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 (nearly dollar for dollar) by the Ohio Soil and Water Conservation Commission. 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.

Local appropriations must be appropriated and received before May 1 if they are to be matched in the current year. Beginning in late July a portion of match dollars are sent directly to the county auditor for deposit into the special fund. State match funds are sent to the county auditor throughout the year 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, grants and donations. The only expenditures that may not be made by the District Fund are employee salary and benefits, which come from the Special Fund. Typically District Fund dollars are held at a local bank in a checking, savings account or short-term Certificate of Deposit. Also, District Funds are sometimes 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."

Points to remember:

- As a subdivision of state government, 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.

- Soil and Water Conservation Districts are organized under state law, but funding is not mandated.

- To maintain the highest fiscal integrity SWCD board should ensure that proper fiscal internal controls and check and balances are in place. To do this SWCD board members should provide regular oversight of all SWCD funds. This oversight may include a detailed review of monthly bills to be paid, monthly deposit account reconciliation oversight and periodic transaction testing by the fiscal agent or treasurer.

- For assistance and guidance with regard to SWCD fiscal matters, SWCD staff and board member should contact their designated Program Specialist with the Division of Soil and Water Conservation.

THE SPECIAL FUND

House Bill 104 passed by the General Assembly in 1963 provided for the establishment of an 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 grants (aka annual appropriation);
- Municipal/township funds;
- State flat rate (aka State funds);
- State matching monies; and
- Special accounts.

State matching funds are based on county grant funds plus township and municipal monies received. 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 may use a SWCD's Annual Plan of Work for such justification. To be considered matchable by the OSWCC, all locally appropriated funds must actually 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 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 this fund as obligations are incurred.

Unused money at the end of the year remains in the special fund year 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 account upon certification by the county commissioners.

New funds (exclude re-appropriated money from the previous year) to the district from the county commissioners are eligible for state matching funds. It is important to obtain monthly reporting from the county auditor documenting both month to date and year to date totals and ending account balances. A board of supervisors may approve a resolution to provide the authority for the county auditor to honor PERS, Medicare, and Workers Compensation from the Special Fund.

Municipal and Township Funds

The law does allow for matching on funds granted 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 30 days of receipt of the SWCD to be eligible for state match from the commission. The amounts must be included on the Ohio Soil and Water Conservation Commission Form 11 to be included as matchable funds. Also these 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 And Flat Rate 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 auditor. When distributed by the state commission and received by the county auditor, it is placed in the special fund established by the county auditor in 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 from one to fourteen "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 Accounts: Special purpose 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 service funds should be placed in separate accounts. Upon receiving special purpose funds, a district should contact the Division of Soil and Water Resources Program Specialist to determine the proper account number.

Special Fund Management

All monies 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 for the district after authorization by a majority of the supervisors of the district. All vouchers should be sent directly to the auditor's office. (See the "Certification of Fiscal Agent sample letter). The unexpended balance does not revert back to the county general fund at the end of the year

Expenditures from this 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 in the state matching and flat rate funds 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. Each SWCD should establish staff and board member travel polices as guidance. Travel expenses should be submitted at least quarterly to facilitate good bookkeeping procedures and reviewed to ensure the requests are within policy.

The foregoing specifically excludes guests; associate supervisors; wives or husbands of supervisors and/or another agency's employees. Exception: When the board of supervisors designates an associate supervisor by resolution at a board meeting to represent the district at a function on the district's behalf. This would be someone other than a spouse of a board member, employee, NRCS staff or their spouses.

Travel expenditures include the following meal expenses:

- 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 15% of the meal cost.

Note: A flat rate allowance (per diem) is not acceptable under the State law for districts.

DISTRIBUTION OF STATE MATCHING FUNDS

Within limits of funds appropriated to the department for such purpose, each SWCD shall be distributed an amount not to exceed one dollar for each one-dollar received in accordance with section ORC 940.12.

F**unds 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 to 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.

Review OSWCC Form 11 for the mechanical procedure of obtaining state matching monies. Form 11 must be returned to the Ohio Soil and Water Conservation Commission by 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

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

EXPENSES

Account	Account Name	2015	2016	Increases
L-l	Salaries	$126,000	$150,600	*1, *2, *3
L-2	Supplies	1700	1900	* 4
L-3	Equipment	3,800	18,000	* 5
L-4	Contract Repairs	1400	1400	
L-5	Contract Services	1,500	1,500	
L-6	Rentals	7,000	7,900	*6
L-7	Service Fees	2,480	2,562	*7
L-8	Education & Information	2,300	2,300	
L-9	Travel & Expenses	2,750	2,950	*8
L-10	Advertising & Printing	2,500	2,700	*4
L-11	PERS	17,480	20,406	*1 *2 *3
L-12	Workers Compensation	2,600	3,012	*1 *2 *3
L-13	Other	17,000	20,000	*9
L-14	Reimbursement	-0-	-0-	
Total		191, 510	235, 230	

INCOME

Revenue Source	2015	2016	Increases (Decreases)
County Commissioners	$84,960	106683	$21,723
Municipal Funds	30,000	35,000	5,000
State Funds	75,170	92,547	17,377
Expected Carryover	1,380	1,000	(380)
Total	$191,510	$235230	43,720

*** 1 Pay raises for employees** (L-1) $ 4,500

*** 2 Cost of Living Adjustments for employees**

Salary	(L-1)	3,100
PERS	(L-11)	1,030
Workers Comp	(L-12)	132
Medicare	(L-13)	110

*** 3 Hire additional Part-time District Technician**

Salary	(L-1)	14,000
PERS	(L-11)	1,896
Workers Comp	(L-12)	280
Medicare	(L-13)	203

***4 Continue newsletter of 6 issues per year to 1,600 district cooperators**

Printing	(L-10)	200
Postage	(L-2)	200

***5 Purchase second vehicle** (L-3) 14,200

***6 Increase in rental for office** (L-6) 900

***7 Increase in service fees** (L-7) 82

***8 Increase in travel allowance for mileage from .56 to .575 per mile** (L-9) 200

***9 Increase in Hospitalization** (L-13) 2,687

TOTAL **$43,720**

CALCULATING PERSONNEL COSTS FOR REIMBURSEMENT

There have been requests on how to calculate personnel costs of district employees for reimbursement purposes. This could be used to calculate reimbursement rates for ditch maintenance, grant reimbursements or estimates of in-kind services. This is the basic labor costs and does not include items such as rent, equipment, utilities, mileage costs and administrative time to process checks or other support services. Review the explanation and example below. Use this link to use the SWCD Personnel Cost Calculator – a MS excel spreadsheet to help you calculate.

Example A
An employee who pays into Medicare

Salary/Year
X **1.17** → .02 Workers Comp.
Adjusted Wage .1400 P.E.R.S.
.0145 Medicare
1.0000 Salary
1.1745 factor (round down)

Adjusted Wage
+ Insurance/Year
Gross Wage

2080 Hrs./Yr.
- 80 Hours Holiday/Yr.
- 120 Hours Sick Leave/Yr.
- Hours of Annual Leave/Yr.
Net Work Hours

Gross Wage
Net Work Hours = Reimbursement Rate/Hour
Rate/Hour

Example B
An employee who does not pay Medicare

Salary/Year
X **1.1600** → .02 Workers Comp.
Adjusted Wage .1400 P.E.R.S.
1.000 Salary
1.1600 factor

Adjusted Wage
+ Insurance/Year
Gross Wage

2080 Hrs./Yr.
- 80 Hours Holiday/Yr.
-120 Hours Sick Leave/Yr.
- Hours of Annual Leave/Yr.
Net Work Hours

Gross Wage
Net Work Hours = Reimbursement

Compensatory and Overtime. To calculate reimbursement for compensatory time, use one and one half times the above rate, but to calculate overtime pay use the following since overtime pay omits insurance, holiday and annual leave. It is calculated as follows for employees who pay Medicare on the left and for those who don't on the right.

Hours of Overtime
X 1.5575
Hours to Reimburse

Hours to Reimburse
X Adjusted Wage/Hour
Overtime Reimbursement

Hours of Overtime
X 1.5575
Hours to Reimburse

Hours to Reimburse
X Adjusted Wage/Hour
Overtime Reimbursement

Reimbursement Example

Sample calculation using the formula from the prior page. This example is based on an employee making $10.00/Hour with 8 years of experience and the district paying $300.00 per month for insurance.

Example A

$20800 ($10 x 2080 Hrs.)
X 1.17
$24,336.00

$24,336.00
+ 3,600.00 ($300 x 12 mo. Ins)
$29,936.00

2080 Hours/Yr.
- 80 Hours Holiday Leave
-120 Hours Sick Leave
- 120 Hours Annual Leave
1760 Hours Net

$27,936.00
1760 Hrs. = $15.87/Hr.

Example B

$20800 ($10 x 2080 Hrs.)
X 1.1600
$24,128.00

$24,128.00
+ 3,600.00 ($300 x 12 mo. Ins)
$27,728.00

2080 Hours/Yr.
- 80 Hours Holiday Leave
- 120 Hours Sick Leave
- 120 Hours Annual Leave
1760 Hours Net

$27,728.00
1760 Hrs. = $15.75/Hr.

Compensatory time would be calculated based on one and one half the regular time. However if the employee elects to be paid overtime, it would be calculated using the following formula since payment for overtime wouldn't affect the accrual of annual leave, holiday pay, or be charged for health insurance.

Overtime Pay Example

If the same conditions apply as listed above ($10 per hour wage) the overtime would be calculated as follows for 12 hours of overtime.

12 Hours
X 1.5575 (1.5 Time + sick leave)
18.69 Hours to be Reimbursed

18.69 Hours
X 11.70 (Sal + Work.Comp + Medicare + PERS)
$218.67 Reimbursement

= $18.69 per hour

12 Hours
X 1.5575 (1.5 Time + sick leave)
18.69 Hours to be Reimbursed

18.69 Hours
X 11.555 (Sal + Work.Comp + PERS)
215.96 Reimbursement

= $18.00 per hour

THE DISTRICT FUND

District Fund Revenue

District Funds are usually received through the following sources:

- Rental of district-owned equipment.
- Any type of public cost-sharing payments for practices applied on district owned land.
- Funds received for newsletter, radio, or special event advertising. Sale of materials such as tree packets, life-saving kits, pond inlet floats, 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 of food, materials, equipment, entertainment, or prizes for specific projects; such as annual meetings, luncheons, workshops, fair booths, contests, field days, and demonstration projects.
- Sale of tickets for meetings, air tours, etc.
- Interest from financial institutions.
- Donations of any kind from individuals, groups, organizations.
- Grant funds received from private and public foundations/organizations or other state (other than state match from the OSWCC) or federal government agencies.
- 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 Expenses (Sample District Fund Voucher)

It is recommended that the following types of expenditures be honored from this account:

- 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.
- Certificates, trophies, 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.
- Special projects for which the district will later be reimbursed.

Purchase of Food

According to Attorney General Opinion 82-006 "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".

In order to exercise these broad powers a board of soil and water conservation district supervisors must approve a resolution at a regularly scheduled board meeting stating its intent and that such

expenditures are necessary in the performance of their responsibilities. Further guidance can be found within this 2004 auditor of state compliance bulletin: click here.

District Fund Management

All monies in the district fund are public funds and are subject to public scrutiny and audit at all times. A district ledger must be maintained and kept in the district office. 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 be clearly state 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 a timely manner (within 3 calendar days).
- ☐ All District funds should be deposited into financial institutions recognized as a public depository pursuant to sections 135.01 to 135.21 of the Revised Code and should insured by the FDIC. The coverage limit is $250,000 per depositor 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.
- ☐ 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 that 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. Payment must be made by check or District credit card.
- ☐ 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.
- ☐ All financial materials including, but not limited to checkbooks, bank statements, district credit card, etc. should be kept in the district office under lock and key.
- ☐ All financial records must be kept for five years after an official audit by the state examiner.
- ☐ Before signing/endorsement, Districts checks should filled out completely including vendor name, date and amount. Do not sign blank checks for use between board meetings or for any other reason.

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 encouraged and expected to use a computer accounting program to manage their funds. It is not the role of the Division of Soil and Water Resources 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.

TYPE	SOURCE	DESCRIPTION
L. SOIL AND WATER CONSERVATION SPECIAL FUND - 15		
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-REVENUE RECEIPTS		
5. REIMBURSEMENT - STATE	Other Financing Sources	Matching funds from the Ohio Soil and Water Conservation Commission for moneys received by levy or appropriation. Section 940.15, R.C.
6. REFUNDS	Other Financing Sources	Any other non-revenue receipts not included in L-5 through L-6.
7. OTHER RECEIPTS	Other Financing Sources-Operating Transfers-In	Funds from other county 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, pencils, postage, letterhead, envelopes, photography supplies, blank computer CDs, 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. CONTRACTS REPAIRS	Conservation-Recreation	Repair of equipment by outside contractors - labor and materials.
5. CONTRACTS SERVICES	Conservation-Recreation	All contracts for heat, fuel, light, telephone, 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 educational material and speakers. Section 940.08, R.C.
8. SCHOLARSHIPS	Conservation - Recreation	Scholarships and educational support. 940.12, R.C.
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 regards to soil and water conservation projects. Section 1515.08, 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	Other Operating Uses - Operating Transfers - Out	Transfers of funds to other funds, identifying each fund transferred to.
14 A 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.

LL. AGRICULTURAL AND URBAN SEDIMENT POLLUTION FUND - 17

1. GRANT -COUNTY	Intergovernmental Receipts	Contributing funds received from counties for purposes established in Section 940.06, R.C.
2. STATE FUNDS	Intergovernmental Receipts under Section 940.06, R.C.	Funds contributed from agencies
3. OTHER	All Other Revenue	Any other revenue receipts included LL-1 through LL-2.

NON-REVENUE RECEIPTS

4. REFUND	Other Financing Sources	Overpayments
5. OTHER RECEIPTS	Other Financing Sources	Any other non-revenue receipts not included in LL-4
6. TRANSFERS	Other Financing Sources Operating	Funds received from other funds identifying each transfer fund source
6A. ADVANCES - IN	Other Financing	Advancement of funds for receipt

	Sources - Advances In Not Repaid	of repayment of advancement indicating the fund from which the advancement is received or from which reimbursement is received

LL. AGRICULTURAL AND URBAN SEDIMENT POLLUTION FUND - 17

EXPENDITURES

1. SALARIES - EMPLOYEE(S)	Conservation - Recreation	Compensation as prescribed by the supervisors for employees they deem necessary. Section 940.06, R.C.
2. SUPPLIES	Conservation - Recreation	All expendable supplies such as paper, pens, pencils, computer diskettes, letterheads, envelopes, etc. Section 940.08, R.C.
3. EQUIPMENT	Conservation - Recreation	New equipment and replacement of equipment such as desks, chairs, tables, file cabinets, vehicles, field equipment, etc. Section 940.08, R.C.
4. CONTRACTS-REPAIRS	Conservation - Recreation	Repair of equipment by outside contractors, including labor and materials.
5. CONTRACTS - SERVICES	Conservation - Recreation	All contracts for heat, fuel, light, electric, water, telephone and trash collection. Section 940.08, R.C
6. RENTALS	Conservation - Recreation	Expenditures for the lease of office space from individuals and firms, Section 940.08, R.C.
7. SERVICE FEES	Conservation - Recreation	Fees to Ohio Soil and Water Conservation Commission for educational material and speakers. Section 940.10, R.C.
8. SCHOLARSHIPS	Conservation - Recreation	Conservation scholarships and conservation education related costs. Section 940.10, R.C.
9. TRAVEL AND EXPENSES	Conservation Recreation	Reasonable and necessary expenses incurred by supervisors and staff in the performance their duties. Section 940.08, R.C.
10. ADVERTISING AND PRINTING	Conservation - Recreation	Cost of publishing reports of newsletters, surveys, investigations, plans and research in regards to agricultural pollution abatement and urban sedimentary pollution control projects. Section 940.06, 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 Chapter 145 of the Revised Code.

12. WORKER'S COMPENSATION	Conservation - Recreation	The SWCD contribution to be 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. Section 4123.411. R.C.
13. UNEMPLOYMENT COMPENSATION	Conservation - Recreation	The district's contribution to the Unemployment Compensation Fund determined by the Bureau of Employment Services as provided in Section 4141.15, R.C.
14. REIMBURSEMENT-STATE	Conservation - Recreation	Reimbursements made to the Ohio Soil and Water Conservation Commission Section 1501.20, R.C.
15. OTHER EXPENSES	Conservation - Recreation	Any other items of expense not included in LL-1 through LL-14.
16. TRANSFERS	Other Financing, Uses -Operating Transfers - Out	Transfers of funds to other funds identifying each fund transferred to.
16. a. ADVANCES - OUT	Other Financing Uses - Advances - Out Not Repaid	Advancement of funds per 1964O.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.

T. FEDERAL FUNDS - 70

REVENUE RECEIPTS

1. GRANT	Intergovernmental Receipts	Federal moneys as provided within approved applications.
2. OTHER RECEIPTS	All Other Revenue	Any other revenue receipts not included in T-1
2A. INTEREST	All Other Revenue	Investment Income - federal funds.

NON--REVENUE RECEIPTS

3. REIMBURSEMENTS	Other Financing Sources	Reimbursements of Federal and State funds as provided within approved applications.
4. OTHER RECEIPTS	Other Financing Sources	Any other non-revenue receipts not included in T-3.
5. TRANSFERS	Other Financing Sources - Operating Transfers - In	Moneys transferred from local funds identifying each transfer source.

5A. 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.

EXPENDITURES

1. PROJECT FUND EXPENSES	See Workbook	Expenditures made in compliance with the stipulations and/or limitations relative to each of the various Federal Projects using the appropriate classification or expenditures in the general fund.
2. TRANSFERS	Other Financing Uses - Operating Transfers-Out	Transfers of funds to other funds, identifying each fund transferred
2A. 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.

<u>TT. STATE FUNDS - 71</u>

REVENUE RECEIPTS

1. GRANT	Intergovernmental Receipts	State money provided to the county. Use is restricted to a particular purpose; Section 5705.09(F), R.C.
2. OTHER RECEIPTS	All Other Revenue	Any other revenue receipts not included in TT - 1.

NON-REVENUE RECEIPTS

3. REIMBURSEMENTS	Other Financing Sources	Reimbursements of State funds.
4. OTHER RECEIPT	Other Financing Sources	Any other non-revenue receipts not included in TT-3.
5. TRANSFERS	Other Financing Sources - Operating Transfers - In	Moneys transferred from other funds identifying each transfer fund source.
5A.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 or from which reimbursement is received.

<u>TT. STATE FUNDS - 71</u>

DISBURSEMENTS

1. FUND SERVICES	See Workbook	Expenditures made in compliance with the restrictions relative to each state fund using the appropriate classification of expenditures shown under the general fund.
2. TRANSFERS	Other Financing Uses - Operating Transfers - Out	Transfers of money to other funds identifying each fund transferred to.
2.A. 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 $50,000), 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. Twice at thirteen day intervals is standard. Bids may be opened any time after the last advertisement.

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 frugally 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 940.10 ORC details conditions under which SWCDs may sell used or non-essential equipment. When selling items valued at $2000 or more, a public notice and sealed bid process is required. The sealed bid process may also be used for lesser valued items.

Advertisements should include a description of the item, place to view item, location for placing bids, and date, time, and location of bid opening. Supervisors and staff are discouraged from bidding due to the appearance of conflict of interest. If no bids are received after advertising in a paper of general circulation for a reasonable length of time, the Supervisors may want to explore other methods of disposal. An example might be the county auction of excess inventory.

Items should only be donated or salvaged when it is established by resolution of the board (at a board meeting and documented in the minutes) that the item has no commercial value.

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. Only board members who are bank signatories must file for the exemption.

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

BONDING

Chapter 940.05 of the Ohio Revised Code requires that SWCD boards of supervisors obtain an insurance bond to cover all public employees or officials who handle public funds. Bonding insurance options for SWCDs include: County Risk Sharing Authority (CORSA), group policy purchased by the Ohio Federation of Soil and Water Conservation Districts or other risk management groups. A copy of the bond insurance policy should be kept on file under District file code 6.1 (Surety Bond and Bond Renewal). Contact your Program Specialist to determine if the minimum bond amount is adequate for your district and to determine who needs to be bonded. Example minimum bond amounts are provided for in Bond Requirements for Township Clerks – Chapter 507.03 ORC

Sources of Surety Bonds:

- County Risk Sharing Authority (CORSA) - 614-220-7993
- Ohio Federation of Soil and Water Conservation Districts - 614-784-1900

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 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 other 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 handled 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 bank reconciliation, especially if two staff members are doing regular reconciliation. 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 Auditors 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, ODNR 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 the 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 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 in to the receipt book;
  - Special fund receipts are issued by the Treasurer and should be reflected on the monthly print out.

COMMON AUDIT MANAGEMENT COMMENT AND RECOMMNEDATIONS

SWCDs are subjected to fiscal audits by the state of Ohio. Audits are performed by the Ohio Department of Natural Resources' External Auditors. 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 polices.

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. Click here for more info on the TOS website.

Comment: **The SWCD expended more funds then it took in as revenue for calendar year 2010.**
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 reported to the IRS. 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.

Expenditures

Comment: **Public funds were used to pay a Board member's non-business expense to attend an event (Reds 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: **Postage meter payments did not have sufficient support documentation for payment.**
Recommendation: A report should be obtained from the Farm Service Agency (FSA) to show the SWCD's postage usage for the month/quarter. The payment to the FSA should agree with the amount of usage documented on the report. This will help to provide sufficient support documentation for all payments.

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.

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 time 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 time 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 Chairman 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.

Personnel Policies

Comment: **The current employment policy documents a sick leave payout at retirement that exceeds the minimum required by Ohio Revised Code (ORC) section 124.39.**

Recommendation: The SWCD employment policy states that employees, who retire and have been employed at least 10 years, can be paid for 50% of the accrued sick leave at their rate of pay for their sick leave balance up to a maximum of 720 hours. ORC section 124.39 (B), states in part:

> "…an employee of a political subdivision covered by section 124.38 of the revised code may elect, at the time of retirement from active service with the political subdivision, and with ten or more years of service with the state, any political subdivisions, or any combination thereof, to be paid in cash for one-fourth the value of the employee's accrued but unused sick leave credit…"

The Board should amend their employment policy to include the "one-fourth" criteria in their sick leave policy so the benefits administered by the District are consistent with those as stated above. This will help the District use funds wisely and increase the likelihood that these funds will be available to further the District's mission.