations must be approved and received before April 30 if they are to be considered for state match funding. State match funds are sent to the county auditor in quarterly payments following the first OSWCC meeting of the state fiscal year (July 1-June 30) until all state match funds are exhausted. Expenses paid out of the Special Fund must follow county auditor procedures.

Most SWCDs have another fund called the “District Fund.” The District Fund revenues typically come from district sales and equipment rentals, donations, and grants – depending on the grant, a separate fund account may be required. District Fund dollars are held at a local bank in a checking, savings account, or short-term Certificate of Deposit. District Funds can sometimes be held in a State of Ohio backed interest bearing account approved for use by government entities called the State Treasury Asset Reserve account aka “Star Ohio.” Expenses for District workshops and education programs are examples of typical expenditures that are paid from the District Fund.

Regardless of which fund you may use, all SWCD funds – both the Special Fund and District Fund - (whatever the source) are public funds. SWCDs have a responsibility to use both funds for proper public purposes. SWCDs may have fund accounts beyond the Special and District Fund to accommodate grants, etc., which would also be public funds.

Points to remember:

- Soil and Water Conservation Districts are organized under state law, but funding is not mandated.
- To maintain the highest fiscal integrity the SWCD board should ensure proper fiscal internal controls and checks and balances are in place. To do this SWCD board members should provide regular oversight of all SWCD funds and assets. This oversight may include a detailed review of monthly bills to be paid, monthly deposit account reconciliation oversight, periodic transaction testing by the fiscal agent or treasurer, and inventory review.
- For assistance and guidance regarding SWCD fiscal matters, SWCD staff and board members should contact their designated Program Specialist with the Division of Soil and Water Conservation.

House Bill 104 passed by the General Assembly in 1963 provided for the establishment of a SWCD Special fund by the county auditor. All tax funds, local, state, and federal are placed in this Special Fund. The Special Fund is the primary fund used by most SWCDs for day-to-day operations and expenditures. Ohio Revised Code Sections [940.05](#), [940.06](#), [940.08](#), and [940.15](#) provide the legal basis for SWCD fund management.

Income for the Special Fund comes from 5 sources:

- County funds (aka County Commissioners annual appropriation)
- Municipal funds
- Township funds
- Flat Rate and State matching funds
- Special accounts.

State matching funds are based on county grant/appropriation funds plus township and municipal monies received by the SWCD. These monies can be matched on an amount not to exceed one dollar for each dollar received to a maximum of \$8,000. However, the Ohio Soil and Water Conservation Commission (OSWCC) may approve payment to a district of an amount in excess of \$8,000 in any calendar year upon receipt of a written request and justification from the district so long as the amount does not exceed the one-to-one ratio. The OSWCC uses each SWCD's Annual Plan of Work for such justification. To be considered eligible for match funding by the OSWCC, all locally appropriated funds must be transferred to the SWCD Special Fund by April 30 of the current year.

County Funds

A board of supervisors of a local district submits a budget request annually to the county commissioners. Such a budget should be prepared in accordance with budget request deadlines within respective counties. A complete budget must be submitted to the county commissioners indicating all your needs, all sources of income, and the balance of funds that you anticipate will be carried over from the current year. (See Budget Example later in this chapter). County funds are appropriated on the calendar year (Jan. 1 through Dec. 31).

County funds are transferred to the district's Special Fund and appropriated into one of fourteen budget line-item accounts or "L" accounts (additional special accounts such as ditch maintenance grant funds, etc., can be established as necessary) on behalf of the district by the county auditor. The district board of supervisors authorizes payments from the Special Fund as obligations are incurred.

Unused money (carry-over) at the end of the year remains in the Special Fund and does not revert back into the general fund of the county as with other county agencies. Unused money in the Special Fund must be re-appropriated into the desired budget line-item account upon certification by the county commissioners.

New funds (excluding re-appropriated money from the previous year) deposited into the (special fund, from the County General Fund are eligible for state matching funds. It is important to obtain monthly reports from the county auditor documenting both month-to-date and year-to-date totals and ending account balances.

Municipal and Township Funds

The Ohio Revised Code allows for state match funding on grants/revenues appropriated to the district by municipal and township governments. Ohio Soil and Water Conservation Commission policy mandates that these funds must be deposited in the Special Fund directly or within 90 days of receipt of the SWCD to be eligible for state match funding from the Commission. These revenues must be included in the Ohio Soil and Water Conservation Commission Form 11 to be matchable funds. Funds must be appropriated for the general district operations, not for specific project or service, otherwise they may be deemed "unmatchable" by the Ohio Soil and Water Conservation Commission.

State Matching Funds.

Legislation passed in 1959 permits the State of Ohio to appropriate state monies in support of local soil and water conservation districts. Such monies are appropriated to the Ohio Department of Agriculture to be administered and distributed by the Ohio Soil and Water Conservation Commission to the local districts through their respective county auditors. When distributed by the state commission and received by the county auditor, it is placed in the Special Fund established by the county auditor on behalf of the district.

State Matching Funds: These funds are provided by the state legislature, whereby, each local soil and water conservation district shall be matched an amount not to exceed one dollar for each one dollar received as a county grant from the commissioners or a municipality/township provided that no district shall receive an amount in excess of eight thousand dollars (\$8,000) in any calendar year without a written request and justification from the district. The Ohio Soil and Water Conservation Commission will establish the percentage rate of state match received by each district annually.

Flat Rate Funds: Flat rate funds are those funds provided to each district regardless of local appropriations. The flat rate funding amount is established by the Ohio Soil and Water Conservation Commission match policy. This amount is included together with state matching funds. State matching funds are forwarded to each county auditor, and this money is placed in the Special Fund for the district board of supervisors.

The above sources of income are placed in the Special Fund and then appropriated into one of the fourteen budget line-item accounts known as "L accounts" (or additional special accounts) by the county auditor upon the certification of the county commissioners. (A list of accounts as developed by the State Auditor appears later in this chapter)

Special Fund Management

All money in the Special Fund of your soil and water conservation district are public tax funds and can be spent only according to Chapter 940 O.R.C. Each soil and water conservation district receiving county appropriations, flat rate, or state matching money, shall establish a Special Fund account with the county auditor indicating all receipts and expenditures.

Expenditures from the Special Fund shall be made by the county auditor upon the presentation of a voucher signed by the fiscal agent or another form of authorization approved by the county auditor and SWCD board. All expenditures paid from the Special Fund must be authorized by a majority of the supervisors of the district. Vouchers and other forms of authorization should be sent directly to the auditor's office. (See the [Certification of Fiscal Agent Sample Letter](#)) The unexpended balance of the Special Fund carries over to the next fiscal year and does not revert back to the county general fund at the end of the year.

Expenditures from the Special Fund should be in line with the budget submitted to the county commissioners. It is suggested that budgets be in line with actual needs so that there is a minimum balance at the end of the calendar year.

While the county maintains an accounting of the Special Fund for SWCDs, it is highly recommended that SWCDs keep their own computer accounting of the Special Fund and reconcile it monthly with county records.

Special attention should be given to Travel Expenditures: Travel expenditures from the Special Fund must be limited to elected supervisors and employees of the district. (Please note the exception below regarding associate board members.) Each SWCD should establish staff and board member travel policies as guidance. Travel expenses should be submitted at least quarterly to facilitate good bookkeeping procedures and reviewed to ensure the requests are within policy. Travel expenditures exclude guests; associate supervisors unless they meet the exception written below; wives or husbands of staff or supervisors and/or another agency's employees.

Exception: Each year the board of supervisors may appoint associate board members to serve on committees, provide information and if needed act as an agent of the board by representing the board at functions or events. The associate board member is not an elected official nor has any voting authority. Should the board of supervisors, by motion at a board meeting, designate an associate supervisor to represent the district at a function on the district's behalf, then the associate supervisor's travel expenditures could be paid or reimbursed. The associate supervisor must be someone other than a spouse of a board member, employee, NRCS staff or their spouses.

Travel expenditures include the following:

- Mileage by car or other public transportation
- Parking charges, taxi fares, and other out-of-pocket expenses
- Meals
- Lodging
- Registration fees
- Planned tours (primarily for educational and non-recreational purposes)
- Tips for meals not to exceed 20% of the meal cost.

Note: A flat rate allowance (per diem) is strongly discouraged for districts. Districts should not pay Ohio sales tax on any purchase or expenditure.

DISTRIBUTION OF STATE MATCHING FUNDS

Within limits of funds appropriated to the Department of Agriculture for such purpose, SWCDs shall be distributed an amount not to exceed one dollar for each one-dollar received in accordance with section [ORC 940.12](#).

Funds that can be matched by state funds include the following:

- 1) Appropriated funds from County Commissioners received through:
 - A tax levy within the ten-mill limitation
 - The general fund of the county
- 2) Funds received from a municipality or township.

Matching fund distribution is based on income. State matching funds are distributed in accordance with county and municipal appropriations received during the previous year. In no case will state matching money exceed \$1.00 for each \$1.00 of local income, nor will any district receive more than \$8,000.00 of state matching money per year without a written request and justification from the district and approved by the Ohio Soil and Water Conservation Commission.

The OSWCC Form 11 provides the mechanical procedure for obtaining state match funding. Form 11 must be returned to the Ohio Soil and Water Conservation Commission no later than June 5th each year. Be certain to complete all questions to assure your district receives full credit. Always include justification of need for state matching monies exceeding \$8,000.00.

Your assigned Program Specialist can provide clarification or additional information on the annual distribution of state match funding. Be sure to let your Program Specialist know when your local funding appropriations have been received and to schedule a time to complete the Ohio Soil & Water Conservation Commission Form 11.

The following example will provide the basics of a proposed annual budget for a soil and water conservation district. The example lists all expected revenues and expenses and shows the county auditor's approved "L" accounts in which funds must be appropriated for expenditure.

EXAMPLE
Soil and Water Conservation District
Proposed Budget for Special Fund
Calendar Year 20xx

EXPENSES

| Account | Account Name | 20XX | 20XX | Increases |
|----------------|-------------------------|------------------|------------------|------------------|
| L-1 | Salaries | \$226,200 | \$248,634 | *1, *2, *3 |
| L-2 | Supplies | 15,354 | 18,614 | *4 |
| L-3 | Equipment | 10,230 | 24,460 | *5 |
| L-4 | Contract Repairs | 2,050 | 2,050 | |
| L-5 | Contract Services | 25,000 | 25,000 | |
| L-6 | Rentals | 18,000 | 21,000 | *6 |
| L-7 | Service Fees | 7,350 | 11,164 | *7 |
| L-8 | Education & Information | 12,470 | 12,470 | |
| L-9 | Travel & Expenses | 5,639 | 10,839 | *8 |
| L-10 | Advertising & Printing | 3,033 | 6,033 | *4 |
| L-11 | PERS | 31,668 | 34,842 | *1 *2 *3 |
| L-12 | Workers Compensation | 6,786 | 7,466 | *1 *2 *3 |
| L-13 | Medicare | 3,280 | 3,609 | *1 *2 *3 |
| L-14 | Reimbursement | -0- | -0- | |
| Total | | \$367,060 | \$426,181 | |

INCOME

| Revenue Source | 20XX | 20XX | Increases (Decreases) |
|-----------------------|------------------|------------------|----------------------------------|
| County Commissioners | \$185,000 | \$195,000 | 10,000 |
| Municipal Funds | 30,000 | 35,000 | 5,000 |
| State Funds | 161,250 | 207,000 | 45,750 |
| Expected Carryover | 9,190 | 10,819 | 1,629 |
| Total | \$385,440 | \$447,819 | \$62,379 |

| | | | | |
|--|--------|----------|--|-----------------|
| * 1 Pay raises for employees | (L-1) | \$ 3,640 | (L-11 PERS \$510) (L-12 Workers Comp \$109) (L-13 Medicare \$53) | |
| * 2 Cost of Living Adjustments for employees | | | | |
| Salary | (L-1) | 9,194 | *5 Purchase ATV | (L-3) 14,230 |
| PERS | (L-11) | 1,320 | *6 Increase in rental for office | (L-6) 3,000 |
| Workers Comp | (L-12) | 283 | *7 Increase in service fees | (L-7) 3,814 |
| Medicare | (L-13) | 137 | *8 Increase in travel allowance for mileage from | |
| * 3 Hire Seasonal Intern \$15.00 | | | .56 to .575 per mile | (L-9) 200 |
| Salary | (L-1) | 9,600 | Reg. & travel to NACD | 5,000 |
| PERS | (L-11) | 1,344 | | |
| Workers Comp | (L-12) | 288 | | |
| Medicare | (L-13) | 139 | | |
| *4 Increase newsletter from 4 to 6 issues per year to | | | TOTAL | \$59,121 |
| 1,600 district cooperators | | | | |
| Printing | (L-10) | 3,000 | | |
| Postage | (L-2) | 500 | | |
| Added social media software | (L-2) | 2,760 | | |

THE DISTRICT FUND

District Fund Revenues Can Include:

District Funds are usually received through the following sources:

- Rental of district-owned equipment
- Public cost-sharing payments
- Funds received for newsletter, radio, or special event sponsorship.
- Sale of materials such as tree packets, fish sales, plat books, bird seed packets, etc.
- Payments to the district for specific services rendered or anticipated such as applications or entry fees for contests, tours, camp scholarships, or educational workshops.
- Donations for food, materials, equipment, entertainment, or prizes for specific projects, such as annual meetings, educational events and outreach, workshops, fair booths, contests, field days, and demonstration projects
- Sale of tickets for meetings or events
- Interest from financial institutions
- Donations of any kind from individuals, groups, organizations
- Grant funds received from private and public foundations/organizations or state (other than state match from the OSWCC) or federal government agencies. (Many state and federal grants require separate funds be established to track activity. Read grant agreements and/or contact agency and establish separate fund when required.)
- Special Project funds or transfer of county, municipal, or township funds for a specific purpose. For example: county ditch maintenance monies
- Funds derived from fees, deposits, or service charges.

District Fund Expenditures Can Include but are not limited to:

- Service fees to national, state, and local organizations.
- Annual meetings and other individuals and/or groups having program responsibilities.
- Equipment repair and purchase of equipment
- Rewards such as plaques, gift cards, etc. in specific recognition of participating in a special program or activity approved as such in the official records of the district board
- Petty cash expenditures
- Grant expenditures
- Special projects for which the district will later be reimbursed.

Ohio Sales/Use Tax

Districts engaged in sales for more than 6 days in a calendar year are required to collect sales tax on taxable sales and services offered by the district unless a fully completed exemption certificate is on file from the purchaser/user. Each district engaged in taxable sales is required to apply for a Vendor's License and submit the collected sales/use tax to the Ohio Department of Taxation at least twice annually. Usually by January 23rd for sales/use tax collected from July – December of the previous year and July 23rd for sales/use tax collected January – June of the current year.

The AOS Annual Regulatory Cash Basis Report has recently been modified to include a "Sales Tax Collection for State of Ohio" receipt line item to record the collection of sales tax and a "Sales Tax Collections Forwarded to State of Ohio" disbursement line item to record when sales tax is sent to the Ohio Department of Taxation.

Proper Public Purpose

All SWCD funds are public funds and must be spent only for public purposes. "The governing body of a political subdivision other than a municipality may expend public funds to purchase coffee, meals, refreshments, and other amenities for its officers, employees, or other persons if it determines that such expenditures are necessary to perform a function or to exercise a power expressly conferred upon it by statute or necessarily implied and therefrom and if its determination is not manifestly arbitrary or unreasonable" A policy should be developed establishing guidelines for certain categories of expenditures that are deemed by the SWCD Board of Supervisors to be for a proper public purpose. Purchases should be modest, appropriate for the work setting and not include alcohol. Additional guidance as to what constitutes a proper public purpose may be found within AG Opinion 82-006 and AOS Bulletin 2003-005.

District Fund Management

All monies in the district fund are public funds and are always subject to public scrutiny and audit. A district ledger must be maintained using financial accounting software. All sources of funds credited to this account shall be clearly accountable.

The following are Best Management Practices for the District Fund:

- ☐ State auditor policy requires that consecutively pre-numbered duplicate receipts be written for income. These entries must clearly state the purpose and copies available for audit at all times.
- ☐ All income received that is not deposited into accounts with the county auditor must be deposited in the district's bank account.
- ☐ Monies receipted by the district should be deposited in accordance with ORC 9.38 which requires deposits within one business day, unless a specific policy is in place that allows for up to three days for receipts less than \$1,000 is passed by the SWCD board. If daily receipts do not exceed \$1,000 and the receipts can be safeguarded, the district may adopt a policy permitting their officials who receive money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it.
- ☐ All District funds should be deposited into financial institutions recognized as a public depository pursuant to sections [135.01 to 135.21](#) of the Ohio Revised Code and should be insured by the FDIC or other eligible collateral for amounts exceeding \$250,000. The coverage limit is \$250,000 per depositor, per ownership category, at any single financial institution.
- ☐ For each financial institution that a district invests public funds, a depository agreement should be developed and kept current. The SWCD board should designate their public depository at least once every five years if not more often. If a financial institution participates in the Ohio Pooled Collateral System (OPCS) a depository agreement is not required based on [ORC 135.18](#).
- ☐ District change funds should be kept in a locked environment with restricted access. The change fund should consist of small bills and change. The amount in the change fund should always equal the board authorized fund level.
- ☐ Petty cash expenditures are for small non-reoccurring expenses. These funds should be kept in a locked environment with restricted access. Receipts should be initialed by purchaser before reimbursement.
- ☐ Petty cash and change funds should be self-reconciling, meaning receipts and cash on hand should always equal the authorized amounts.

- ☐ Expenditures (beyond those already segregated for change and or petty cash) from the district account are made only as authorized by the local board of supervisors. Payments may be made by check, District credit card or electronically. SWCDs are prohibited from utilizing debit cards for expenditures.
- ☐ All refunds to customers/cooperators/vendors should be made by District check only.
- ☐ The state auditor has strongly suggested that all district fund checks be co-signed by the SWCD treasurer and the selected office employee.
- ☐ All funds should be accounted for in definite accounts and reported on the district's annual cash basis financial statement as required by the Ohio State Auditor.
- ☐ All financial materials including, but not limited to checkbooks, bank statements, etc. should be kept in the district office under lock and key.
- ☐ All financial records must be kept in accordance with your district's Records Retention Schedule.
- ☐ Before signing/endorsement, Districts checks should be filled out completely including vendor name, date, and amount. Do not sign blank checks for use between board meetings or for any other reason.

Special Accounts

Special account funds may be made available to districts by special grants and/or contracts. These shall be placed in a special account for accounting and auditing purposes. These accounts can be separate from other special funds and can be under the jurisdiction of the SWCD board or county auditor. An example is funding provided to a local soil and water conservation district through an Ohio EPA Clean Water Act Section 319 Grant. The state auditor's office has determined that special purpose funds should be placed in separate accounts. Upon receiving special purpose funds, a district should contact the Division of Soil and Water Conservation Program Specialist to ensure the account is properly established.

STATE AUDITOR APPROVED SOIL AND WATER CONSERVATION DISTRICT ACCOUNTS

The following is the basic Chart of Accounts for Soil and Water Conservation Districts as prescribed by the Auditor of State. All SWCD accounting must use these.

Computer Accounting

SWCDs are expected to use a computer accounting program to manage their funds. It is not the role of the Division of Soil and Water Conservation nor any other government office or agency to endorse a specific product. There is, however, a very limited number of accounting programs which meet the standards for security and internal controls set forth by the Auditor of State for fund management by a government agency. Computer accounting programs are continually being developed, some of which may be acceptable for governmental accounting. Before utilizing such a program, please check with the ODA-Division of Soil and Water Conservation Program Specialist in your area to verify whether it meets governmental accounting standards.

Employer Identification Number (EIN) is also known as a Federal Tax Identification Number and is used to identify a business entity. Districts may be required to have this number to open bank accounts, apply for grants and apply for their vendors license needed for sales tax collection. If you are unsure of your EIN you can call the Business and Specialty Tax line at 800-829-4933 to find whether your district has an EIN and what the number is. Some districts operate under their county's EIN.

| TYPE | SOURCE | DESCRIPTION |
|--|---|--|
| <u>L. SOIL AND WATER CONSERVATION SPECIAL FUND – 15</u> | | |
| REVENUE RECEIPTS | | |
| 1. LEVIES | Taxes | The board of county commissioners may levy a tax within the ten-mill limitation for salaries and expenses. Section 940.12, R.C. |
| 2. GRANT -COUNTY | Intergovernmental Receipts | In lieu of the tax levy the Board of County Commissioners may appropriate funds from the general fund. Section 940.12, R.C. |
| 3. STATE FUNDS | Intergovernmental Receipts | The Ohio Soil and Water Conservation Commission shall pay a flat rate, based on the availability of funds, each year to the district. Section 940.15, R.C. |
| 4. OTHER RECEIPTS | All Other Revenue | Any other revenue receipts not included in L-1 through L-3. |
| NON-OPERATING REVENUE RECEIPTS | | |
| 5. REIMBURSEMENT – STATE | Other Financing Sources | Matching funds from the Ohio Soil and Water Conservation Commission for money received by levy or appropriation. Section 940.15, R.C. |
| 6. REFUNDS | Other Financing Sources | Overpayments |
| 7. OTHER RECEIPTS | Other Financing Sources | Any other non-operating revenue receipts not included in L-5 and L-6. |
| 8. TRANSFERS-IN | Other Financing Sources-Transfers-In | Funds received from other funds identifying each transfer fund source. |
| 8. a. ADVANCES -IN | Other Financing Sources Advances-In Not Repaid | Advancement of funds for Receipt of Repayment of advancement indicating the fund from which the advancement is received or from which reimbursement is received. |

L. SOIL AND WATER CONSERVATION SPECIAL FUND – 15

EXPENDITURES

| | | |
|--|------------------------------|--|
| 1. SALARIES EMPLOYEES | Conservation- Recreation | Compensation is prescribed by the supervisors for assistants, as they deem necessary. Section 940.08, R.C. |
| 2. SUPPLIES | Conservation Recreation - | All expendable supplies such as paper, pens, postage, letterhead, envelopes, printer, and copier cartridges, etc. Section 940.08 R.C. |
| 3. EQUIPMENT | Conservation- Recreation | New equipment and replacement such as desks, chairs, file cabinets, vehicle, copier, etc. Section 940.08 R.C. |
| 4. CONTRACT REPAIRS | Conservation- Recreation | Repair of equipment by outside contractors - labor and materials. |
| 5. CONTRACT SERVICES | Conservation- Recreation | All contracts for heat, fuel, light, telephone, internet, water, trash collection, etc. Section 940.08, R.C |
| 6. RENTALS | Conservation Recreation | Expenditures for the lease of office space from individuals and firms. 940.08, R.C. |
| 7. SERVICE FEES | Conservation Recreation | Fees to NACD and OFSWCD for dues, educational material, and speakers. Section 940.08, R.C. |
| 8. INFORMATION AND EDUCATION | Conservation - Recreation | Scholarships and educational support. 940.12, R.C. Youth and adult registrations for event programming. |
| 9. TRAVEL AND EXPENSES | Conservation Recreation | Expenses incurred by supervisors, and employees in the performance of their duties. ORC 940.08 |
| 10. ADVERTISING | Conservation- Recreation | Cost of publishing reports, newsletters, surveys, investigations, plans, and research in regard to soil and water conservation projects. Section 940.08, R.C. |
| 11. PUBLIC EMPLOYEE'S RETIREMENT | Conservation- Recreation | The district's share or employer contribution to the Public Employee's Retirement Fund as determined by O.R.C. 145 |
| 12. WORKER'S COMPENSATION | Conservation- Recreation | The county's share of contribution to the Public Insurance Fund determined by the Industrial Commission for workers' compensation as provided in Sections 4123.39 to 4123.41, R.C., and assessments on the gross payroll, for the preceding twelve months, for the Disabled Workers' Relief Fund |
| 12 A. UNEMPLOYMENT COMPENSATION | Conservation Recreation | The district's contribution to the Unemployment Compensation Fund determined by the Bureau of Employment Services as provided in Section 4141.25 R.C. |

| | | |
|--------------------|--|---|
| 13. OTHER EXPENSES | Conservation Recreation | Any other items of expense not included in L - 1 through L - 12a. |
| 14. TRANSFERS-OUT | Other Operating Uses - Transfers - Out | Transfers of funds to other funds, identifying each fund transferred to. |
| 14 ADVANCES - OUT | Other Financing Uses - Advances Out Not Repaid | Advancement of funds per 1964 O.A.G. No. 1209 and resolution of the legislative authority indicating the fund to which the advancement is made. Repayment of fund indicating fund repaid. |

PURCHASING OF SWCD EQUIPMENT AND SERVICES

Chapter [940.08](#) allows for SWCD purchase of equipment and services and Chapter [940.06](#) provides for the process of purchasing goods and services. When the cost of any contract (lease, purchase, etc.) other than compensation for personal services or rental of office space, involves an expenditure of more than the amount established in [ORC 307.86](#) regarding expenditures by Boards of County Commissioners (presently \$77,250), the sealed bidding process is required. As the County Commissioners' bid limit goes up over time, so does the bid limit for SWCDs..

Legal notice must be placed twice in a newspaper of general circulation (and any other publication as determined by the Board of Supervisors) for not less than two or more than four weeks apart or as provided in [ORC 7.16](#). Bids may be opened any time after the last advertisement and deadline date for bids as listed in the legal notice.

The notice shall state the general character of the work and materials to be furnished, the place where plans and specifications may be examined, and the time and place of receiving bids.

Each bid shall contain the full name of every person interested, and at the discretion of the Supervisors, may be accompanied by a bond or certified check on a solvent bank in an amount not to exceed five percent of the bid. The Supervisors shall make a written contract with the lowest and best bidder. However, the Supervisors have the authority to reject any and all bids.

The State Auditor recommends that purchases falling below the sealed bid limit have documentation of at least three bids from vendors to ensure that the public funds are being properly spent.

SWCDs may purchase vehicles and other equipment from the state term schedule contract without going through the bid process themselves (the state has already bid for you). Follow the link for information on the state [Cooperative Purchasing Program](#). Also, [HB 204 \(122nd General Assembly\)](#) allows political subdivisions to purchase vehicles from local vendors if equivalent terms, conditions, and specifications but at a lower price than the state term schedule contract is found. Sufficient documentation of a purchase under HB204 is required to verify that these provisions were met.

DISPOSING OF SWCD EQUIPMENT

Chapter [240.10](#) ORC details conditions under which SWCDs may sell used or non-essential equipment.

When selling items valued at \$2,000 or more, a public notice of sale shall be published in a newspaper of general circulation at least 10 days prior to sale. Advertisements should include a description of the item, place to view item, location for placing bids, date, and time of when the sale ends.

The board may decide to list the items for sale with the county auction of excess inventory or through the internet service “gov.deals”. When using these or similar services, the public notice may be covered by the auction service. These auction services may take a percentage of the sale.

Items should only be donated or salvaged when it is established by motion of the board (at a board meeting and documented in the minutes) the item has no commercial value. When an item is donated or salvaged a salvage form should be completed and maintained by the district.

The supervisors may authorize the sale of such personal property without advertisement or public notification and competitive bidding to the federal government, the state, or any political subdivision of the state.

Supervisors and staff who are interested in purchasing used district owned equipment must follow specific guidance to avoid possible conflicts of interest. When this situation occurs in your district contact your Program Specialist for further guidance.

When purchasing or selling district property if you have questions or are unsure about ORC requirements consult your County Prosecutor or other legal counsel.

EXEMPTION FROM CONTINUING EDUCATION REQUIREMENTS FOR TREASURER/FISCAL AGENTS

Ohio law requires that various public financial officials receive continuing training in the investment and management of public finances. Public funds managers, excluding county treasurers, who invest in only interim deposits with eligible public depositories ([135.08 ORC](#)), no-load money market mutual funds ([135.14 ORC](#)) or STAR Ohio ([135.14 ORC](#)), may annually file for exemption from the continuing education requirement found in Ohio Revised Code [135.22](#).

For questions regarding exemption eligibility, contact your county prosecutor/legal advisor for a legal opinion to determine exemption eligibility. SWCD Board members are subject to this training requirement unless deposits meet the exemption criteria noted above. Board members who are bank signatories must file for the exemption.

Please check the State Treasurer of Ohio FAQ's on the Treasurer of State website. Visit these sites to find the most current information and exemption forms available.

Certificate of Transition by Outgoing Fiscal Officer

[ORC 117.171](#) requires each outgoing fiscal officer to complete a certificate of transition before leaving their position. [AOS Bulletin 2021-005](#) provides additional insight into this section of code as well as an example transition form.

BONDING

Chapter [940.05](#) of the Ohio Revised Code requires that SWCD boards of supervisors obtain a surety bond to cover all public employees or by resolution, adopt a policy to allow for use of an employee dishonesty and faithful performance of duty insurance policy to cover financial or property loss caused by the fraudulent or dishonest actions of, and the failure to perform a duty prescribed by law for, an officer, employee, or appointee that is otherwise required by law to give an individual surety bond before entering upon the discharge of official duties.

SWCDs may use risk pool insurance policies such as the County Risk Sharing Authority (CORSAs), Ohio Plan, a policy purchased by the Ohio Federation of Soil and Water Conservation Districts or any risk policy through a private insurance company to protect the district against crime and theft in office. A copy of the bond or insurance policy should be kept on file. Contact your Program Specialist to determine if coverage is adequate for your district.

Sources of Insurance and Crime Policies:

- [County Risk Sharing Authority \(CORSAs\)](#) - 614-220-7993.
- [Ohio Federation of Soil and Water Conservation Districts](#) - 614-784-1900
- [Ohio Plan](#) – 513-906-6705

CREDIT CARDS, DEBIT CARDS & PROCUREMENT CARDS

Chapter [940.11](#) of the Ohio Revised Code provides guidance for the necessary policies for district credit card accounts. [H.B. 312](#) which is outlined in [AOS Bulletin 2018-003](#) established two separate internal control models for credit card usage by political subdivisions: the custody and control model and compliance officer model.

The policies shall at a minimum include provisions addressing:

- The appointment of a compliance officer, where applicable
- The supervisors or positions authorized to use a credit card account.
- The types of expenses for which a credit card account may be used.
- The procedure for acquisition, use and management of a credit card account and presentation instruments related to the account including cards and checks.
- The procedure for submitting itemized receipts to the fiscal agent or fiscal agent's designee.
- The procedure for credit card issuance, credit card re-issuance, credit card cancellation, and the process for reporting lost or stolen credit cards.
- The districts credit card account maximum credit limit or limits
- The actions or omissions by an officer or employee that qualify for misuse of a credit card account.

Procurement cards, gasoline cards and any other similar card accounts where a merchant category code limits the type of good that may be purchased are not considered credit cards under this section of code. Districts are allowed to hold and utilize procurement cards. Under section [9.22](#) of ORC **SWCDs are not allowed to hold or utilize debit cards.**

ORC 940.111 – Acceptance of payments by financial transaction devices.

This section of Ohio Revised Code provides the authority for districts to accept payments including but not limited to credit card, debit card and pre-paid or stored value card. These sales may be conducted face to face, over the phone or internet or any other device or method making an electronic payment or transfer of funds. [ORC 940.111](#) provides the process in which a district must comply if they choose to accept this payment method.

SEGREGATION OF DUTIES, FISCAL POLICIES AND TESTING TRANSACTIONS

Segregation of Duties

Segregation of duties is the concept of having more than one person required to complete a task. By having more than one individual participate in one single task, it helps prevent errors and fraud.

The State Auditor recommends the following district activities have more than one individual involved:

- ☐ Tracking of re-sale of any merchandise and collection of revenue
- ☐ Billing of accounts receivable and collection of revenue
- ☐ Dual signatures on all checks/withdrawal of funds
- ☐ Board personnel initialing bank statement reconciliations
- ☐ Board personnel approving fiscal reports

Fiscal Policies

Fiscal policies are needed to define the expectations on the use of district funding. Like all SWCD operational policies, these should be reviewed annually and updated as needed.

The State Auditor recommends the following fiscal policies be in place for each district:

- ☐ Revenue procedures
- ☐ Delinquent accounts receivable policy
- ☐ Bank deposits – timeliness and amount threshold
- ☐ Transfers from one account to another accounts
- ☐ Inventory procedures and threshold
- ☐ Petty cash procedures and approvals
- ☐ Expenditure thresholds (Staff authority to pay without Board approval)
- ☐ Expenditure purpose
- ☐ Current bank signature cards
- ☐ Fiscal report review

Test District, Special and Grant Fund Transactions

Fiscal Agents and/or Treasurers can gain confidence that funds are being properly managed by the SWCD by random testing of transactions in all SWCD funds and accounts. Testing of fund transactions will help to ensure that proper procedure and proper accounting of SWCD dollars are being maintained. It also demonstrates to the public and the auditor that there are internal controls on your SWCDs finances.

A properly processed transaction must show three things:

- ☐ **Authorization** means that the board has given their statutory O.K. to receive funds and incur and make payment on expenses. This means that the item was presented at a board meeting and motion and subsequent majority vote approved payment or receipt;
- ☐ **Relevance** means the dollars received or expended for proper public purposes including limits set by grant work plans; travel or other policies adopted by the board and ethical and legal limits set by the Ohio Revised Code; and
- ☐ **Record keeping** means that receipts, invoices, purchase orders, vouchers, sub account tracking all must be maintained to justify that not only were the dollars spent or received for a particular purpose but that they were in fact transacted with other parties.

District Fund Balance Reconciliation

Besides actually testing transactions, you should randomly review the bank reconciliation, especially if two staff members are doing regular reconciliations. Ask to see the most recent bank statement reconciliation. Ensure that the ending balance at all banks including "Star Ohio" and the SWCD are the same and that any differences (outstanding checks, interest payments etc.) are verified.

Special Fund Verification

For the Special Fund, ask to see the monthly report from the County Auditor's office and ensure that items approved for expenditure from the Special Fund at the previous board meeting have been processed out of the correct account and in a timely manner. Verify that all funds received into the Special Fund have been appropriated accurately or as instructed into one or more Special Fund accounts.

Steps for Testing District and Special Fund Transactions

From a recent treasurer's report, pick one transaction from each of the following: General District Fund (look for routine and non-routine items alike and pay particular attention to refunds). Each District Fund sub account where there was activity (e.g., Petty Cash, Pollution Abatement, 319 grant, Education Grant etc.), and Special Fund (not salary or benefits).

1. For each transaction, verify that proper authorization was given to receive or expend the funds from the SWCD board meeting minutes. Verify the following:

- ☐ The item was listed as a bill to be paid or was brought before the board as monies to accept in the minutes;
- ☐ A motion was made, seconded and a majority vote approved the payment or receipt: and;
- ☐ Note the day and the month of the meeting.
- ☐ If the item was listed as a bill that was paid prior to the board meeting by a staff member with board authorized spending limits, verify that the amount and purpose was within the authorization limits and restrictions.

2. Verify that the payment or receipt was relevant to SWCD business. You should be able to answer yes to at least one of the following questions:

- ☐ Was the expense necessary for district operations such as rent, utility bills, and basic office supplies?
- ☐ Was the expense from a grant or other sub-account detailed in the grant work plan or grant application?
- ☐ Was the expense consistent with and necessary to carry out a program supported by the SWCD in its annual, long-range, or strategic plan?
- ☐ Was the expense of funds to SWCD board members or staff in line with SWCD travel or other reimbursement policies?
- ☐ Can you verify the purpose and amounts for receipt of funds? Was there a grant or other request made? If so, find the documentation and compare amounts. Was this a donation? Was this a transfer from another District fund account or from Special Funds?

3. Verify the record keeping following each transaction:

- ☐ An invoice, bill or purchase order was kept on file.
- ☐ A voucher or another form of authorization signed by the fiscal agent, treasurer or authorized staff member is attached to the invoice, bill, or purchase order.
- ☐ For travel expenses, a travel request and or reimbursement form completed and signed according to board policy should also be attached.
- ☐ The records are organized such that they are readily accessible.

☐ For receipts:

Find the receipt for the item in the receipt book:

- Request to see the copy of the bank deposit slip and deposit receipt on which the receipt is listed.
- In the case of interest, look at the bank statement to verify that the correct amount was entered into the receipt book.
- Special fund receipts are issued by the Treasurer and should be reflected in the monthly print out.

Annual Financial Report (Cash Basis)

Each district is required to file an AOS Regulatory Cash Basis Financial report annually. The cash basis is a financial statement that includes receipts, disbursements, and changes in fund balances. Guidance for filing can be found in AOS Bulletin 2015-007.

- Each district shall complete their Annual Financial Report and Notes (AOS Regulatory Cash Basis), retain one copy for their records, electronically submit the completed report via the Hinkle System and provide a copy to their program specialist and the ODA-DSWC.
- Cash Basis financial report, instructions and notes can be found on the Auditor of State website.
- The report must be submitted to the AOS no later than 60 days after the close of the fiscal year.
- Submissions to the Auditor of State shall be done electronically through the Auditor of State's Hinkle System, an internet-based application that allows financial statements to be uploaded and transmitted to the AOS to satisfy ORC filing requirements.
- Digital copies of the report should be sent to the ODA Division of Soil and Water Conservation, Financial Program Manager and your ODA-DSWC, Program Specialist.
- As noted in ORC 117.38, at the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and indicate that the report is available at the office of the fiscal officer for review.

1099 Tax Forms

- Districts will be required to issue appropriate 1099 forms to any individual that was paid \$600 or more for services, products, or cost-share in 2024.
- If more than 10 aggregate forms are issued, forms must be filed electronically.
- Visit the guidance document at www.irs.gov annually for updates and information on how and when to file the 1099 and 1096 forms.

COMMON AUDIT MANAGEMENT COMMENTS AND RECOMMENDATIONS

SWCDs are subjected to fiscal audits by the state of Ohio every two years. Audits are administered by the Auditor of the State of Ohio and may be performed by their office or a contracted private firm (IPA). Criteria for districts would determine whether a GAGAS or AUP type of audit is performed. Some Districts with limited activity may qualify for a Basic Audit Engagement.

The AUP or Agreed Upon Procedure audit is a simplified audit that will randomly test a specific number of transactions unless evidence indicates a deeper audit is needed. The AUP is allowed under certain audit criteria for three audit periods and then a full audit under GAGAS standards is required. The AUP does cost less and should be budgeted in the expenses of the Special Fund.

The GAGAS or Generally Accepted Government Auditing Standards audit is a much more in-depth audit with a substantial increase of transaction and policy reviews. This type of audit is required upon an evidence finding from an AUP or after three consecutive AUP auditing periods. The number of consecutive AUP auditing periods allowed before a GAGAS audit is required is subject to change. The GAGAS requires more time thus is much more costly than the AUP. Be sure to budget for the GAGAS audit as needed in the expenses of the Special Fund.

Over the last several years the auditors have gathered some of the most common management comments and recommendations made in SWCD audit reports and the recommended actions to be taken by SWCDs boards to remedy the issue. Below you will find the current list. Use these as a guide to review your SWCD's internal controls, financial procedures, and policies.

Reporting

***Comment:* Treasurer of State (TOS) exemption forms were not submitted for all the necessary Board members.**

- ***Recommendation:*** TOS exemption forms should be completed by all Board members that are listed as an authorized signer on the bank signature card on file at the District's financial institution. Once completed, they should be submitted to the TOS. This will help to ensure the District is compliant with all relevant sections of the Ohio Revised Code. *Note: this process had been revised in 2015 to file exemption forms online by logging into your MyCPIM account at <http://tos.ohio.gov/cpim/fiscalofficers/>

***Comment:* The SWCD expended more funds than it took in as revenue for the calendar year**

Recommendation: The District should identify what caused this situation and determine if it was a temporary or long-term problem. If it was a temporary (one year) problem, the District can continue operating as normal. If the situation was caused by a long-term problem, the District should examine ways to increase revenues, decrease expenditures, or a combination of both. This will help the District plan for the future and by taking appropriate action now eliminate the need to take drastic measures in the near future once the cash reserves are exhausted.

***Comment:* Merit increases paid to SWCD employees were not reported to the IRS.**

Recommendation: All wages paid to District employees either by paycheck or merit increase should be paid from the Special Fund so the appropriate payroll deductions can be made. This will help to provide District employees with accurate data to be used when filing their taxes and ensure the District is compliant with all Federal & State laws.

***Comment:* Various annual financial statement report errors.**

Recommendation: Check math accuracy of annual financial statements amounts, ensure amounts agree to detail ledgers, beginning balances roll forward properly from the prior year, and that no information is missing.

***Comment:* Stale dated outstanding check and bank reconciliation errors.**

Recommendation: Ensure bank balances on reconciliation agree with bank statements, a detailed outstanding check list is included, and procedures established to follow up on outstanding checks which remain outstanding for long periods of time.

***Comment:* Creation of an Audit Committee.**

Recommendation: Should establish an audit committee to serve as a liaison between management and its auditors. The primary functions of such a committee are to monitor and review the District's accounting and financial reporting practices and follow up on citations and recommendations made by its auditor.

Comment: Lack of written policies and procedures.

Recommendation: Ensure internal control policies and procedures are formally adopted and written. These should be monitored to ensure they have been implemented and are being followed.

Comment: Lack of formal board approval in minutes.

Recommendation: Ensure all formal actions taken by the Board are appropriately voted upon and documented within the Board meeting records book.

Receipts

Comment: Certain intergovernmental receipts were posted in the wrong fund, improper receipt classification, or wrong year.

Recommendation: All receipts should be closely examined to ensure they are coded and posted to the correct fund, classification, and proper period. The Board should review monthly reports to ensure amounts are posted properly.

Comment: Receipts were not timely posted and deposited.

Recommendation: All receipts should be deposited in the bank by the next business day unless a policy is adopted to allow amounts less than \$1,000 to be deposited up to 3 business days after receipt. In addition, receipts should be recorded timely in the ledgers to ensure they are reported in the proper period and assist with monthly bank reconciliations.

Comment: Receipts posted at net instead of gross.

Recommendation: Receipts should always be posted at the gross amount and any deduction withheld by the payer posted as an expenditure such as from the County Auditor or other intergovernmental entities.

Comment: Lack of supporting documentation for rates charged or rates not approved by Board

Recommendation: All rates charged should be approved by the Board and written support maintained for the approved rates and any changes made to those rates.

Expenditures

Comment: Public funds were used to pay a Board member's non-business expense to attend an event (Red's game) during a supervisor training conference.

Recommendation: The Board, as part of the approval process, should ensure that funds are used for a proper public purpose. This would include paying expenses only for those employees or Board members that are on District business. This will help to ensure that funds are spent in the public's best interest.

Comment: Special Fund vouchers were not being signed by the Fiscal Agent.

Recommendation: All Special Fund vouchers should be signed by the Board of Supervisors' Fiscal Agent. Prior to approving these payments, the Fiscal Agent should verify that the supporting documentation agrees with the information contained on the voucher. This will help to ensure the District only pays for those items that are properly supported by adequate record documentation.

Comment: Missing credit card receipts and statements.

Recommendation: Original detail support receipts should be maintained for all credit card expenditures along with original credit card statements. See Auditor of State Bulletin 2018-003 regarding credit card policies and procedures.

Budgetary

Comment: Budgeted amounts not posted to ledgers or amounts posted don't agree to approved budgetary documents.

Recommendation: All budgeted amounts should be posted to financial ledgers, and the amounts should agree to approved budgetary documents and any documents filed with the County Auditor such as appropriation measures, certificates of estimated resources, etc.

Comment: Carryover balances not included in budgets submitted to County Auditor

Recommendation: Any carryover balance should be included in budgets submitted to the County Auditor for inclusion on Certificate of Estimated Resources.

Compliance

Comment: Year-end reports not filed properly with the Auditor of State through the Hinkle System.

Recommendation: Review guidance in Auditor of State Bulletin 2015-007 to ensure proper year end filing of annual financial report.

Comment: Lack of Public Records Policy.

Recommendation: A records retention policy and public records policy should be established, and the public records policy should be posted at the public office. See required guidance in Auditor of State Bulletin 2019-003.

Payroll

Comment: During our review, we found that the employment policy was not reviewed and updated annually by the Board and all District employees.

Recommendation: The employment policy should be reviewed, approved, and signed off by the Board and all District employees on an annual basis. This will help to ensure that the employment policy is current and contains all necessary information.

Comment: The District employees were using and earning compensatory time in the same week. The compensatory time used was erroneously considered as hours worked; therefore, the compensatory time earned was at a rate of one and a half hours per hour worked.

Recommendation: Employees should not use and earn compensatory time within the same week. Since compensatory time used is not considered hours worked, the compensatory time earned should be at a rate of one to one until the total hours worked (vacation leave, holiday, and sick leave) meet the 40-hour threshold. Only when that threshold is met should compensatory time be earned at the rate of one and a half times each hour. This will help the District comply with the Board's intent to minimize overtime and compensatory time as included as part of the employment policy.

Comment: Timesheets did not contain written approval.

Recommendation: The District Program Administrator should approve all employees' timesheets. In the case of the District Program Administrator, the Board Chair or Board Fiscal Agent should review and approve the time sheet. This will help ensure payroll for all employees is being reviewed for accuracy and completeness.