

Chapter 6: Receiving, Managing and Disbursing Funds

Sec. 1 General Information Regarding the Management of Funds Received by Soil and Water Conservation Districts (SWCDs).

Districts Accountability to the State Board of Accounts (SBOA):

The Indiana State Board of Accounts has the legal responsibility and authority to audit any state agency utilizing public funds. Soil and Water Conservation Districts fall under SBOA accounting oversight because districts are sub-divisions of state government. SBOA authority is limited to determining the status of and the use of funds entrusted with a public state entity. The SBOA classifies SWCD's as one of a number of special purpose districts established in the state. For the purpose of accounting and compliance guidance the SBOA publishes a useful manual titled the "Accounting and Uniform Compliance Guidelines Manual for Special Districts" One complete chapter (chapter 8) of the manual is specific written for use by SWCS's. There is a lot of other useful guidance to districts in the manual as well. To view this manual go to the Soil and Water Conservation District's page of ISDA's SharePoint. Once on this page of SharePoint go to the link to this manual located in the list of links on the lower right side of page. You can also find this manual on ISDA's website://www.in.gov/isda/2347.htm under District Tools.

Definition of funds:

All funds received by a district, regardless of source, are considered Public Funds. Indiana Code (IC 5-22-2-23(a)) describes Public Funds to mean "money derived from the revenue sources of the governing body and deposited into the general or a special fund of the governing body (see reference on page 16-1 of the "Accounting and Uniform Compliance Guidelines Manual for Special Districts". The rules and regulations regarding the use of Public Funds applies to **all** funds received by a district regardless of any special account a district might establish for tracking funds.

Appointment of Treasurer

The SWCD supervisors shall appoint a treasurer (also referred to as designated fiscal officer) to handle and account for all funds of the district. That person may be a district employee or a supervisor. The appointment should be made annually in January or no later than when the other officers are selected. All officers, including the Treasurer, shall be approved by a majority vote of the supervisors at an SWCD meeting and recorded in the minutes. It is important to remember that the district's bank account must be reconciled monthly (IC 5-13-6-1). The fiscal officer is responsible for assuring that this is being done accurately each month.

Surety Bonds

The Indiana Code (IC 14-32-4-22 (1)) states "the supervisors of a district shall provide for the execution of a surety bond for all district employees and officials who are entrusted with money or property" of the district. Many SWCD employees are included under their county Surety Bond coverage, however if the county will not specifically include a

district staff person under the county surety bond who is entrusted with district money or property it is the responsibility of the supervisors to obtain a bond covering the employee(s). It is important for the district to check with the county annually to make sure he appropriate district staff are listed in the county bond for coverage. The county Surety Bond will not cover supervisors. The Indiana State Department of Agriculture-Division of Soil Conservation currently purchases a surety bond covering up to two supervisors per district that may entrusted with district money or property. If a district executes a bond for any of its staff or supervisors, the surety bond should be for at least \$15,000 for each supervisor and employee who handles district money or property (IC 5-4-1-18).

Signature Card / Corporate Resolution Form

Your local bank / depositor may require an updated Signature Card and/or Corporate Resolution Form every time there is a change on the local SWCD board and if there is a change in treasurer/fiscal officer. Contact your local institution regarding their requirements. Signature must also be updated if there is a change of name as a result of marriage, for example.

Checks

SBOA only requires one signature on checks. In fact they encourage districts to only have one signature on checks because when the supervisors approve and sign the monthly claim form(s) their action represents the second signature and more. If the board insists on having two signatures on checks the SBOA will allow it. You will also want to check with your depository to see if whether they require two signatures on checks or not. Most will not but will require that the person signing the checks is listed on their approved signature file.

The phrase "This warrant void two (2) years after December 31 of the year of issue." must be included on the face of the warrant (check) as required by IC5-11-10.5-2. Whenever new checks are ordered, be sure this statement is included.

Accepting Donations

Districts are allowed to accept donations as outlined in IC 14-32-5-5 and on page 8-7 of the "Accounting and Uniform Compliance Guidelines Manual for Special Districts". The following conditions must be met:

- A. The donations are offered for the sole and exclusive purpose of promotions soil and water conservation within the district.
- B. The district satisfactorily guarantees to the donors the faithful use of the donations for that purpose.

Donations as described above are tax deductible as a charitable contribution. The Internal Revenue Service, Publication 526 entitled "Charitable Contributions" states that: "A contribution is deductible if it is made to, or for the use of, any of the following organizations that otherwise are qualified under section 170(c) of the 1986 Code: - The United States or any state, the District of Columbia, a U.S. possession (including Puerto Rico), **a political subdivision of a state** or U.S. possession, or an Indian tribal government or any of its subdivisions that perform substantial government functions.

(Note: To be deductible, a donation to this type of organization must be made solely for public purposes.)"

For cash donations the SWCD must provide the contributor with a receipt (or a letter or other written communication) showing the SWCD's name, the date of the donation, and the amount of the donation.

For noncash contributions, the SWCD must provide the contributor with a receipt (or a letter or other written communication) showing:

- The SWCD's name
- The date and location of the charitable contribution, and
- A reasonable detailed description of the property

Contributors will report cash contributions on Schedule A of IRS Form 1040.

Contributors who make noncash contributions may also be required to fill out parts of IRS Form 8283. Refer to Chapter 5, of this manual titled "Funding Sources for SWCDs" for additional information.

Note: SWCDs do NOT qualify as a 501-C-3, not-for-profit agency.

Credit Cards

The State Board of Accounts will not take exception to the use of credit cards by SWCDs provided the following criteria are observed:

1. The SWCD must authorize credit card use through a motion which has been approved by the board of supervisors and documented in the minutes. The purposes for which the credit card may be used must be specifically stated. The card should not be used to bypass the monthly claims accounting system.
2. Use of the credit card should be limited to an official or employee of the SWCD designated by the board.
3. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills or receipts must be available. Payments should not be made on the basis of a statement or a credit card slip only.

Note: Debit cards cannot be used.

Sec. 2 Deposit and Investment of Funds

Districts, as political sub-divisions of state government, must follow the rules on deposit and investment of public funds as outlined in Chapter 15 of the "Accounting and Uniform Compliance Guidelines Manual for Special Districts" titled "Deposit and Investment of Funds". The information highlighted in the following sub-sections has been excerpted from this chapter.

Designation as a Depository

A depository is a financial institution designated as a depository of public funds. A financial institution is defined to mean: (a) a bank, trust company, or mutual savings

bank incorporated under Indiana law; (b) a national banking association with its principal office in Indiana; (c) a saving association operating as a deposit association incorporated under Indiana law; (d) a federally chartered savings association with its principal office or a branch in Indiana; (e) a federally chartered savings bank with its principal office or a branch in Indiana; or (f) a federally insured state chartered credit union having assets of \$3 million or more. (*See IC 5-13-4-10.*)

Financial Institutions with Which the Political Subdivision May Deposit Funds

Pursuant to IC 5-13-8-1(a) a political subdivision may deposit funds in a financial institution only if the financial institution (1) is a depository eligible to receive state funds and (2) has a principal office or branch that is located within the territorial limits of the subdivision. There are exceptions noted in Chapter 15 of the manual with guidance on the procedure to follow if there is only one (or no) financial institution within your county. As public officials of a political subdivision of state government, the supervisors shall sign a depository agreement with a financial institution within the state to accept the funds of the district as a public depository.

The web site listing for current Approved Depositories-Treasurer of State, is: <http://www.in.gov/tos/county.pdf> or <http://www.in.gov/tos/ALLDEP.pdf>

At the January meeting every year, the district supervisors must designate a depository and this must be noted in the board minutes.

For deposit accounts (checking accounts) there are no requirements for quotes to be obtained, but it would be a good idea to acquire as much information as possible from financial institutions eligible to as a depository for your district before selecting your depository.

IC 5-13-6-1 requires that all monies received by a political subdivision of the state (e.g., a district) shall be deposited by the next banking day after receipt of the funds.

Never allow funds in any amount to be left unattended in or on an office desk. Keep all funds in a lockable cabinet until they can be deposited. Do not feel embarrassed in taking these precautions, even around other office staff that you trust and have worked with for many years. They, too, are responsible for sharing in the safety of all money and property that is in the office.

Petty Cash Fund

IC 36-1-8-3 allows for SWCDs to establish a petty cash fund for its offices to pay small or emergency items of operating expenses. A receipt shall be written for each expenditure made from the fund and the treasurer/fiscal officer shall periodically prepare and present a claim voucher along with all original receipts to the supervisors for review and approval during a regular board meeting. Reimbursement to this petty cash fund must also be voted on and approved at a monthly board meeting.

Most districts should be able to operate with a petty cash fund of not more than \$100. As mentioned earlier, it is very important to keep these funds in a lockable cabinet.

Cash Change Fund

IC 36-1-8-2 allows for SWCDs to establish a cash change fund to make change when collecting cash revenues. This fund must be approved and the amount designated for the cash change fund must be established by the board of supervisors at a regular monthly meeting. Cash in the account must be accounted for by the treasurer/fiscal officer just like any other public funds entrusted to the district.

Investment of Funds

IC 5-13-9-2 provides that the governing bodies of political subdivisions may, by ordinance or resolution (approved motion at a regular meeting), authorize the proper legal officers to invest and reinvest funds in securities backed by the full faith and credit of the United States Treasury. The law also provides that the political subdivisions may: (a) invest funds in Certificates of Deposit (CD's) issued by financial institutions incorporated under the laws of Indiana and in national banking associations having their principal banking offices in Indiana; and/or (b) invest funds in interest-bearing accounts that are authorized to be set up and offered by a financial institution in the course of its respective business. Specific guidance on investing in CD's and/or money market funds is provided on page 15-4 and 5 of the "Accounting and Uniform Compliance Guidelines Manual for Special Districts". To view this manual go to the Soil and Water Conservation District's page of ISDA's SharePoint. Once on this page of SharePoint go to the link to this manual located in the list of links on the lower right side of page. You can also find this manual on ISDA's website://www.in.gov/isda/2347.htm under District Tools.

The decision to invest any funds of the district should be made a matter of public record by inclusion in the SWCD minutes. The statute (IC 5-13-9-4) requires the district to award a certificate of deposit to the financial institution that quotes the highest rate of interest. The purchase of investments may be done by check or by electronic transfer, but the transaction must always be entered in the bookkeeping records by the check number or by a "journal entry." When the investment matures or is sold or when interest is received, the bookkeeping record must show the receipts from such sale or interest. Receipts from the sale of the investment and from interest earned should be recorded as separate entries and deposited into the public fund.

Sec. 3 Appropriate Expenditure of Funds

As a subdivision of state government, all funds under the control of a district are public funds. According to IC 5-11, the State Board of Accounts has both the authority and responsibility to audit the districts. Such audits will determine compliance with applicable state laws, including those relating to use of funds.

Supervisors, as public officials, and their district employees may be held personally responsible for misuse of funds; therefore, it is critically important that districts refer to the District Law (IC 14-32), and the State Board of Accounts "Accounting and Uniform Compliance Guidelines Manual for Special Districts" (chapter 8), both of which are linked to the Soil and Water Conservation District's home page of ISDA's SharePoint.

To view either of these documents go to the Soil and Water Conservation District's page of ISDA's SharePoint at: <https://myshare.in.gov/isda/pages/home.aspx>. Once on this page of SharePoint go to the list of links on the lower right side of page. You can also find both of these documents on ISDA's website://www.in.gov/isda/2347.htm under District Tools. You may also want ask your ISDA-Division of Soil Conservation District Support Specialist for input on appropriateness of certain expenditures. The ISDA-District Support Specialist can always help you get an opinion from the State Board of Accounts if he or she is unsure of the appropriateness of a specific use of public funds held by your district. .

The best policy when handling public funds is always to focus on using the money in ways that most economically address the district's mission, while providing the most effective services to the citizens of the county.

Meal and/or Refreshment Expenditures

Pages 8 thru 10 of Chapter 8 of the "Accounting and Uniform Compliance Guidelines Manual for Special Districts" spells out the State Board of Accounts audit position related to meals and /or refreshments provided by a Soil and Water Conservation District. Chapter 10 of the "Accounting and Uniform Compliance Guidelines Manual for Special Districts" provides additional information regarding limitations on use of public funds beginning with pages 10-6 thru 10-8. Note that on page 10-9 the manual specifically states that governmental funds should not be donated or given to other organizations, individuals or governmental units unless specifically authorized by statute. This restriction includes donation for gifts, memorials (e.g., flowers) or scholarships. To view these referenced pages of the "Accounting and Uniform Guidance Guidelines Manual go to the Soil and Water Conservation District's page of ISDA's SharePoint at: <https://myshare.in.gov/isda/pages/home.aspx>. Once on this page of SharePoint go to the list of links on the lower right side of page. You can also find this manual on ISDA's website://www.in.gov/isda/2347.htm under District Tools.

The following is the State Board of Accounts audit position relating to meals and/or refreshments provided by a Soil and Water Conservation District (Chapter 8).

Most government agencies authorize reimbursement of meals and similar expenses to its employees and officers while on travel status through a properly adopted travel policy. In the case of a Soil and Water Conservation District such reimbursements would be made in accordance with the county's travel policy. In general, other meals or similar expenses provided to employees or members of the governing body are not authorized.

Likewise, meals and similar expenses for individuals who are not employees or officers of the District would not be allowable expenditures of District funds; however, the State Board of Accounts provided the following wording in writing expressing that they would not take exception to expenditures for the following:

1. Meals or refreshments provided to volunteers who are in the process of performing services for the benefit of the District, provided such expenditures are reasonable

and allowed by a duly authorized policy adopted by the Board of Supervisors of the District.

2. Light refreshments provided to the general public during field days and similar public events promoting soil and water conservation, provided such expenditures are reasonable and related to the event hosted or sponsored by the District.
3. Meals provided at less than the District's actual cost at the District Annual Meeting. We recognize the Annual Meeting is an integral part of the activities of the District, and as such, part or all of the cost related to the Annual Meeting are generally duly authorized expenditures of District funds. The Board of Supervisors should adopt a written policy describing costs or fees for its various activities, including the cost, if any, of the meal provided at the District Annual Meeting. If the District provides meals at no cost to certain participants, or if different rates are charged to different classes of participants, the written policy referred to above should include the methodology used to determine which participants are provided meals at no cost, or are charged different rates for meals.

Associate Supervisors

Associate supervisors are now recognized in the Indiana District Law (IC14-32-4-10.5). The district law states that “(a) the board may appoint associate supervisors to assist in performing duties in each district. (b) Associate supervisors are nonvoting members of the board and may not hold officer positions on the board. (c) Associate supervisors may be reimbursed for approved expenses but are not entitled to per diem”.

Volunteers

Volunteers serve on a voluntary basis without any compensation or salary per diem. However, volunteers may receive reimbursement for travel, meals, or lodging expenses incurred in providing assistance to the soil and water conservation district in the course of carrying out assigned duties. In order to receive reimbursement the responsibilities and assigned duties must be spelled out in an agreement with the district and the agreement recorded in the minutes prior to carrying out the duties. An estimate for the travel expenses of the volunteer shall be pre-approved by a motion and affirmative vote of the duly elected and appointed supervisors at a meeting of the district and recorded in the minutes of an official meeting prior to incurring the expense. The district is not obligated to reimburse the volunteer if funds are not available or the purpose of the travel and the duties of the volunteer which necessitated the travel expense were not officially approved by the supervisors ahead of the expense being incurred.

Making Donations Prohibited

On page 10-9 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts it states that governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. To view this referenced page of the “Accounting and Uniform Guidance Guidelines Manual go to the Soil and Water Conservation District’s page of ISDA’s SharePoint at: <https://myshare.in.gov/isda/pages/home.aspx>. Once on this page of SharePoint go to the list of links on the lower right side of page. You can also find this manual on ISDA’s website://www.in.gov/isda/2347.htm under District Tools.

Sec. 4 Financial Recordkeeping

Basic Bookkeeping Procedures

Since all funds received by a district are “public funds”, districts are to use one general fund for all transactions. Receipts shall be posted showing the date, receipt number, description of the receipt, and the amount. In the “Financial and Disbursements Journal” (*see sample*), the amount shall be totaled under the appropriate fund and the total-all-funds columns. If the receipt is from the sale of investments, the amount shall be totaled under the appropriate fund column, the total-all-funds, and in the appropriate sale column under “investments record.”

Checks shall be posted showing date of check, check number, description of payment, and amount. In the “Financial and Disbursements Journal”, record balances in the total-all-funds column, and record the check amount in the applicable detail-of-expenditures column. Checks for purchase of investments shall be posted to the total-all-funds column, and in the appropriate purchase column under “investments record.”

At the close of each month, the month’s postings may be added for a month-by-month report of transactions. (For treasurers maintaining hand-entered records, this will save considerable time when assembling the end-of-year report.) The district treasurer shall perform monthly reconciliation (IC 5-13-6-1 (e)). It is also recommended that a financial report be given at each district board meeting.

Bookkeeping Options (F&D Journal vs. QuickBooks)

It is the audit position of the State Board of Accounts that audit exception will not be taken to the use of QuickBooks by a district since authorization was granted by the State Soil Conservation Board, a state agency. Therefore, district treasurers have the option of using either the “Financial and Disbursements (F&D) Journal” for hand entry or *QuickBooks* software for computer bookkeeping. (**Note:** At this time, *QuickBooks* is the only bookkeeping software approved by the State Soil Conservation Board for district use.) Procedures for handling transactions are generally the same, whether records are kept by hand entry or by computer. Training is recommended if *QuickBooks* is used. When converting from hand-entered bookkeeping to the computer method, it is recommended that records be maintained under both methods for at least three months or until the user feels comfortable with the *QuickBooks* program. Due to the inherent limitations of the QuickBooks system, the State Board of Accounts cannot solely rely on the data contained in, or the output generated by, QuickBooks. Therefore, it is imperative that the other components of the accounting records such as the proper use of claims, bank records, receipts, etc., be properly maintained.

Note: More information on the use of computer hardware/software for bookkeeping is included in Chapter 11 of the [Accounting and Uniform Compliance Guidelines Manual for Special Districts](#) located in the appendix. To view this chapter of the manual go to the Soil and Water Conservation District’s page of ISDA’s SharePoint. Once on this page of SharePoint go to the link to this manual located in the list of links on the lower right side of page. You can also find this manual on ISDA’s website://www.in.gov/isda/2347.htm under District Tools.

Sec. 5 State Approved Financial / Claim Forms

The State Board of Accounts has prescribed or approved the following for use by Indiana Soil and Water Conservation Districts. Samples of the SBOA Prescribed Forms listed below are included at the end of the Table of Contents of this manual as well as on SharePoint. To view this manual go to the Soil and Water Conservation District's page of ISDA's SharePoint. Once on this page of SharePoint click on District Tools on the left navigation panel then click on District Operations Manual. Each form will be listed there along with the chapter numbers and titles. You can also find this manual on ISDA's website://www.in.gov/isda/2347.htm under District Tools.

General Receipt (Form ST-352)

This pre-numbered form consists of an original and a duplicate. A receipt is to be issued each time a district receives funds. The original will be given to the person or organization making the payment. The duplicate is used as a posting medium in the district's bookkeeping records.

The receipt should show the type of receipt (e.g., grant, donation, etc.) and to which fund the amount will be posted. All monies received are to be deposited by the next banking day.

Mileage Claim (Form ST-101)

This form will be used by each person claiming reimbursement for mileage. The mileage rate cannot exceed the rate established in the respective county which may change periodically, usually in accordance with guidance from the US Internal Revenue Service. The form is self-explanatory and shall be completed in detail by the claimant.

It is important for supervisors to review the County Government Policy relating to the payment of travel to and from their regularly scheduled monthly meeting. District should follow the same county policy that applies to other county officials relative to payment for commute miles to and from official's office for attending their official public meetings.

Accounts Payable (Form ST-17)

Districts may use this form for processing payment to vendors for supplies, materials, or services furnished to the district or for supervisors claiming salary per diem and reimbursement for out-of-pocket travel expenses.

Each claim against the district must be documented on a completed Form 17, with an original invoice itemizing the charges attached to each claim. The district treasurer shall sign the claim certifying that the supplies, materials, or services were received. The claim and invoice are then submitted to the supervisors at the next regular meeting for allowance; and if allowed, the vendor may be paid. The approval shall be documented in the minutes of the meeting and by the supervisors' signatures on the claim form. The number of the check issued in payment will be entered in the space provided ("Warrant

Number”). The claims and attached invoices shall be filed in numerical order by check number.

Note that Form 17 is formatted for signatures of the county auditor and board of county commissioners. Generally, the county auditor will approve substituting the district treasurer’s signature in place of the county auditor’s signature and the supervisors’ signatures in place of the board of county commissioners’ signatures, and will allow that these payment records need only be maintained in the district office. It is recommended that approval for these substitutions be confirmed by the respective county auditor rather than to assume all county auditors will authorize district use of Form 17 in the manner described.

Note: Pages 10-1 thru 10-4 of Chapter 10 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts provides additional information on using prescribed state approved forms. To view these pages of the Accounting and Uniform Compliance Guidelines Manual for Special Districts go to the Soil and Water Conservation District’s page of ISDA’s SharePoint. Once on this page of SharePoint go to the link to this manual located in the list of links on the lower right side of page. You can also find this manual on ISDA’s website://www.in.gov/isda/2347.htm under District Tools.

Annual Financial Report (AFR)

A district’s annual financial report must be prepared at the close of the calendar year by the treasurer, who signs the certification statement on the report. This statement is also to be signed by the members of the auditing committee appointed by the district chairperson. After the AFR is completed, audited, signed and dated a copy of it must be sent to the ISDA - Division of Soil Conservation by March 31. The district books are subject to audit by the State Board of Accounts.

Purchase and sale of investments during the year should be shown as expenditures and receipts in the district’s annual financial report. These entries can be taken directly from the F&D Journal. Investments owned by the district at the end of the year should also be listed on the annual financial report’s inventory of investments in order to show the district’s total financial status.

The general fund balance should be equal to the deposit-statement-and-reconciliation-record balance on the back of the report which will be calculated using the last bank statement balance of the calendar year plus any deposits after the statement date and before the end of the calendar year and minus any outstanding checks written before the end of the year.

Annual financial report forms are furnished by the Division of Soil Conservation (*see sample*). Two copies are prepared, with one sent to ISDA - Division of Soil Conservation by March 31st following the end of the calendar year for which the form is generated, and the other retained by the district.

Treasurers using *QuickBooks* may submit their annual financial report in a summary format generated by the computer program. A statement verifying correctness of the

bookkeeping records shall be added (or appended) to the summary, similar to that used for the hand-entered records, with signatures of the treasurer and auditing committee members.

Sec. 6 Sales Tax on Purchases / Sales

Payment of Sales Tax for Purchases Made by the District

Nearly all purchases made by a district are exempt from payment of sales tax. Office supplies, equipment, or other materials that are used in carrying out its administrative functions are exempt, because the district is a governmental unit. Goods purchased for resale in promotional or fund-raising activities are also exempt.

Use Form ST-105, "Indiana General Sales Tax Exemption Certificate," with the vendor to certify the district's exempt status (*see sample*). The form is completed by entering the district's name and address, date, and its purchaser's certificate number (account number). The account number is the 14-digit code assigned by the Indiana Department of Revenue (IDR), as shown on the Retail Merchant's Certificate. Each district has its own individual account number. Place a check mark in the blanket-purchase block for retailers with whom the district has regular dealings, or check the single-purchase block for one-time transactions. Enter a brief description of the articles being purchased. If the purchase is for items to be resold, check the sale-to-retailer/wholesaler/manufacturer-for-resale-only block. If the purchase is for office supplies, equipment, or other materials to be used in carrying out district administrative functions, check the sales-to-governmental-units block. Sign where indicated, and submit the form to the vendor. The completed form should be kept on file in the district office.

Form ST-105, "Indiana General Sales Tax Exemption Certification" or Form ST-104, "Agricultural Exemption Certificate", can be used for agricultural related purchases.

Collection of Sales Tax for Goods Sold by the District

A district is required to collect sales tax on items it sells for promotional and fund-raising activities, as per IC 6-2.3-4-8, which states, "An Indiana governmental entity, agency, instrumentality, or political subdivision (including a state college or university) is a retail merchant making a retail transaction when it performs private or proprietary activities that would constitute retail transactions under this article if those activities were performed by a retail merchant...."

District staff should anticipate the collection of sales tax on every sales transaction (including rental of conservation-related equipment), unless a valid exemption is claimed and certified by the purchaser. The purchaser must certify his/her exemption when purchasing commodities that are subject to sales tax by completing a Form ST-105, "General Sales Tax Exemption Certificate." The completed form should be kept on file in the district office. Regulations regarding agricultural exemptions should be thoroughly understood by any district sponsoring tillage, tree planting, mulching, grading, or other resource management programs involving equipment rental.

While most commodities that a district purchases for resale should be tax exempt when purchase by the district the district needs to collect sales tax when the items are resold to

customers. The IN Department of Revenue (IDR) will make an exception in the case of ticket sales for district annual meeting meals. In this case, the agency suggests that a district pay sales tax to the caterer who prepares the meals. This allows the district to both sell and offer free or subsidized tickets to meal patrons without having to calculate the amount that is subject to sales tax. Receipts from ticket sales may then be reported as exempt sales, because the sales tax was already paid to the caterer, and sales tax may not be charged twice on the same commodity.

A district that prepares its own annual meeting meals must charge sales tax on ticket sales and report the receipts as taxable. If a district requests a free-will donation for annual meeting meals, the receipts are not taxable, and the amount collected should be reported as exempt sales.

The district must report collection of sales tax and submit returns to the IDR per its designated schedule. Prior to the due date, the IDR will issue Form ST-103A, "Indiana Sales and Use Tax Return" preprinted with the district's name and address, retail merchant's account number, and reporting status, along with instructions for completing it. Of course, the form should be filed on time to prevent possible penalties or interest charges.

Specific questions concerning applicability of sales tax on transactions and procedures for filing returns should be referred to the IDR or to ISDA Soil Conservation staff.

Additional information on Tax exemptions and Sales Tax are included on pages 10-5 and 10-6 of Chapter 10 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts. To view these pages of the Accounting and Uniform Compliance Guidelines Manual for Special Districts go to the Soil and Water Conservation District's page of ISDA's SharePoint. Once on this page of SharePoint go to the link to this manual located in the list of links on the lower right side of page. You can also find this manual on ISDA's website://www.in.gov/isda/2347.htm under District Tools.

Sec. 7 Financial Records Retention

The local SWCD board is charged with the duty to preserve, keep, maintain, or file all their official records (IC 5-15-1-1) until such time when they may be disposed of, if allowed. Certain documents must be kept permanently. Chapter 20 of the Accounting and Uniform Compliance Guidelines Manual for Special Districts covers in great detail information on record retention and includes the entire suggested retention schedules. To view this chapter of the Accounting and Uniform Compliance Guidelines Manual for Special Districts go to the Soil and Water Conservation District's page of ISDA's SharePoint. Once on this page of SharePoint go to the link to this manual located in the list of links on the lower right side of page. You can also find this manual on ISDA's website://www.in.gov/isda/2347.htm under District Tools.

Below is a retention schedule summary for some of the SWCD financial records.

Permanently Kept:

- Financial statements
- Payroll and employment records
- Register of investments
- Ledger of receipts, disbursements and balances
- Ledger of appropriation, encumbrances, disbursements and balances
- General fixed asset account group
- State Board of Accounts audit reports
- Bond records, as evidence of indebtedness and payment

Destroy after four (4) years and after receipt of State Board of Accounts Audit Report and satisfaction of unsettled charges.

- Budget report
- General report
- Mileage claim
- General claim
- Monthly financial, depository statement and cash reconciliation
- Report of collections
- Purchase order
- Accounts payable voucher register

Sec. 8 Financial Records Audits

It is very important that at the end of every calendar year, the district appoints an audit committee to critically go over all the financial records for the district. It is best to utilize individuals who are not directly responsible for the keeping of the financial records. A review of this audit must then be shared at a district board meeting.

The Indiana State Board of Accounts (SBOA) is also required to conduct official audits of governmental subdivisions in accordance with IC 5-11-1-25. Representative from the SBOA (or their designee) will contact the local SWCD office to set up a time to perform the audit. The cost of the SBOA audit is \$45.00 per day and the audit should normally take 3-5 days. Also, an additional \$55 is charged to cover the processing fee and supervisor review time in accordance with IC5-11-4-3(g).

A good SBOA audit can improve day-to-day financial procedures and operations, be a helpful management tool, and be used to support funding requests. It will help districts comply with laws, policies, established procedures, and sound management practices.

It is important to be thoroughly prepared for the state audit. Try to have everything organized by month. This will help move the process on more quickly. The following provides a list of the basic information that may be requested by the auditor:

- Accounting records, including, but not limited to:
 - General ledger, balance sheets, and other accounting records
 - Schedule of investment transactions for the audit period
 - Invoices, purchase orders, and receiving report for the audit period

- Bank statements for the audit period
- Details of any new bond issues, significant contracts, lease agreements, etc.
- Copies of all lease agreements in effect during the audit period
- Summary of all litigation involving the district during the audit period, including an administrative evaluation of the probable outcome
- Summary of significant events occurring subsequent to the end of the audit period
- Copies of your SWCD Annual Financial Report
- Make sure your petty cash, if any, is in order and balances
- Have copies of your SWCD board meeting minutes and reports in chronological order
- Names and addresses of all depositories, account numbers, and authorized signatures
- All insurance policies in effect during the audit period
- Supervisor names along with their address, phone number and specific term information (years serving as a supervisor, when last elected (or appointed), and years remaining in term).
- All district policies currently in effect

Keep in mind that audits are a necessary part of all business and that they can be a beneficial tool if used correctly.

Two useful reference documents in addition to the information provided in this chapter of the District Operations Manual are the [Accounting and Uniform Compliance Guidelines Manual for Special Districts](#) and the [Audit and Financial Operations Module](#). All of these references can be found on SharePoint and the ISDA Website. To view these documents go to the Soil and Water Conservation District's page of ISDA's SharePoint. Once on this page of SharePoint click on District Tools on the left navigation panel to find the [District Operations Manual](#) and the [Audit and Financial Operations Module](#). For the [Accounting and Uniform Compliance Guidelines Manual for Special Purpose Districts](#) go to the link to this manual located in the list of links on the lower right side of the same page. You can also all three of these documents on ISDA's website://www.in.gov/isda/2347.htm under District Tools.