



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Hancock Soil and Water Conservation District
Hancock County
7868 County Road 140, Suite E
Findlay, Ohio 45840

We have performed the procedures enumerated below, with which the Board of Supervisors (the Board) and the management of Hancock Soil and Water Conservation District, Hancock County, Ohio (the District) agreed, solely to assist the Board in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2012 through 2016, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management and the Board are responsible for complying with the compliance requirements. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

This report only describes exceptions exceeding \$10.

Depository Balances, Investments and Fund Balances

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

1. We footed and cross-footed the amounts on pages 3A and 3B of the Reports, and compared the *Fund Cash Balances, December 31* to the *Fund Balances* on page 2. The amounts agreed for 2013 and 2014. For 2012, we noted the following variances: the District Fund, CREP Fund, and Contingent Liability Fund cash balances per page 3B exceeded the fund balance per page 2 by \$13.76, \$21.43, and \$59,177.24, respectively. For 2015, the Lye Creek Watershed Fund cash balance per page 3B exceeded the fund balance per page 2 by \$12.64. We recommend the District use the correct beginning balances when calculating fund balance and ensure the balances agree between page 3B and page 2, investigating any variances, and making corrections as applicable.
2. We compared the *Disbursements plus Other Financing Uses* for the Special Fund on pages 3A and 3B of the Reports to the Disbursements reported on page 4. The amounts agreed.
3. We compared the *Receipts plus Other Financing Sources* for the Special Fund on pages 3A and 3B of the Reports to the Actual Receipts reported on page 5. The amounts agreed.
4. We recomputed the mathematical accuracy of the reconciliation on page 2. We found no exceptions.
5. We agreed the January 1 and December 31 fund cash balances reported in the District's manual accounting ledgers for each fund to the corresponding *Fund Cash Balances* on page 3B of the Reports. The amounts agreed, with thirteen exceptions. Eight of these exceptions related to the

District fund; neither the beginning balance, nor the ending balance, at January 1 and December 31, of 2012, 2013, 2014, and 2015 agreed to the balance as reported on page 3B for the same time period. In each instance the balance on page 3B was greater than the actual balance per the accounting ledger. Variances noted were as follows:

January 1, 2012	\$101.28
December 31, 2012	114.14
January 1, 2013	114.14
December 31, 2013	88.30
January 1, 2014	88.30
December 31, 2014	85.94
January 1, 2015	85.94
December 31, 2015	99.67

There were two additional exceptions related to the CREP Fund. We noted negative variances between the January 1 and December 31, 2012 accounting ledger balances and page 3B totaling \$26.92. The remaining variances were in the District's Contingent Liability Fund. Balances at January 1 and December 31, 2012 on page 3B for this fund, were overstated by \$59,190.51. This variance, per review of all documentation and client inquiry, was a transposition error; the prior year beginning balance for a different fund was incorrectly used. We also noted a negative variance between the January 1, 2013 accounting ledger balance and page 3B totaling \$13.27. Many of the variances are the result of timing differences involving petty cash amounts and interest revenues, as well as the transposition error noted above. We recommend the District consistently record interest and petty cash from one year to the next, and ensure that beginning balance agrees to the prior year's ending balance. Further, we recommend the Board review the financial report prior to submission, to ensure balances were appropriately updated and agree.

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

6. We footed and cross-footed the amounts on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances*. We noted the following exceptions:
 - Other Financing Uses in the Lye Creek Fund were incorrectly recorded as a positive, resulting in an overstatement in Net Change in Fund Balance of \$219, as well as an overall reduction in total Other Financing Sources/Uses (all funds) of \$218.
 - The balance in the District Fund did not agree to the prior year ending balance per the financial report, resulting in a variance of \$99, which also impacted the Unassigned fund balance classification.
7. We compared the *Disbursements plus Other Financing Uses* for the Special Fund on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances* to the Budgetary Expenditures in the Special Fund Budgetary Activity footnote. The amounts agreed.
8. We compared the *Receipts plus Other Financing Sources* for the Special Fund on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances* to the Actual Receipts in the Special Fund Budgetary Activity footnote. The amounts did not agree. Total Actual Receipts in the Special Fund Budgetary Activity footnote exceeded Receipts and Other Financing Sources per the Cash Basis Report by \$87,263 because the incorrect number was entered into the footnote. We recommend the District disclose actual receipts per the accounting ledger for the Special Fund

in the footnote. Further, we recommend the Board review the notes to the financial statements and ensure the information presented agrees to supporting documentation.

9. We agreed the January 1 and December 31 fund cash balances reported in the District's manual accounting ledgers to the corresponding *Fund Cash Balances* on the *Combined Statement of Receipts, Disbursements and Changes in Fund Balances*. The amounts agreed, with the exception of the District Fund, which had a variance of \$99 between beginning balances, and \$100 between ending balances. Variances are due to timing differences involving petty cash and interest. We recommend the District consistently record interest and petty cash from one year to the next, and ensure that beginning balance agrees to the prior year's ending balance.
10. We confirmed the December 31, 2016 bank account depository balances for the District Fund, the Contingent Liability Fund, the District Technical Fund, and the Lye Creek Watershed Fund, with the District's financial institutions. The balances agreed.
11. We compared the December 31, 2016 Special Fund depository balance from the *Report* to the amount reported in the Account Summary Trial Balance Report for FY 16. We found no exceptions.
12. For the checks comprising the Outstanding Checks, we applied the following procedures:
 - a. We footed the supporting outstanding check list and compared it to the cash reconciliation. We found no exceptions.
 - b. These checks were never cashed and were voided and the balance was returned to the District fund in April of 2017. We found no exceptions.
 - c. We traced the amounts and dates of each check to the check register, to determine the check was recorded for the same amount and dated and recorded prior to December 31. We noted no exceptions.
13. We inspected investments held at December 31, 2016 to determine that they:
 - a. Were of a type authorized by Ohio Rev. Code Sections 135.13, 135.14 or 135.144. We found no exceptions
 - b. Mature within the prescribed time limits noted in Ohio Rev. Code Section 135.13 or 135.14. We noted no exceptions.

Intergovernmental and Other Confirmable Cash Receipts

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

- 1 We agreed the total of the receipts from the State Distribution Transaction Lists (DTL) and the total of the receipts from the County Auditor's Payments to Entities to the total amounts recorded in the respective receipt classification in the Special Fund in the General Journal for the respective year. The amounts agreed with two exceptions. In 2015, the DTL showed the County received \$113,291 in State assistance. The General Journal reported \$105,291 in State Funds, and reported the remaining \$8,000, which came from ODNR WLEB RCCP Funds, as Senate Bill 1 Funds; these monies were then reported as Local Government Funds instead of State Funds on the Annual Financial Report. These monies should not have been recorded in the Special Fund, but due to an error at the State level, these monies were incorrectly electronically deposited into the Special Fund. The County returned the funds to the District in 2016 and they were correctly recorded in the District Fund. In 2016, the October 2016 State Match totaling \$6,914, was incorrectly coded as County Funds, and reported as such in the General Journal,

instead of as State Funds. We recommend the District report all intergovernmental monies in the proper categories in both the District's books and the Annual Financial Report.

- 2 We haphazardly selected all other confirmable receipts from the year ended December 31, 2016 and three other confirmable receipts from each of the years ended December 31 2012 through 2015 in the General Journal or manual accounting ledger from funds other than the *Special Fund* such as grants, municipal and township funds. We found no exceptions.
 - a. We confirmed or agreed to bank statements, check stubs from outside entities, or duplicate receipts, as applicable, the amounts paid from the municipalities and townships to the District. We found no exceptions.
 - b. We inspected the manual accounting ledgers and the General Journals for each fund to determine whether these receipts were allocated to the proper funds. We found no exceptions.

All Other Cash Receipts

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

1. Receipt amount agreed to the amount recorded in the General Journal Report and the manual accounting ledger. The amounts agreed.
2. Amount charged complied with rates in force during the period, if applicable. We found one exception in fiscal year 2015. Tree sales were recorded in the duplicate receipt book, however there was no documentation to support the sale of trees to the individual listed, in the amount received. We recommend that all tree sales forms be maintained to support all tree sales receipts.
3. Receipt was posted to the proper funds, and was recorded in the proper year. We found no exceptions.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2016 and one payroll check for two employees for each of the years ended December 31, 2012 through 2015 from the manual accounting ledger and:
 - a. We compared the hours and pay rate, or salary recorded in the manual accounting ledger to supporting documentation (time sheets and legislatively-approved rate per Minutes). We found no exceptions.
 - b. We inspected the manual accounting ledger and General Journal to determine whether salaries and benefits were paid only from the *Special Fund*, as required by the SWCD Administrative Handbook Chapter 5. We found no exceptions.
 - c. We inspected the manual accounting ledger and General Journal to determine whether the check was classified as *salaries* and was posted to the proper year. We found no exceptions.
2. For the five employees selected in step 1 from 2016, we inspected the following information in the employees' personnel files maintained by the County Auditor to determine it was consistent with the information used to compute gross and net pay related to the check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Retirement system participation and payroll withholding

- d. Federal, State and Local income tax withholding authorization and withholding
- e. Any other deduction authorizations (deferred compensation, etc.)

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

Non-Payroll Cash Disbursements

1. From the manual accounting ledger for the District Fund, we re-footed checks recorded as *District Fund* disbursements for 2016. We found no exceptions.
2. We haphazardly selected five disbursements from the *Special Fund* and five disbursements from the *District Fund* and other funds from the manual accounting ledgers and General Journal reports for the year ended December 31, 2016 and two from the *Special Fund* and three from the *District Fund* and other funds for each of the years ended 2012 through 2015 and determined whether:
 - a. The disbursements were for a proper public purpose. We found no exceptions.
 - b. For *District Fund* and other funds disbursements, we determined whether:
 - i. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the similar data recorded in manual accounting ledgers and to the names and amounts on the supporting invoices. The District account is through Huntington National Bank and the District does not receive copies of their canceled checks from the bank. They also do not have or utilize online banking. The District Administrator does make a copy of every check issued and attaches the copy to the voucher packet. We were able to view the copy and verify the information on the check agreed to the manual accounting ledger and supporting documentation; however, since we weren't able to view the copy of the canceled check we will consider this an exception and recommend the District request, obtain, and maintain the fronts and backs of all canceled checks from their financial institution.
 - ii. The payment was posted to a fund consistent with the purpose for which the fund's cash can be used. We found no exceptions.
 - c. For *Special Fund* disbursements, we determined whether:
 - i. The payee name and amount recorded on the purchase order submitted to the County Auditor agreed to the payee name and amount recorded in the Invoice Entry Proof List reports and Purchase Order Liquidation/Receiving Report. We found no exceptions.
 - ii. The names and amounts on the purchase order agreed to supporting invoices. We found no exceptions.
 - iii. The purchase order was signed by the fiscal officer and approved by a majority of the Board of Supervisors. We found no exceptions.

2016 Special Fund Budgetary Compliance

1. We inspected the District's Special Fund Budget Request submitted to the County Commissioners. The request included the Special Fund's *Needs, Income* and *Balances* anticipated for carry over from the current year, as required by the SWCD Administrative Handbook, Chapter 5. We also compared the budget amounts to the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. We noted the approved amounts (Appropriations) did not agree to the amounts presented in the Annual Financial Report. A variance of \$11,050 was noted, due to the District not including an approved appropriation increase and prior year carryover encumbrances, in the total appropriations presented on the report. Additionally, we noted a variance of \$65,252 between approved Estimated Receipts and the amount included in the report. The cause of this variance is unknown. We recommend the fiscal agent review all approved budgetary adjustments

made throughout the year and include those amounts in the footnote disclosure in the annual report.

2. We compared the total estimated receipts reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report to the *Amended Official Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), and to the amounts recorded in the Account Summary Trial Balance for FY16 for the Special Fund. The Account Summary Trial Balance for FY16 recorded budgeted (i.e. certified) resources for the Special fund of \$253,680 for 2016. However, the final *Amended Official Certificate of Estimated Resources* reflected \$254,899. The fiscal agent should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the *Amended Official Certificate of Estimated Resources* to assure they agree. If the amounts do not agree, the Board of Supervisors may be using inaccurate information for budgeting and monitoring purposes. Additionally, total estimated receipts reported in the annual report did not agree to the final *Amended Official Certificate of Estimated Resources*; a variance of \$64,033 was noted. We recommend the fiscal agent review all approved budgetary amounts and only include those amounts in the footnote disclosure in the annual report.
3. We inspected the appropriation measures to determine whether the Supervisors appropriated separate amounts within the Special Fund for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.
4. We compared total appropriations required by Ohio Rev. Code Sections 5705.38 and 5705.40, to the amounts recorded in the Account Summary Trial Balance for FY16 for the Special Fund, and to the appropriations reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. We noted a variance of \$11,050 between the total appropriations and the appropriations reported on the Special Fund Budgetary Activity footnote of the Cash Basis Annual Financial Report. The variance was due to the District not including an approved appropriation increase, as well as prior year carryover encumbrances, in the total appropriations presented on the report. We recommend the fiscal agent review all approved budgetary adjustments made throughout the year and include those amounts in the footnote disclosure in the annual report.
5. Ohio Rev. Code Sections 5705.36(A)(5) and 5705.28(B)(2)(C) prohibit appropriations from exceeding estimated resources. We compared total appropriations to total estimated resources for the Special Fund for the year ended December 31, 2016. Appropriations did not exceed estimated resources for the Special Fund.
6. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus year-end certified commitments (i.e. encumbrances)) from exceeding appropriations. We compared total disbursements plus outstanding year-end encumbrances to total appropriations for the year ended December 31, 2016 for the "Special" Fund, as recorded in the Account Summary Trial Balance for FY 16. Expenditures did not exceed appropriations for the Special Fund.
7. We inspected the Annual Cash Basis Financial Report for the year ended December 31, 2016 for negative cash fund balances. Ohio Rev. Code Section 5705.10 (I) provides that money paid into a fund must be used for the purposes for which such fund is established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another. No funds had negative cash fund balances.

2016 Compliance – Contracts and Expenditures

We inquired of management and inspected the manual accounting ledgers and General Journal for all funds for the year ended December 31, 2016 to determine if the District purchased equipment and services allowed by ORC 1515.09 or purchased goods or services allowed by ORC 1515.08(H)(1)

whose cost, other than personal service compensation or office space rent, exceeded \$50,000. There were no purchases exceeding \$50,000.

2016 Other Compliance

Ohio Rev. Code Section 117.38 requires these districts to file their financial information in the HINKLE system within 60 days after the close of the fiscal year. This statute also permits the Auditor of State to extend the deadline for filing a financial report and establish terms and conditions for any such extension. Auditor of State established policies, in addition to filing extensions granted for extenuating circumstances, allow for refiling complete financial statements, as defined in AOS Bulletin 2015-007 in the Hinkle System for December 31, 2017 and 2016 fiscal year ends included in 2015-2016 or 2016-2017 agreed up on procedure engagements, subsequent to the District's deadline where the initial filing was filed on time but incomplete. We confirmed the District filed their complete financial statements, as defined by AOS Bulletin 2015-007 and Auditor of State established policy within the allotted timeframe for the years ended December 31, 2016 and 2015 in the Hinkle system. The financial statements did not include the notes to the financial statements as required for FY 2015; this was corrected for FY 2016.

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

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



Dave Yost
Auditor of State

Columbus, Ohio

October 20, 2017

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HANCOCK COUNTY SOIL AND WATER CONSERVATION DISTRICT

HANCOCK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 16, 2017