

CHAPTER 5

FINANCIAL MANAGEMENT

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Introduction

Financial management is one of the more challenging and important responsibilities of conservation district supervisors. District funds must be managed in accordance with applicable state laws. Funds obtained by conservation districts are classified as public funds, regardless of how obtained. As public officials and employees, district supervisors and employees are accountable for funds, property and equipment belonging to the district. Pursuant to K.S.A. 2-1907, supervisors may delegate to their chairperson, to one or more agents, or employees such power and duties as they may deem proper. By law, all district financial records are open to the public for inspection during normal business hours.

Note: Glossary of Financial Terms, Appendix 5-1 has been included for your information.

Financial Laws Affecting Conservation Districts

Kansas statutes define conservation districts as a "governmental subdivision of this state, and a public body corporate and politic." As such, conservation districts are subject to state laws that govern financial matters of municipalities and other local governmental entities.

The following is a synopsis of specific financial laws affecting conservation districts. Some wording changes have been made to clarify applicability to conservation districts. Some of these statutes are discussed in more detail later in this chapter and some additional statutes are also discussed.

K.S.A. 12-105b specifies boards shall be presented in writing a full account of the items prior to issuing or authorizing a warrant check out of any fund. A full account shall include an invoice or other documentation with complete purchase/service provided. K.S.A. 12-105b also specifies claims against a municipality that provide for a discount for early payment or for the assessment of a penalty for late payment may be authorized to be paid in advance of approval by the governing body. The governing body may designate and authorize one or more of its officers or employees to pay any such claim made against the municipality in advance of its presentation to and approval by the governing body if payment of the amount of such claim is required before the next regularly scheduled meeting of the governing body in order for the municipality to benefit from the discount provided for early payment or to avoid assessment of the penalty for late payment. Any officer or employee authorized to pay claims under this subsection shall keep an accurate record of all moneys paid and for the purpose which expended, and shall submit the record to the governing body at the next meeting. Payment of claims by an officer or employee of the municipality under authority of this subsection are valid to the same extent as if the claims had been approved and ordered to be paid by the governing body.

Note: The payee must be written on the check prior to the check being signed.

K.S.A. 2-1908 states the supervisors of any district shall not contract debts or obligations in the name of the district beyond the current appropriation made available to the district by the DOC or federal grants or other financial sources.

K.S.A. 9-1401 requires the governing body of any municipal corporation or quasi-municipal corporation shall designate by official action recorded upon its minutes the state and national banks, trust companies, state and federally chartered savings and loan associations and federally chartered savings banks which serve as depositories of its funds.

K.S.A. 9-1402 requires that "any public money or funds" deposited by a municipal corporation or quasi-municipal corporation of the state of Kansas shall be adequately secured with the financial institution which was designated as the district's official depository.

K.S.A. 10-803 and 805 states checks shall be signed by the district chairperson, or in the absence of such officer, by the officer authorized by board action to act in officer's stead, and by the treasurer and secretary (who may be an employee).

K.S.A. 10-804 states the secretary or clerk shall keep a correct record (treasurer's report) of all warrant checks issued, showing the number, date and amount thereof, on what fund drawn, and to whom payable.

K.S.A. 10-805 states the treasurer, (although bookkeeping may be performed by an employee) shall enter in a book kept for that purpose (ledger or journal) for the recording of number, date and amount of each check, on what fund drawn, and the name of the payee prior to the treasurer affixing his/her signature on the face of the warrant check authorizing payment.

K.S.A. 10-1112 states it shall be unlawful for the governing body of the district to create any indebtedness in excess of the amount of funds actually on hand in the treasury at the time for such purpose or to authorize issuance of a warrant or check in excess of funds actually in the treasury at the time.

K.S.A. 10-1118 states the treasurer of every municipality shall keep a record of the amount of money on hand in the treasury, which record shall show at all times the amount of money in each particular fund. Such treasurer shall, upon request of any person, exhibit such record to such person.

K.S.A. 12-1675 regulates the investment of public moneys. One such regulation limits the maturity of a certificate of deposit to two years or less.

K.S.A. 75-1120a requires conservation districts to use accounting and fiscal procedures in the preparation of financial statements and financial reports that conform to generally accepted accounting principles as promulgated by the governmental accounting standards board. The governing body of any municipality, which has aggregate gross annual receipts of less than \$275,000 and which does not operate a utility, shall not be required to maintain fixed asset records.

K.S.A. 75-4315 states all political subdivisions of the state shall pay to their employees such salaries and wages as may be due and payable, and such compensation may be paid as often as semi-monthly.

Bond Requirement

State law requires that any positions on the conservation district staff and/or board that are entrusted with funds or property shall be covered by a surety bond. A surety bond is a written promise (insurance) to pay damages or to indemnify against losses caused by the party or parties named in the document, through non-performance or through defalcation. Surety bonds also include fidelity bonds that cover losses from theft, defalcation, and misappropriation of public funds by officers and employees.

Because K.S.A. 2-1907 requires bonding of those who are "entrusted with funds or property," the district employees that sign checks, handle cash or are assigned the responsibility of district owned property must be bonded. Supervisors who are authorized to sign district checks (all who are listed on a bank signature card)

or are assigned the responsibility of district owned property such as grass drills or other equipment must be bonded.

District boards must determine bond coverage needs. Higher coverage should be secured for those with the greatest accessibility of funds at an amount based on district assets, and effectiveness of internal control.

Districts are not required or encouraged to purchase bond coverage from any particular provider. As with other types of insurance it is advisable to investigate the most competitive rate.

Fund Accounting

A fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Each fund is considered a separate accounting entity with a set of self-balancing records of financial transactions.

In order to ensure observation of limitations and restrictions placed on the use of moneys, the DOC has identified the following broad fund types applicable to the financial activities of conservation districts.

OPERATIONS FUND - to account for county (general fund, tax levies and other funds) and state (matching funds) moneys, and other income not accounted for in another fund.

ENTERPRISE FUND - to account for the operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (expenses) of providing goods or services to the general public be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

SPECIAL REVENUE FUNDS - to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes, e.g. a grant.

CAPITAL OUTLAY FUND - to account for financial resources restricted for the acquisition or construction of major capital facilities. K.S.A. 2-1920 states "the (capital outlay) fund shall consist of any moneys deposited therein from funds received according to the provision of the Conservation District Law. Any moneys in the capital outlay fund of the conservation district may be used for the purpose of acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing and equipping of buildings necessary for district operations, including architectural expenses incidental thereto and the acquisition of building sites and the acquisition of other equipment to carry out the activities and functions of the district."

Operations Fund:

Operations Fund Income Sources:

1. Board of county commissioners may annually pay to the district:
 - a. Unlimited amount from the county general fund. (Individual counties may have a tax lid in place.).

- b. Proceeds from a levy not to exceed 2 mills = or \$55,000, whichever is less. (K.S.A. 2-1907b, as amended).
2. The Division of Conservation, Kansas Department of Agriculture, subject to appropriations by the State Legislature, may match county paid funds annually an amount up to, but not to exceed \$25,000. (K.S.A. 2-1907c).
3. Income from district real or personal property that the district owns, leases or has rights or interest therein. (K.S.A. 2-1908, subsection e).
4. Sales and/or rentals of agricultural and engineering machinery and equipment to land occupiers within the district. (K.S.A. 2-1908, subsection f).
5. Sales of fertilizer, seeds, seedlings, flags, etc. to land occupiers within the district. (K.S.A. 2-1908, subsection f).
6. Donations, gifts and contributions in money. (K.S.A. 2-1908, subsection h).
7. Contributions required by the district for services performed for operations receiving such benefits. Example: District charging for a conservation plan or other services. (K.S.A. 2-1908, subsection j).
8. Interest from investments. (K.S.A. 12-1677).
9. Revenue sharing funds from county or federal.
10. Reimbursement for district employee services to watershed districts, etc.
11. Sale of advertisements in newsletters or other publications.
12. Transfer from Enterprise Fund.

Notes:

1. Income received from the sale, lease or rental of materials and/or equipment purchased from Operations Fund may be returned to the Operations Fund or Enterprise Fund.
2. All moneys coming into custody of the district, including Enterprise Funds are public moneys and subject to business and accounting procedures as prescribed by law for political subdivisions. (K.S.A. 9-701, subsection m).

Operations Fund Expenditures:

Funds appropriated or allocated under the provisions of K.S.A. 2-1907b and 2-1907c and amendments thereto, shall be used solely to carry out the activities and functions of the district including cost of travel and expenses of supervisors and employees of the district and in no event shall be used for prizes, or incentives for achievement or attendance at meetings, or for travel or expenses for anyone other than supervisors or employees of the district. (K.S.A. 2-1907b as amended).

1. Employment of personnel:
 - a. Salaries and/or wages.
 - b. Social Security Program.
 - c. Kansas Public Employees System Retirement or other retirement programs.
 - d. Workers Compensation.
 - e. Health Care Insurance.
 - f. Unemployment Insurance.
2. Supervisor and District Employee Expenses:
 - a. Transportation or mileage (Mileage reimbursement exceeding the Internal Revenue Service allowable rate shall be considered as income. K.S.A. 75- 3203 allows the governing body of any municipality to set a rate different from the state rate. If, a different rate is not set, the rate established by the state applies. An IRS form 1099 is required to be submitted for each person receiving mileage reimbursement above the allowable rate.).
 - b. Meals.
 - c. Lodging.
 - d. Registration Fees.

Note: Associate members and advisors to the district board of supervisors, as well as spouses of district supervisors, are not considered supervisors or employees of the district; therefore, they are not eligible for reimbursement of expenses from tax supported (operations) fund. (See Enterprise Fund Expenditures).
3. Operating Expenses:
 - a. Supplies (office, field, informational, etc.).
 - b. Postage.
 - c. Communications.
 - d. Printing.
 - e. Equipment (office, field, informational, etc.).
 - f. Utilities and rent.
 - g. Audits.

- h. Surety bonds.
- i. Insurance (liability, comprehensive, etc.).
- j. Annual meeting:
 - (1) Legal notice.
 - (2) Advertising.
 - (3) Hall rental and janitorial service.
 - (4) Programs, reports and announcements.
 - (5) Speaker/Entertainment (except itemized travel and meal expenses).
 - (6) Related miscellaneous expenses except those for food, food service, and prizes.
- 4. Information and Education programs / projects:
 - a. Newsletters.
 - b. Soil Stewardship.
 - c. Roadside signs.
 - e. Books, pamphlets, brochures, etc.
 - f. Audio and visual aids.
 - g. Public displays and related materials.
 - h. Tours, demonstrations, etc.
 - i. Sponsorship fee for teachers and students to conservation related workshops, camps, meetings, etc., except travel and separate meal/lodging expenses
- 5. Erosion Prevention and Control Measures within the district (K.S.A. 2-1908, subsection c & d):
 - a. Watershed assistance program.
 - b. Road erosion and sedimentation program.
 - c. Water quality management program.
 - d. Erosion control program.
 - e. Range management.

- f. Runoff control structures.
 - g. County cost-share programs.
 - h. Conservation tillage.
 - i. RC&D
6. Payment of membership dues to conservation related organizations.
7. Other District Operations:
- a. Costs of surveys, investigations, research, and publishing results. (K.S.A. 2-1908, subsection a).
 - b. Costs of demonstrational projects within the district. (K.S.A. 2-1908, subsection b).
 - c. Costs to acquire, maintain, administer and improve real or personal property. (K.S.A. 2-1908, subsection e).
 - d. Costs of machinery, equipment, seeds, etc. for sale to, or use by land occupiers within the district. (K.S.A. 2-1908, subsection f).
 - e. Costs to develop, publish and disseminate comprehensive soil and water resource conservation plans. (K.S.A. 2-1908, subsection g).
 - f. Costs to purchase, lease, manage, etc. soil and water related conservation projects. (K.S.A. 2-1908, subsection h).

Enterprise Fund

Enterprise Fund Income Sources:

- 1. Income from district owned real or personal property.
- 2. Sales and/or rental of agricultural and engineering machinery and equipment to land occupiers within the district. (K.S.A. 2-1908 subsection f).
- 3. Sales of fertilizers, seeds, seedlings, etc. to land occupiers within the district.
- 4. Donations, gifts and contributions in money, services, materials and otherwise.
- 5. Interest from investment of Enterprise Fund Moneys. (K.S.A.12-1677).

Enterprise Fund Expenditures:

- 1. Expenditures necessary in carrying out the purposes and provisions of K.S.A. 2-1901 et seq.

2. Awards, prizes and donations.
3. Purchase of equipment or material for retail or resale.
4. Maintenance expenses of equipment purchased.
5. Payment of professional association dues to conservation related organizations.
6. Expenses associated with sponsoring individuals to range or conservation camps, environmental workshops or other conservation related programs.
7. Travel related expenses for designated advisors.
8. Expenses and mileage for annual meeting speaker/entertainment.
9. Food and service for annual meeting.

Note: Associate members and advisors to the district board are representing the district and can be reimbursed for expenses incurred on district business. A spouse of any district board member, advisor or employee cannot be reimbursed or have expenses paid by the district under any circumstances.

Petty Cash

The board of supervisors may establish a petty cash fund. Petty cash is a source of cash used for making small disbursements for which writing a check would be inappropriate or impractical. In addition, the use of petty cash may be authorized for the purpose of making emergency type disbursements because it is not feasible to gain governing body approval in advance. Small amounts of cash may be needed to pay for postage fees, supplies, or coffee, as well as other small expenditures.

A petty cash fund is not an accounting fund, in the sense that the Operations Fund is an accounting fund. Petty cash represents cash from the Operations or Enterprise Funds available to the petty cash custodian for making disbursements. Therefore, the restrictive uses of these two funds apply to their corresponding petty cash. The following are rules governing the establishment and maintenance of a district petty cash fund.

1. Each petty cash fund must be approved by official board action. In authorizing the petty cash, the board should clearly state purposes and conditions for which the petty cash fund can be used including:
 - a. Designate a person by name or position title who is in charge of the fund, petty cash custodian (requires bonding).
 - b. The amount of petty cash authorized for this purpose (cannot exceed \$50).
 - c. What types of disbursements can be made in advance.
 - d. A dollar limit of such disbursements, above which board approval is required.

2. A check is approved and made payable to "_____ County Conservation District Petty Cash Fund," and is given to the petty cash custodian to cash. The petty cash custodian cashes the check and places the money in an approved secure location, i.e., locked desk drawer or file cabinet.
3. The petty cash custodian shall keep a record of all receipts and expenditures and shall prepare a monthly statement (treasurer's report) to the board showing all receipts, expenditures, and the balance.
4. An itemized receipt must be obtained by the person receiving the cash or signed by the person receiving the cash, if district issued. Petty cash is replenished to its original cash position monthly or when the balance is low. To replenish the petty cash amount, a claim voucher, with receipt(s) attached, is presented to the treasurer in the amount of the sum of the receipt(s). The claim voucher must contain an itemized list of the disbursement(s) previously made from the petty cash fund. For treasurer's report and ledger report purposes, amounts should be recorded separately into ledger categories (category codes). The check is made payable to "_____ County Conservation District Petty Cash Fund." Petty cash also should be replenished at year-end to make sure that the related disbursements are properly reflected in the district's financial statements.
5. No part of the fund may be loaned or advanced against the salary of any employee.

Budgets

An important part of managing district finances is developing budgets to allocate conservation district funds and other resources. District budgets are prepared for managerial planning and control. Conservation district budgets state a plan of revenue and of expenditure requirements for carrying on the activities, services, and projects of the district for the coming fiscal year. The district budget should be prepared annually by a finance committee, in conjunction with the district annual work plan. Conservation districts are not subject to budget law, K.S.A. 79-2925 et seq. that most municipalities of the state are subject to, but must submit a budget to DOC in accordance with Conservation District Law. Each year conservation districts complete the Conservation District Budget, DOC/ADM-1, and submit to the DOC by **September 1**.

Note: When presenting the budget to the county commission, district supervisors should support their budgetary request with detailed information.

Budget Procedure:

1. General Information:
 - a. Pursuant to K.S.A. 2-1907c, each conservation district shall prepare an itemized budget of all funds. On or before September 1 of each year, each conservation district shall submit to the Division of Conservation, Kansas Department of Agriculture a certification of the amount of money to be furnished by the county commissioners to the conservation district for the ensuing calendar year. Preparation should begin early to coincide with the county budget preparation/review time and to meet the September 1 deadline.
 - b. County commissioners may annually furnish a conservation district, funds from the county's "General Fund" and/ or a special mill levy up to 2 mills (not to exceed \$55,000) for district operations.

- c. All funds received by the conservation district are defined in K.S.A. 9-701 as public moneys and therefore have certain restrictions.
 - d. The conservation district has the option of submitting to the county commission only the Operations Fund budget or the entire budget. To enable the district to use this option, the budget is composed of three parts:
 - Part I - Operations Fund.
 - Part II – Certifications.
 - Part III - Enterprise Fund, Miscellaneous Fund and Special Revenue Fund.
2. Classifications. The expenditures and receipts of each fund account should be classified in order to facilitate budgetary control and financial reporting. The Conservation District Budget form, DOC/ADM-6, includes preprinted line item classifications common to districts. Districts should use only the ones relevant to the district (and within statute limitations) and may add ones more suitable to the district's needs. Below are the recommended classifications and their inclusive items and/or explanation.
- a. Expenditure Classifications:
 - (1) Salaries and Wages.
 - (a) Gross salaries and wages (including cash bonuses).
 - (b) Employee net check amount, employee's share of state and federal withholding taxes, employee's share of retirement plan, and employee's share of medical and life insurance.
 - (2) Employee Benefits.
 - (a) Employer's share of Social Security and Medicare.
 - (b) Unemployment Insurance.
 - (c) Worker's Compensation Insurance.
 - (d) Employer's share of retirement plan.
 - (e) Employer's share of medical insurance.
 - (f) Employer's share of life insurance.
 - (3) Travel Expenses.
 - (a) Supervisor, i.e. mileage, meals, lodging, registration fees.
 - (b) Employee, i.e. mileage, meals, lodging, registration fees.
 - (c) Associate Supervisor/Advisor, i.e. mileage, meals, lodging (not an Operations Fund expense).

(4) Fixed Assets Purchases

- (a) Equipment more than \$_____*.
- (b) Office furniture more than \$_____*.
- (c) Building.
- (d) Land.

(5) Equipment & Building Maintenance.

- (a) Office and field equipment repairs.
- (b) Grounds maintenance.
- (c) Tools.
- (d) Construction materials and supplies.
- (e) Operating expenses of equipment.

(6) Information and Education.

- (a) Programs and projects.
- (b) Sponsorships.
- (c) Promotional activities.
- (d) Newsletters, brochures, pamphlets.
- (e) Advertising.

(7) Other Administrative Expenses.

- (a) Office supplies, i.e. paper, envelopes, pens, office equipment and furniture less than \$ _____*.
- (b) Annual meeting.
- (c) Dues, i.e. organization memberships.
- (d) Subscriptions, i.e. newspapers and other periodicals.
- (e) Audit.
- (f) Rentals, i.e. building and office space, office equipment, vehicular.

(g) Insurance, i.e. building, vehicular, general liability and casualty.

(h) Surety bonds.

* The conservation district board should determine at what price level fixed assets (any good of a long-term character) begin and commodities (any good of a short-term character) stop. Common dollar figures used are \$25, \$50, \$75, or \$100.

(i) Communications, i.e. postage, freight, telephone.

(8) Goods for Resale.

(a) Grass Seed.

(b) Flags.

(c) Trees.

(d) Moisture barrier.

(e) Pipe.

(9) Miscellaneous.

(a) Used for items not included in another classification.

(10) Transfer to Other Funds.

b. Receipts:

(1) Cash on Hand, January 1.

(a) Checking account.

(b) Savings/Investment Account.

(c) Petty cash and other currency.

(2) County Commission General Fund (Operations Fund only) - the appropriation from county general fund).

(3) County Commission Special Levy (Operations Fund only) - the appropriation from county mill levy.

(4) County Commission Other Funds (Operations Fund only) - the appropriation from county funds other than general fund and mill levy.

(5) State of Kansas (Operations Fund only).

- (a) Matching funds appropriation from DOC.
 - (6) Retail Sales and Services.
 - (a) Grass seed.
 - (b) Flags.
 - (c) Trees.
 - (d) Moisture barrier.
 - (e) Pipe.
 - (f) Tree planting.
 - (7) Equipment Rental.
 - (a) Grass drill rental.
 - (b) No-till drill rental.
 - (c) Scraper rental.
 - (8) Interest (earned).
 - (a) Checking account.
 - (b) Savings account.
 - (c) Certificate of deposit.
 - (d) Other investments.
 - (9) Donations.
 - (10) Miscellaneous.
 - (a) Used for items not included in another classification.
 - (11) Transfers from Other Funds.
3. Steps for preparing the budget are indicated on the form in numerical order and correspond with the following directions:
- (1) Part I - Operations Fund
 - (a) Step 1: Operations Fund - Accounts for the operations fund county moneys (general fund,

tax levies and other funds), state moneys (matching funds), and other receipts not accounted for in another fund under provisions of K.S.A. 2-1907b and 2-1907c and amendments thereto.

Columns 1-3 are to be completed as indicated below:

- (1) Column 1: Preceding Year Actual - List actual expenditures, cash on hand balances, and receipts for all funds in the previous year (DO NOT copy from the previous budget). Line item categories should be the same as those in the district's financial report.
- (2) Column 2: Current Year Estimated - Compute the expenditures and receipts to date and the anticipated expenses and income for the remainder of the current year.
- (3) Column 3: Proposed Budget - List expenditures, balances, and receipts for proposed budget, as approved by board action.

(2) Part II - Certification

(a) Step 2: County Certification to District - Present the budget request to county commissioners for action and certification of amount to be furnished to the district. Following the county certification, pick up budget form and check for appropriate signatures. Be sure the totals for amounts from General Fund and Special Mill levy and other funds are correct.

- (1) Column 4: Adopted Budget - Enter amounts for "Adopted Budget" as approved by district board action. This level is based upon the county commissioners' approval of the district's proposed budget.

Note: Column 4 must be completed in full even though the figures may be identical to the proposed budget in Column 3.

Step 3: District Certification to DOC - Complete the section, be sure signatures are in their proper place. This step follows county commissioners' certification and board approval of adopted budget.

Part III - Enterprise Fund, Miscellaneous Fund, and Special Revenue Fund

For Steps 4, 5 and 6, complete Columns 1-4 the same as previously presented instructions under Operations Fund.

Step 4: Enterprise Fund - Accounts for operations that are financed and operated in a manner similar to private business enterprises.

Step 5- Miscellaneous Fund - If applicable use budget form for a fund used for specific district purposes, e.g. a Capital Outlay Fund.

Step 6: Special Revenue Fund - If applicable, use budget form to account for the proceeds of specific revenue sources (other than Operations and/or Enterprise Fund moneys) that are restricted to expenditures for specified purposes, e.g. grants and cooperative agreements).

Complete columns 1 - 4 the same as previously presented instructions under Operations Fund.

Step 7: Distribution - Distribute as follows:

1. Submit the **original** of Parts I, II and III to the DOC by **September 1**.
2. One copy of Part I and II (Part III optional) to county commission.
3. File one copy with district records. Should a district have questions regarding the budget procedure, please contact the DOC office.

Note: To keep track of your budget status, the board treasurer should report on income, expenses, and other budget status information at monthly board meetings.

District Financing

To develop effective conservation programs, your board must obtain adequate district financing. Districts receive financial assistance from the county and the state (matching funds). In addition, the Conservation District Law provides that a district may generate locally derived financing (within statute provisions) and accept donations. Conservation district money should be handled only by conservation district supervisors or employees that have been delegated this responsibility and are bonded.

The district board should have a finance committee to oversee all financial aspects of the district and help the board make informed decisions. The finance committee should review sources of financing, develop budgets and budget reports, arrange required audits, and check the reliability of financial information. Ultimately, decisions on the budgets, dollars, etc., are made by supervisors with input provided by the finance committee.

County Appropriations

Districts should make a special effort to keep local government officials informed on their accomplishments and to seek local financing. The board of county commissioners may annually provide county general funds and/or proceeds from a special mill levy to conservation districts. Moneys appropriated from the levy may not exceed 2 mills or \$55,000, whichever is less.

There are many reasons for the county to support your district. In addition to benefits provided to individual landowners in the county, conservation districts can assist counties with soil surveys and interpretations for planning, county assessment, structures, highways and drainages.

Counties may also consider supporting their conservation district financially because:

1. Preventing erosion can save dollars spent on road drainage clean-up efforts.
2. Preventing floods can save dollars spent on flood control and water supply problems or damages.
3. Conservation improves local environmental quality and economic growth.

4. Salaries paid to conservation district employees contribute to the local economy.
5. Cost-share dollars paid to landowners contribute to the local economy.
6. Added value of well-cared for properties maintains the local tax base.
7. Conservation district programs are cost-effective because of high volunteer inputs.
8. Cooperative agreements with assisting agencies bring state and federal tax dollars and services into the county.

Securing financial support from county government can be a very challenging, but rewarding experience. While conservation proponents believe that district activities should be a priority effort for government and society to support, county commissioners are bombarded with competing interests.

A comprehensive and organized effort by the district supervisors and staff is required to persuade county commissioners to finance district operations. Spend time gathering facts and polishing your presentation. Remember, especially in today's economic climate, you are competing with other entities for a limited amount of moneys. Ensure your presentation is factual, to the point and delivered in a professional manner. All five members of the board of supervisors should participate in the presentation and district staff can assist with supporting information. County commissioners need to know if the operations and programs they are financing are being administered responsibly. If the money acquired from the county is not being managed efficiently they may divert elsewhere.

State Matching Funds

K.S.A. 2-1907 provides authorization to request state financial assistance for each of the 105 conservation districts to assist in carrying out their duties prescribed under the Conservation Districts Law (K.S.A. 2-1901 et seq.).

Under the Aid to Conservation Districts Program, the state matches up to \$25,000 per district of the annual amount allocated to conservation districts by the board of county commissioners.

Financial assistance enables conservation districts to:

1. Maintain a local office.
2. Acquire office assistance, office supplies and equipment.
3. Carry out information and education activities.
4. Coordinate programs with other districts and the state.
5. Provide liaison between landowners and federal, state and local programs.
6. Utilize financial assistance for conservation practices, equipment, and local administrative costs necessary for implementing financial assistance programs administered by the commission.

7. Keep landowners advised of conservation problems and solutions.

The following are the program procedures for matching funds:

1. Each conservation district is required by law to submit to the DOC by September 1 an annual budget certified by the county commission and the conservation district that includes the amount of state matching funds requested.
2. The DOC includes the total request of the 105 conservation districts for state matching funds as a line item in the agency budget.
3. The districts are notified when the appropriation bill is signed. Procedures for obtaining funds are included with the notification letter and a claim form is provided to the district to request state funds.
4. State matching funds are disbursed based on a request from the district and certification that county moneys have been received.
5. The DOC mails warrant checks approximately July 20 to districts who have submitted a claim form.

Note: Conservation districts audit for prior calendar year must be on file at the DOC before state matching funds are disbursed.

Locally Derived Financing

The Conservation District Law provides that a conservation district may "make available, on such terms as it shall prescribe, to land occupiers within the district, agricultural and engineering machinery and equipment, fertilizer, seeds and seedlings, and such other material or equipment, as will assist such land occupiers to carry on operations upon their lands for the conservation of soil resources and for the prevention and control of soil erosion." (K.S.A. 2-1908)

Many districts supply a vital service to land users renting conservation tillage drills and/or selling conservation related products or services. It is important not to conflict with private enterprise in providing district services or materials. It is not a conflict for a district to provide conservation related services that are not available in the county. There also is no conflict if and when private enterprises begin providing the same service since the district was involved first. The services should be related to the goals of the conservation district.

The National Association of Conservation Districts (NACD) offers districts many creative, useful and profitable money making ideas.

Grants

Grant funds are awarded to an agency or organization on a competitive basis for a fixed period of time, usually for very specific purposes. Federal and state government, state councils and private and industrial foundations are all sources of grants.

Grants are usually obtained by writing a proposal. Individual grant proposals usually have to follow a unique, detailed format outlined by the grantor.

Typical proposals include:

1. A project summary
2. A statement of the problem
3. Methods to be used to solve the problem
4. Evaluation criteria
5. Future funding sources
6. A budget

The Division of Conservation, Kansas Department of Agriculture and the USDA Resource Conservation and Development (RC&D) councils can help you write grant proposals. There are also private institutions, which offer assistance to groups seeking funds through grants. Attending a grant-writing seminar will be very beneficial to those interested in writing grant proposals.

Claim Vouchers

Claim vouchers with attached receipts are an essential element in the internal control system. The treasurer or treasurer "pro-tem" should carefully review these documents at board meetings and then sign or initial the claim voucher, thus approving it is a valid claim. The following is a Kansas statute summary of procedures dealing with claim payments.

1. The district board shall be presented with a written claim (voucher) with a full account of the items listed prior to issuing or authorizing a warrant check out of any fund. A full account shall include an invoice or other documentation with complete purchase information. Supervisors and district employees' claims shall include itemized accounting of travel, lodging, meals and other expenses. A Sample Travel Claim, Appendix 2, is included for the district's use. (K.S.A. 10-802, 12-105b and 2-1907b)
2. Claims which provide for a discount or early payment or for the assessment of a penalty for late payment may be authorized to be paid in advance of approval by the governing body provided the:
 - a. Governing body designates and authorizes one of the officers or employees to pay such claims in advance of presentation to and approval by the governing body if payment is required before the next regularly scheduled meeting.
 - b. Person authorized to pay claims shall keep an accurate record of all moneys paid and purpose for which expended and shall submit the record to the governing body at the next regularly scheduled board meeting. (K.S.A. 12-105b)
3. Claim voucher shall be audited by the district treasurer or treasurer "pro-tem" and certified in whole or in part as correct, due and unpaid. (K.S.A. 12-105b)

4. Warrants and warrant checks shall be signed by the district chairperson, or in the absence of such officer, by the officer authorized by board action to act in officer's stead and by the treasurer and secretary (who may be a district employee). (K.S.A. 10-803 and 805)
5. The secretary shall keep a correct record (treasurer's report) of all warrant checks issued, showing the number, date and amount thereof, on what fund drawn, and to whom payable. (K.S.A. 10-804)
6. The district treasurer is responsible, although bookkeeping may be performed by a district employee, for the recording (in the district's ledger) of the number, date and amount of each warrant check, on what fund drawn, and the name of the payee prior to the treasurer affixing his/her signature on the face of the warrant check authorizing payment. (K.S.A. 10-805)
7. It shall be unlawful for the governing body of the district to create any indebtedness in excess of the amount of funds actually on hand in the treasury at the time for such purpose or to authorize issuance of warrant or check in excess of funds actually in the treasury at the time. (K.S.A. 10-1112)

Note: An example of the DOC recommended claim voucher is included at the end of this chapter as Appendix 5-2.

Treasurer's Report

The treasurer's report is developed to provide district financial information to supervisors and assists fulfilling state statute provisions by providing official records with the:

1. Amount of money on hand (K.S.A. 10-1118),
2. Check number,
3. Date,
4. Amount,
5. On what fund drawn, **and**
6. Name of the payee (K.S.A. 10-804).

A detailed treasurer's report of all bank accounts (including investments) and petty cash should be reviewed at each regularly scheduled conservation district board meeting and becomes part of the board meeting minutes.

The Division of Conservation recommended treasurer's report format includes functions of providing traditional treasurer's report information and a claims list, ("Bills needing board approval"). Districts who are not using the Kansas Conservation District Accounting System computer program provided by the DOC or DOC's recommended format need to have an itemized list of claims to present for district board payment approval.

The following is information and guidelines on conservation district treasurer's reports:

Report Period Dates

There are two viable options for report period dates on treasurer's reports:

1. Encompass a complete month by running the report from the first day to the last day of the month. (Several auditors have indicated this is their preferred method.) Receipts and disbursements dated within those report period dates should be on the report.
2. An option that may be used particularly by those districts that meet in the latter part of the month is to run a report **from the day of the last board meeting to the day before the next board meeting**. If this option is used a short treasurer's report needs to be completed in December, from the December board meeting date to December 31, and the next report generated would start with January 1.

Note: Report period dates should never overlap.

Receipts

All money received by the district should have a written receipt record including interest earned. Receipts should be pre-numbered by the printer. Within a specified time period you should be able to take your cash receipt book, register, journal, or whatever you use for receipting purposes, and add up the receipts and this total should equal the deposit amount on the bank statement as well as the treasurer's report receipt total. The receipting date for automatic deposits may be the date of deposit (appearing on bank statement) or the day the bank statement is received.

Disbursements

A disbursement is the payment of an expense. It is money paid out from a fund. On district treasurer's reports, disbursements consist of the last board meeting's claims that were approved for payment and consequently paid. Also listed as disbursements are the claim payments, if any, made since the last board meeting (within the report period). See "Interim Disbursements" for information on the latter type of disbursement.

Interim Disbursements

Interim disbursement is a DOC term used to refer to checks written for those claims authorized by law for payment in advance of board approval. Official board authorization allowing interim disbursements and prevailing conditions should be made. Claims may be paid in advance of board approval when the following circumstances exist.

1. The claim payment is required before the next regularly scheduled board meeting in order for the discount to be provided for early payment or to avoid assessment of the penalty for late payment and board authorization (policy motion) has been made (K.S.A. 12-105b).
2. An interim disbursement may also be made when a district check needs to be issued between board meetings e.g., a workshop is coming up and the board wants to pay the expense with a district check. At a board meeting before the workshop a prepayment motion is made something like this: "I move to approve check number 1006 for meal expenses, \$8 per person, for supervisors and district employee attending the Spring Workshop on March 22." The board also has the option that everyone pay individually and the district reimburse after the event.

Note: It is against the law to advance travel and meal money.

3. Another example of a check qualifying for payment in advance of a board meeting is when an employment contract states a pay day falling between board meetings, and that the amount is correct, due and unpaid. Checks are post-dated to the pay day and distributed when due. Payments of such claims by an officer or an employee with this authority are valid to the same extent as if the claims had been approved and ordered to be paid by the governing body (district supervisors). Interim disbursements are listed on the treasurer's report under "Disbursements" and never placed on the claims list because they have already been paid.

Claims List

Unpaid claims or bills must be presented (a list) to the governing body for payment approval of the **due and unpaid** claims (K.S.A. 12-105b). Items on a claims list represent the claim vouchers previously audited and approved by the treasurer as "correct, due and unpaid." The corresponding checks should be dated the day of the approval (board meeting date) and are signed following board approval. The claims list is for those services and products that have been provided and the bill (invoice/statement, or employee time/payroll sheet) is in-hand. These are not estimates and are not for services that have not been completed. (See "Interim Disbursements" above for payroll and other checks issued between meetings.) Also voided checks should be listed on the treasurer's report and the face of the voided check and the check stub should be plainly marked "void," and the signature space should be torn off to prevent the further use of the check. Attach the voided check to the claim voucher or checkbook stub.

Note: In the conservation district board meeting minutes treasurer's report section, the amounts listed in the motion approving the payment of unpaid bills are the totals taken from the Operations Fund and Enterprise Fund claims lists.

The following are some common **questions** asked about conservation district treasurer's reports and **answers** from the DOC:

Q: How do I handle a bill that comes in after the treasurer's report is printed and before the board meeting?

A: There are several options to handle this situation:

1. Add it to the treasurer's report before the meeting and print new copies to be presented for the board's payment approval of the claims list.
2. A correction may be verbally made to add it to the claims list and a "pen and ink" revision made to the official treasurer's report. (Remember to make the addition to the "Disbursement" section on the next treasurer's report.)
3. A correction is verbally made, noted, and after the meeting another report incorporating the change is generated as the official treasurer's report.

Q: My board goes out to eat before board meetings and pays for the meal expense with a district check. How do I handle this check on the treasurer's report?

A: A prepayment motion needs to be made at the previous board meeting similar to the prepayment motion example given under "Interim Disbursements." Another possibility is to make a policy motion to pay board meeting meal expenses with a district check, i.e. "_____ moved to authorize the treasurer to make payments in advance of board approval for all board meeting meal expenses." This check should appear on the next treasurer's report as an interim disbursement as the check date falls within the next report period.

Q: My report period for my treasurer's report is the first day to the last day of the month. My pay period is on a monthly schedule, but my paychecks are dated the first of every month for the work performed in the previous month. Therefore, on the treasurer's report my last paycheck doesn't show up under disbursements because of its date. So what can be done in order for my last paycheck to appear on the current report?

A: Ask the board to approve issuing your paycheck on the last day of the month, then the date will be within the report period for the next meeting. This will also need a revision to your employment contract concerning your payday.

Q: Why shouldn't I include the checkbook balance under the bills list?

A: This could be a misleading statement. At the time the claims list is generated, it has not been approved by the board and to list an account balance could be making a false presumption. Officially the board has the prerogative not to approve a claim payment. Realizing board members like to know the account balance upon payment approval, an amount may be given verbally or if the CD Accounting System computer program is used, a Fund Balance Summary Report may be generated to be handed out.

Note: It is always a good idea at board meetings during the treasurer's report presentation to inform members of any bill and its projected amount that may need to be paid before the next meeting (within statute limitations) and any receipt amounts expected and/or received after the close of the report period.

Q: My board doesn't have a board meeting in June so how should the treasurer's report be handled?

A: First of all, when a board meeting is not held, including the situation of no quorum, the only bills that can be paid are the ones allowed by law as discussed under "Interim Disbursements." As far as a recommendation on the treasurer's report itself, your report period would be extended to encompass two months (or whatever), and the claims list (as usual) would include the unpaid bills needing board approval for payment at the next meeting. In the case of no quorum, another treasurer's report will need to be generated and presented at the next board meeting.

Note: Some districts during busy times of the year do not want to take the time to have a regular board meeting so a special board meeting is held for the treasurer's report presentation, payment of bill approval, and sign checks. Sometimes this is done over breakfast or lunch.

Note: An example treasurer's report is included at the end of this chapter as Exhibit 5-3.

Accounting Basics

Accounting procedures are all processes used to record, classify, and summarize financial information to produce financial reports and to provide internal control. Proper handling and accounting for cash is very important. Cash includes currency, coins, checks, postal and express money orders, bank drafts, and investments. Each conservation district needs to adopt an accounting system to meet their needs as well as satisfy statutory financial record keeping responsibilities.

At a minimum there must be a method used to record information related to accounts payable, disbursements, receipts, and accounts receivable. There is a variety of accounting systems the conservation district may choose from. Many conservation districts are converting manual accounting systems to computerized accounting systems because computerized systems are faster and more accurate. The following is an overview of the necessary accounting records.

To record the accounts payable (amounts owed by the conservation district for goods or services received) an accounts payable ledger can be used. According to the provisions of K.S.A. 10-1117, "the clerk or secretary of every municipality, shall keep a record of all indebtedness and contracts creating a liability against the municipality. In such records there shall be known the date of the making of the contract or the creation of the debt, the amount of the contract or debt, the time payable, and the particular fund from which payment is made."

Note: For the procedure on payment of claims see the previously presented information on claim vouchers.

Disbursements (payments made for goods purchased or services received by the conservation district) must be recorded. A record of all checks **to be issued and issued** must be kept showing the check number, date, and amount; what fund drawn; and name of the payee (K.S.A. 10-804 & 10-805). For this purpose, a journal and/or ledger may be used. A journal is a book of original or first entry. The two-column journal format provides for entering transactions in dated order. A general ledger is used for recording the final entry as a group of accounts or categories, e.g., all of the supervisors' expenses would be grouped together and totaled. A ledger may be a bound book, a loose-leaf type book, or a computer printout.

All moneys received, regardless of their source (including interest earned) must be recorded. A receipts journal or a receipt book may be used for this purpose. Pre-numbered (by the printer) receipt forms should be used.

A checkbook is the most basic financial record keeping tool. Many different styles and sizes are available. A business style with check stubs is recommended. This type provides a place for recording the check information as well as recording deposits and the balance. A checkbook listing the district's current balance assists in complying with K.S.A. 10-1118, which states "the treasurer (or district employee) of every municipality shall keep a record of the amount of money on hand in the treasury, which record shall show at all times the amount of money in each particular fund."

An accounts receivable ledger can be used for recording each customer's balance owed to the conservation district for goods purchased or services received.

At the close of every month the checkbook balance should be reconciled with the bank statement. The conservation district's balance for the bank account may reflect transactions not yet recorded on the bank records (i.e., outstanding checks and deposits in transit), and the bank may have recorded some transactions not yet recorded by the district (i.e., service charges and interest). These items must be reconciled to account for the difference between the district's balance and the bank's balance. On the back of most bank statements space is provided for the reconciliation. The district's financial records should also be checked making sure that each item is recorded in the same amount by the bank. The accuracy of the accounting systems should be verified every month. The cash-in-bank balances taken from the general ledger should be reconciled with the checkbook. The receipt forms total should equal the bank statement deposit total. As soon as the savings account and/or investment bank statement is received the district records should also be reconciled.

The maintenance of payroll records is one of the most important financial activities of the conservation district. Please refer to Chapter 6 in the Personnel Section of this handbook for guidance on withholding taxes and payroll records.

Note: The Kansas Conservation District Accounting System software includes most of the preceding accounting systems described and assists districts in complying with statutory requirements.

Internal Control

Internal control is a plan of organization under which employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues, and expenditures. Objectives of a good system of control include:

1. Safeguard assets (money, data, equipment, etc. -- anything of value).
2. Prevent errors.
3. Check accuracy and reliability of information in journals, ledgers, dockets, and other records.
4. Encourage adherence to policies and procedures.
5. Encourage adherence to laws and regulations.
6. Promote efficiency and effectiveness.

If your office has good internal control, the chance of an error and fraud is minimal. Detected errors and fraud will probably be caught very early, before they have a chance to become major.

Auditors are required by professional standards to: study and evaluate internal control; communicate material weaknesses in internal control; and report on internal controls. Auditors must, however, use sampling procedures and these procedures often do not detect fraud: The U.S. General Accounting Office (GAO) performed an extensive study of 77,000 federal cases of fraud and found that only two percent were exposed as the result of an audit effort! The largest percentage of cases of fraud -- 34 percent -- were detected accidentally by other employees.

Basic Principles of Internal Control

There are four very basic and straightforward ideas to achieve good internal control:

1. Divided duties,
2. qualified personnel,
3. sound procedures, and
4. sound performance.

Definitions

Divided Duties - simply means that no one person handles related transactions or events from beginning to end.

Qualified Personnel - means that people doing the work should have the ability to do the work.

Sound Procedures - means that procedures for authorizing, recording, and reporting transactions should be clearly and thoroughly:

1. Defined.
2. Documented.
3. Disseminated.
4. Completed.

Sound Performance - means making sure that the procedures are in fact being followed.

Sample Separation of Duties Schemes for Conservation Districts

Nothing is more important in a system of internal controls than separation of duties. This is more difficult for districts because of the small number of persons in the office. This condition does not mean that you forget about separation of duties. In order for separation of duties to work in most conservation districts, substantial involvement would be necessary by board members. Realizing that most board members are farmers or otherwise employed separation of duties would require a real commitment. Following are sample schemes for separation of duties where outside parties (board members and banks) are used.

Cash Management Duties

1. Board member should be notified by the bank for unusual items, such as insufficient funds.
2. Review bank accounts for proper collateralization.
3. Receive unopened bank statements.
4. Perform bank reconciliation every month and check for the following:
 - a. Deposits.
 - (1) Compare dates and amount of daily deposits as shown on the bank statement with the cash receipts journal.
 - (2) Investigate bank transfers to determine that both sides of the transaction have been recorded on the books.
 - b. Disbursements.
 - (1) Account for sequence for check numbers including all voided checks.
 - (2) Examine cancelled checks for authorized signatures.
 - (3) Examine cancelled checks for irregular endorsement

(4) Examine cancelled checks for alterations.

Separation of the 4 Duties

One Employee:

District Manager/Secretary

2. 3.

District Supervisor

1. 4.

Two Employees:

District Clerk/Other

4.

District Manager/Secretary

2. 3.

District Supervisor

1.

Cash Disbursement Duties - Non-payroll

1. Authorize purchase.
2. Sign off on copy of receipt (invoice) of goods after comparing to goods received.
3. Match invoice to copy of statement (if applicable) and compare goods received report to invoice/statement (perform mathematical check).
4. Prepare and review check.
5. Review documentation and sign claim voucher.
6. Present voucher, documentation, check and addressed and stamped envelope at board meeting for three signatures.
7. Review supporting documentation, approve payment, sign check and return documentation to district employee.

Separation of the 7 Duties

One Employee:

District Manager/Secretary

2. 3. 4. 6.

District Supervisor

1. 5. 7.

Two Employees:

District Clerk/Other

2. 4.

District Manager/Secretary

3. 5. 6.

District Supervisor

1. 5. 7.

Cash Disbursement Duties – Payroll

1. Hire personnel and set salary and working hours.
2. Prepare personnel file from authorization papers and updates.
3. Review and approve (by signature) time sheets and leave records.
4. Prepare checks from authorized salary and time sheets and review work.
5. Review payroll for reasonableness and sign claim voucher.
6. Review payroll, approve payment and sign checks.
7. Distribute checks.

Separation of the 7 Duties

One Employee:

District Manager/Secretary

2. 4.

District Supervisor

1. 3. 5. 6. 7.

Two Employees:

District Clerk/Other

2. 4.

District Manager/Secretary

3. 7.

District Supervisor

1. 5. 6.

What is the Minimum a District Should Do?

Cash Management Duties

1. 2 employees - separate duties according to scheme.
2. 1 employee - board members should be notified by bank for unusual items, board member should reconcile bank statement at least quarterly (or 4 times a year selected randomly).

Cash Disbursement Duties - Non-payroll

1. 2 employees - separate duties according to scheme.
2. 1 employee - board members should be notified by bank for unusual items, board member should reconcile bank statement at least quarterly (or 4 times a year selected randomly).

Designation of Depositories (K.S.A. 9-1401)

1. The governing body of any municipal corporation or quasi-municipal corporation shall designate by official action recorded upon its minutes the state and national banks, trust companies, state and

federally chartered savings and loans associations and federally chartered savings and loans associations and federally chartered savings banks which serve as depositories of its funds.

2. Every officer or person depositing public funds shall deposit all such public funds coming into such officers' possession in their name and official title as such officer.
3. The official depository designated by the conservation district board of supervisors must be located within the county (or district). If the official depository is a branch office of a bank, savings and loan association, or savings bank, the home office of said depository must be located in the state of Kansas. A qualified depository may either be a federally or state chartered bank providing the home **and** branch offices are located within the State of Kansas.

Notes:

1. Attorney General's Opinion 95-39 determines that a municipality could not invest its idle funds in time deposit, open accounts and certificate of deposit in a branch of a federally chartered bank that had moved its home office from Kansas to Missouri even though the branch was within the municipality's boundaries.
2. A qualified public depository is a State or Federal chartered depository with a home office location in Kansas or branch office location in Kansas.
3. State law requires that "any public moneys or funds" deposited by the municipal corporation or quasi-municipal corporation of the state of Kansas (which conservation districts are considered) shall be adequately secured with the financial institution that was designated as the district's official depository. However, if the official depository federally insures its deposits up to a maximum amount (i.e. insured by FDIC or FSLIC up to \$100,000 per depositor), conservation districts are only required to obtain adequate security for the "public moneys or funds" deposited in excess of the maximum amount set forth. These securities shall be pledged by the official depository at the district's request. (K.S.A. 9-1402 & 9-113).

Investments

Districts may invest public moneys funds in government insured programs such as certificates of deposit. Management of cash resources through investments is one way for conservation districts to increase revenue.

Districts should ensure appropriate provisions are made in securing the handling of investments, i.e. three signatures are needed to withdraw.

Investment of Public Moneys:

1. State law places restrictions on the types of authorized investment of idle, or inactive, moneys of municipalities, including conservation districts (K.S.A. 12-1675). "Idle, or inactive, moneys are those which are not immediately required for the purposes for which the moneys were collected or received, and the investment of which is not subject to or regulated by any other statute."
2. Passbook savings and transfer accounts are not investments in the normal sense of the word, however, conservation districts may make deposits of active moneys in these accounts under

authority of Attorney General Opinions 75-448, 76-179 and 76-212. "Active moneys are those on deposit to meet immediate requirements."

3. Federal regulation of banks and savings and loan associations govern the types of investments these institutions may offer, minimum amounts required, maturities, interest rate ceilings, etc. The Division of Conservation, Kansas Department of Agriculture will advise districts of such changes if applicable to districts.

Authorized Investments: (K.S.A. 12-1675)

Time deposit open accounts or certificates of deposit with maturities of not more than two years. Included in this grouping are:

1. Repurchase Agreements: The investment must be made in a commercial bank, state or federally chartered savings and loan or federally chartered savings bank located in the district and insured by the U.S. government. If no such financial institution is located in the district or is willing to enter into an agreement with the investing district at an interest rate equal to or greater than the investment rate, then repurchase agreements may be entered into at commercial banks, state or federally chartered savings and loan association or federally chartered savings banks which have offices in the State of Kansas.
2. U.S. Treasury bills or notes: The investment is made with the district board determining the maturity, but not exceeding two years. Such investment transactions shall only be conducted with the following doing business in the State of Kansas; any state or national bank, state or federally chartered savings and loan association, or federally chartered savings bank, the Federal Reserve Bank of Kansas City, or with primary government securities dealers which report to the market report division of the federal reserve bank of New York, or any broker-dealer engaged in the business of selling government securities which is registered in compliance with the requirements of section 15 or 15c of the securities exchange act of 1934 and registered pursuant to K.S.A. 17-1254, and amendments thereto.
3. Passbook savings accounts.
4. Transfer accounts: This account combines a demand account with a savings account.

Note: If the Operations and Enterprise Funds are both in one interest bearing account, the interest needs to be separated proportionately and put into the proper account as income. Districts also have the option to put all interest earned in the Operations Fund.

Cash Basis Law (K.S.A. 2-1908 and 10-1101 et seq.)

As conservation districts are subdivisions of state government; they are accountable to cash basis law.

1. "The supervisors of any district shall not contract debts or obligations in the name of the district beyond the current appropriations made available to the district...or other financial sources." (K.S.A. 2-1908, subsection l)
2. "Unless otherwise provided in this act, it shall be unlawful, for the governing body of any municipality to create any indebtedness in excess of the amount of funds actually on hand in the treasury of such municipality at the time for such purpose..." (K.S.A. 10-1112)

3. Revised statutes provide exceptions to the above statutes that may affect some transactions by conservation districts. K.S.A. 10-1116b states in part, "Nothing in the provisions of K.S.A. 10-1101 et seq. shall prohibit a municipality from entering into... a lease agreement, without an option to buy, or a lease-purchase agreement, if any such agreements specifically state that the municipality is obligated only to pay periodic payments or monthly installments within the current budget year."

Lease-Purchase Agreements (K.S.A. 10-1116b)

Conservation District Law K.S.A. 2-1908(e) permits a conservation district to lease or purchase property. Also, K.S.A. 10-1116(b) allows entities to subject to the cash basis law to enter into lease-purchase agreements. However, prerequisite language must be present: "Nothing in the provisions of K.S.A. 1101 et seq., and amendments thereto, shall prohibit a municipality from entering into (1) an agreement to pay for electric interconnection or transmission facilities or services, (2) a lease agreement, without option to buy, or (3) a lease-purchase agreement, if any such agreements *specifically state that the municipality is obligated only to pay periodic payments or monthly installments under the agreement as may be lawfully made from (a) funds budgeted and appropriated for that purpose during such municipality's current budget year or (b) funds made available from any lawfully operated revenue producing source...*"

K.S.A. 10-1116(b) permits governing bodies of municipalities subject to the cash-basis law to enter into agreements that provide for periodic payments or monthly installments, but only if the above language is included. The impact of this language results in an agreement that does not obligate the municipality to make payments beyond the current budget year.

Note: Also refer to Attorney General Opinion 96-2.

Sales Tax (K.S.A. 79-3601 et seq.)

Conservation districts engaged in the sale and/or rental of tangible personal property are considered to be retailers and as such are required to collect and pay to the State of Kansas a sales tax upon the gross receipts from retail sales. District retail sales generally include such items as sale of pipes, trees and shrubs, marking flags, equipment rentals, etc.

Failure by a retailer to secure proper exemption certificates or collect sufficient sales tax, could result in penalties and payment of interest on the amount of tax due. A general rule in regarding sales of taxable items is to either collect sales tax or obtain an Exemption or Resale Exemption Certificate.

The sales tax statute K.S.A. 79-3606 outlines the sale and purchase of taxable items:

1. To purchase items: (Any of the following may apply depending on the product and/or use.)
 - a. A Political Subdivision Exempt Certificate shall be presented to the retailer by the conservation district to purchase taxable items, consumed by the district.
 - b. The conservation district shall present a Kansas Resale Exemption Certificate to a manufacturer or wholesaler if the item is purchased with the intent to resell.
2. To sell items:
 - a. The sale item may be tax exempt with no collection of tax or Exemption Certificate. (Example: Tangible personal property that is delivered to a point outside the State of Kansas.)

- b. Collect sales tax on taxable items.
- c. Obtain Exemption or Resale Exemption Certificate on items that are taxable and will either be resold or the purchaser is exempt.

In lieu of obtaining an agricultural exemption, the purchaser can certify in writing on a copy of the invoice or sales ticket stating the agricultural related exemption condition.

Note: If a conservation district has questions concerning the Sales Tax Statute K.S.A. 79-3606 or needs a technical interpretation of the law contact:

Kansas Department of Revenue
Division of Taxation
Sales Tax & Compensating Tax
Docking State Office Building
Topeka, Kansas 66612
Telephone: (785) 296-0222

Sales Tax Exemptions

1. Special exemption for farmers or ranchers from paying the tax under certain conditions:
 - a. Items:
 - (1) Purchase, lease or rental of farm machinery and equipment. (Grass drills, flow meters, etc.)
 - (2) Purchase of repair and replacement parts for and services performed in the repair and maintenance of such farm machinery and equipment.
 - (3) All sales of seeds and tree seedlings; fertilizers, insecticides, herbicides, germicides, pesticides and fungicides; and services, purchased and used for the purpose of producing plants in order to prevent soil erosion on land devoted to agricultural use.
 - b. Conditions:
 - (1) The purchaser, lessee or renter is a farmer or rancher; and
 - (2) The property purchased, leased, rented, repaired or serviced will be used only in farming or ranching; and
 - (3) Person claiming the exemption signs and files with the district a statement certifying to be a farmer or rancher. (Keep certification three years.) Conservation districts are exempt from the payment of sales tax on all purchases of tangible personal property or service, including the renting and leasing of tangible personal property purchased by the governmental subdivision and used exclusively for governmental subdivision purposes. (K.S.A. 79-3606b)
2. The following certificates should be requested and provided to businesses that request a copy. Certificates are included at the end of this chapter.

- a. The Political Subdivision Exemption Certificate (Exhibit 5-4): This certificate is to be used by districts when purchasing items for consumption (supplies, equipment, etc.)
- b. Resale Exemption Certificate (Exhibit 5-5): This certificate is to be used by districts when purchasing items for resale (seed, trees, pipe flags, etc.)

The certificates can be obtained by writing or calling the agency listed below:

Kansas Department of Revenue
Division of Taxation
Taxpayer Assistance Bureau
Docking State Office Building
Topeka, Kansas 66612-1585
(913) 296-0222

Agricultural Exemption Certificate

A farmer or rancher will be exempt from paying sales tax on rental of district equipment, purchase of equipment parts, tree seedlings and grass seed. An Agricultural Exemption Certificate must be completed and signed by the purchaser to qualify for this exemption. The Agricultural Exemption Certificate (Exhibit 5-6) may be copied.

Project Exemption (Form STD-76) (K.S.A. 79-3606)

When a conservation district contracts with a contractor for the purpose of constructing, equipping, maintaining, repairing, enlarging, furnishing or remodeling facilities, the districts shall obtain from the state and furnish to the contractor an exemption certificate for the project. The contractor will use the exemption certificate to purchase materials needed in the project.

Contractors are deemed to be the final user or consumer of their materials. Contractors must pay the sales tax on materials purchased from their suppliers or removed from the inventory for a project. This rule applies even when the construction project is for a sales tax exempt entity -- conservation district.

When an electrician, plumber or carpenter agrees to furnish and install materials for a political subdivision, he/she must pay the sales tax on those materials unless a project exemption certificate has been obtained. When the exempt entity does not obtain a project exemption certificate, and refuses to pay this additional cost by striking the tax (or the perceived tax) from the bill, the contractor remains responsible for the sales tax on those materials.

Kansas political subdivisions are exempt from sales tax only on their direct purchases. When an exempt entity contracts directly with a contractor to furnish the materials and labor for a project, in reality, only the labor is direct purchase. The materials used are considered to be purchased indirectly through the contractor, the cost of which will include the sales tax the contractor has to pay on them. A contractor performing work for a political subdivision must still pay or accrue sales tax on the materials used and pass this cost on to the political subdivision unless the political subdivision has requested and received a project exemption certificate number from the Kansas Department of Revenue.

In order to avoid the additional cost of sales tax on project materials, the political subdivision should obtain

a project exemption certificate number, prior to entering into a contract. The political subdivision should complete a "Request for Project Exemption Certificate," form STD-76. This form is available by calling (785) 296-0222. Two weeks should be allowed for the application to be processed and a number to be issued. In the event an emergency situation arises, the sales tax exempt entity may request a project exemption certificate by phone (785) 296-5476 and fax the request to the Department (785) 296-2073. After the completed application is received by the Department, the certificate number will be issued over the telephone.

The district will furnish the number to the general contractors and all subcontractors for the project. Each contractor should use the exempt number to purchase or furnish from their inventory materials for the project exempt from sales tax. (Taxable labor services may also be purchased exempt from sales tax with a project exemption certificate.) Each exemption certificate is dated; any materials or taxable labor services purchased prior to the effective date of the exemption number remain taxable.

A Request for Project Exemption Certificate is included at the end of this chapter as Appendix 5-7. For further information or copies of the Form STD-76 call or write to:

Kansas Department of Revenue
Division of Taxation
Taxpayer Assistance Bureau
Docking State Office Building
Topeka, Kansas 66612-1585
(785) 296-0222

Taxability Ruling

A conservation district may request a "ruling of taxability" by contacting the agency below:

Kansas Department of Revenue
Director of Taxation
Tax Policy Group
Docking State Office Building
Topeka, Kansas 66612-1585
(785) 296-5476

Sales Tax Number

Conservation districts may obtain a sales tax number by calling or writing the Kansas Department of Revenue, Division of Taxation at the address above.

Property Tax (K.S.A. 79-201a)

Conservation districts are political subdivisions of the state of Kansas. K.S.A. 79-201a, paragraph 2, states: "All property used exclusively by the state or any municipality or political subdivision" shall be exempt from all property or ad valorem taxes levied under the laws of the State of Kansas.

Audit Guidelines

An annual audit of conservation district accounts, receipts and disbursements is required by K.S.A. 2-1907. The selection of an auditor is ultimately the responsibility of a government's legislative body. The following are answers to common questions about audits reprinted from a booklet entitled *An Elected Official's Guide to Auditing* by Stephen J. Gauthier of the Government Finance Officers Association, 180 N. Michigan Avenue, Suite 800, Chicago, Illinois 60601:

Q: What is a financial statement audit?

A: The goal of the annual financial statement audit is to assure users of a government's financial statements that those statements are fairly presented.

Note: This information is true if a GAAS audit is done. The goal of the Agreed-Upon Procedures Audit is to report findings based on specific procedures performed.

Q: How does the auditor's responsibility for the financial statements differ from that of management?

A: The financial statements from first to last, represent management's assertions concerning the government's financial position, results of operations and cash flows. The auditor's role is strictly limited to providing users of the financial statements with an independent basis for relying upon management's assertions. Even when the auditor takes a key role in preparing the financial statements, those statements remain the assertions of management.

Q: How do auditors obtain the information they need?

A: Auditors use a variety of methods to obtain the evidence they need to determine whether a government's financial statements are fairly presented. Auditors inspect relevant documentation, observe employee performance, inquire concerning policies, procedures, transactions and events, confirm balances and transactions with outside parties, and perform analytical procedures to determine the reasonableness of transactions and balances.

Q: What degree of assurance do auditors seek to provide?

A: The goal of the auditor is to obtain reasonable, not absolute, assurance that the financial statements are fairly presented.

Q: What are internal controls?

A: Management is responsible for protecting the government's assets and for ensuring the integrity and comprehensiveness of the data collected by the accounting system for use in internal and external financial reports.

Q: What is a reportable condition?

A: Auditors typically perform extensive tests of controls as part of their effort to obtain the evidence needed to support an opinion on the fair presentation of the financial statements. While performing these tests, auditors may become aware of significant deficiencies in internal controls. Generally accepted auditing standards (GAAS) refer to such deficiencies as reportable conditions and require that auditors ensure that management is aware of them.

Q: What is a material weakness?

A: Some reportable conditions are more serious than others. Specifically, some reportable conditions are of such magnitude that they could potentially result in a material misstatement of the financial statements. Reportable conditions of this type are known as material weaknesses.

Q: What is a management representation letter?

A: Accordingly, auditors are required by generally accepted auditing standards (GAAS) to obtain direct written acknowledgement from management of this responsibility. (The management representation letter should not be confused with the management letter.)

The following are procedures relating to district audits:

1. The annual audit shall be performed by a Certified Public Accountant (CPA), licensed to practice in Kansas.
2. The conservation district may choose to have either a GAAS or Agreed-Upon Procedures Audit performed.
3. One copy of the annual audit report shall be transmitted to the Division of Conservation, Kansas Department of Agriculture no later than one year following the end of the period being reviewed in the audit report.
4. State assistance (matching funds) will be withheld from a conservation district until the appropriate audits are received by the DOC.
5. The "Conservation District Audit Guidelines for Auditing and Financial Reporting Standards" are effective for audit reports issued after April 30, 1996.
6. The "Guidelines," Appendix 5-8, have been prepared by the Division of Accounts and Reports, Department of Administration, in cooperation with the Division of Conservation, Kansas Department of Agriculture. All conservation district audits shall be performed using these revised guidelines.
7. The "Guidelines" are part of the Kansas Municipal Audit Guide (KMAG) that all persons involved in auditing should have received.
8. Conservation districts are encouraged to invite the auditor to a board meeting or via telephone conference call to go over the audit and answer questions.
9. The audit report should be approved by official board action.

_____ **County Conservation District**
20__ Budget

This form is to be used by conservation districts for annual budgets and for certification by county commissions and conservation districts. **Prepare 1 original for the Division of Conservation, 1 copy for the county commission, and 1 copy for district office.** Completed budget forms are due in the DOC office each year by **September 1**.

Part I - (Step 1)

OPERATIONS FUND	Preceding Year Actual 20 Column 1	Current Year Estimated 20 Column 2	Proposed Budget 20 Column 3	Adopted Budget 20 Column 4
Expenditure Classifications:				
1. Salaries & Wages (gross)				
2. Employee Benefits				
3. Travel Expenses				
4. Fixed Assets Purchases				
5- Equipment & Bldg. Maintenance				
6. Information & Education				
7. Other Administrative Expenses				
8. Miscellaneous				
9.				
10.				
11. Total Expenditures				
Receipt Classifications:				
1. Cash On Hand, January 1*				
a. Checking Account				
b. Savings/Investment Account				
c. Petty Cash & Other Currency				
2. County Commission General Fund				
3. County Commission Special Levy				
4. County Commission Other Funds				
5- State of Kansas (matching funds)				
6. Interest				
7. Donations				
8. Miscellaneous				
9. Transfers From Other Funds				
10.				
11.				
12. Total Receipts				
13. Less Total Expenditures (line 11)				
14. Cash On Hand, December 31				

* The sum of Cash On Hand, January 1 must equal Cash On Hand, December 31 of previous year.

DOC/ADM-6 (continued)

Part II - (Step 2)

COUNTY CERTIFICATION TO DISTRICT

It is hereby certified that the commissioners of _____ County, Kansas, have approved and certified to the county clerk a budget that includes an allocation of \$ _____ from the county's general fund and/or \$ _____ from the special mill levy, in accordance with the provisions of K.S.A. 2-1907b (Conservation District Law), and \$ _____ from other funds for a total of \$ _____ for the _____ County Conservation District for calendar year 20_____.

County of _____, State of Kansas
by _____, Commission Chairperson
Attest _____, County Clerk

(Step 3)

DISTRICT CERTIFICATION TO DIVISION OF CONSERVATION

In accordance with the provisions of K.S.A. 2-1907c (Conservation District Law); it is hereby certified that the commissioners of _____ County, Kansas, have approved a total allocation of \$ _____ for the _____ County Conservation District for calendar year 20_____.

Budget for 20_____ was adopted by board action on _____, 20_____.

Financial assistance, so provided, will not be used to support discrimination on the basis of race, color, sex, religion, national origin or ancestry.

_____ County Conservation District
by _____, Chairperson
Attest _____, Secretary

DOC/ADM-6 (continued)

_____ County Conservation District
20____ Budget

Part III - (Step 4)

ENTERPRISE FUND	Preceding Year Actual 20 Column 1	Current Year Estimated 20 Column 2	Proposed Budget 20 Column 3	Adopted Budget 20 Column 4
Expenditure Classifications:				
1. Salaries & Wages (gross)				
2. Employee Benefits				
3. Travel Expenses				
4. Fixed Assets Purchases				
5- Equipment & Bldg. Maintenance				
6. Information & Education				
7. Other Administrative Expenses				
8. Goods for Resale				
9. Miscellaneous				
10. Transfers to Other Funds				
11.				
12.				
13. Total Expenditures				
Receipt Classifications:				
1. Cash On Hand, January 1*				
a. Checking Account				
b. Savings/Investment Account				
c. Petty Cash & Other Currency				
2. Retail Sales & Services				
3. Equipment Rental				
4. Interest				
5- Donations				
6. Miscellaneous				
7. Transfers From Other Funds				
8.				
9.				
10. Total Receipts				
11. Less Total Expenditures (line 13)				
12. Cash On Hand, December 31				

* The sum of Cash On Hand, January 1 must equal Cash On Hand, December 31 of previous year.

DOC/ADM-6 (continued)

_____ County Conservation District
20__ Budget

(Step 5)

_____ FUND (Miscellaneous)	Preceding Year Actual 20 Column 1	Current Year Estimated 20 Column 2	Proposed Budget 20 Column 3	Adopted Budget 20 Column 4
Expenditure Classifications:				
1.				
2.				
3.				
4.				
5- Total Expenditures				
Receipt Classifications:				
1. Cash On Hand, January 1*				
a. Checking Account				
b. Savings/Investment Account				
2.				
3.				
4. Total Receipts				
5- Less Total Expenditures				
6. Cash On Hand, December 31				

* The sum of Cash On Hand, January 1 must equal Cash On Hand, December 31 of previous year.

(Step 6)

_____ FUND (Special Revenue) DO NOT INCLUDE OPERATIONS OR ENTERPRISE FUNDS.	Preceding Year Actual 19 Column 1	Current Year Estimated 19 Column 2	Proposed Budget 19 Column 3	Adopted Budget 19 Column 4
Expenditure Classifications:				
1.				
2.				
3.				
4.				
5- Total Expenditures				
Receipt Classifications:				
1. Cash On Hand, January 1*				
a. Checking Account				
b. Savings/Investment Account				
2.				
3.				
4. Total Receipts				
5- Less Total Expenditures				
6. Cash On Hand, December 31				

* The sum of Cash On Hand, January 1 must equal Cash On Hand, December 31 of previous year.

(Step 7) DISTRIBUTE ACCORDING TO INSTRUCTIONS ON PAGE 5-9

Appendix 5-1: Glossary of Financial Terms

Account: A term used to identify an individual asset, liability, expenditure control, revenue control, encumbrance control, or fund balance.

Accounting System: The total structure of records and procedures which discover, record, classify, summarize, and report information on the financial position and results of operations of a government or any of its funds, fund types, balanced account groups, or organizational components.

Accounts Payable: A current liability account reflecting amounts owed for goods and services received by a district.

Accounts Receivable: A current asset account reflecting the amounts due for goods and services furnished by a district.

Accrual Basis: An accounting system that recognizes the receipt of cash when it is earned rather than when it is actually received, and records an expense when it is actually incurred rather than when the cash is disbursed. When the sale of a product or a service is made on credit, this transaction is recognized as revenue even though the cash is not received until later. Most businesses are on the accrual basis.

Agreed-Upon Procedures Audit: Accountant is engaged by a client to issue a report of findings based on specific procedures performed on the specific matter of specified elements, accounts, or items of a financial statement.

Allocation: A part of a lump-sum appropriation which is designated for expenditure by specific organization units and/or for special purposes, activities, or objects.

Appropriation Bill, Ordinance, Resolution, or Order: A bill, ordinance, resolution, or order by means of which appropriations are given legal effect. It is the method by which the expenditure side of the budget is enacted into law by the governing body.

Audit: A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries and confirmations with third parties.

Asset: Anything that is owned and has monetary value.

Balance Sheet: The financial statement disclosing the assets, liabilities, and equity at a specified date.

Budget: A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. (NOTE: The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating body for adoption and sometimes the plan finally approved by that body.)

Capital Outlays: Expenditures which result in the acquisition of or addition to fixed assets.

Appendix 5-1: Glossary of Financial Terms (continued)

Capital Outlay Fund: To account for financial resources restricted for the acquisition or construction of major capital facilities (K.S.A. 2-1920).

Cash: Currency, coin, checks, postal and express money orders, and banker's drafts on hand or on deposit with an official or agent designated as custodian of cash and bank deposits. All cash must be accounted for as a part of the fund to which it belongs. Any restrictions or limitations as to its availability must be indicated in the records and statements.

Cash Basis: The basis of accounting under which transactions are recognized only when cash is received or disbursed.

Current Assets: An asset that can reasonably be expected to be used up or converted into cash or sold within one year or less.

Depreciation: The systematic and rational allocation of the cost of an asset over its useful life.

Disbursements: Payments made.

Enterprise Fund: To account for the operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the costs (expenses) of providing goods or services to the general public be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Expenses: Outflows or other using up of assets or incurrence of liabilities (or a combination of both) from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.

Fidelity Bond: A written promise to indemnify against losses from theft, defalcation, and misappropriation of public funds by officers and employees.

Fiscal Period: Any period at the end of which a city determines its financial position and the results of its operations.

Fiscal Year: A twelve-month period of time to which the annual budget applies and at the end of which an organization determines its financial position and the results of its operations.

Fixed Assets: An asset that has an expected useful life of one year or more. Fixed assets include land, buildings, equipment, furniture, improvements.

Fund: A designated sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objects.

Appendix 5-1: Glossary of Financial Terms (continued)

General Ledger: A book, file or other device which contains the accounts necessary to reflect in summary or in detail the financial operations and the financial condition of a governmental unit. Note: In double-entry bookkeeping the debits and credits in the general ledger are equal and therefore the debit balances equal the credit balances.

Generally Accepted Accounting Principles (GAAP): Rules and procedures established by authoritative bodies or conventions that have evolved through custom and common usage. The Governmental Accounting Standards Board (GASB) establishes accounting principles and financial reporting standards for state and local government entities. Some state and local governments and regulatory bodies have established specific accounting principles. The GAAP are not accountable to conservation districts.

Generally Accepted Auditing Standards (GAAS): Audit standards set forth in the American Institute of Certified Public Accountants Statements on Auditing Standards.

Gross Pay: The earnings of an employee before any required taxes have been deducted.

Independent Auditor: An auditor meeting the independence criteria set forth in GAAS or GAGAS.

Internal Control: A plan of organization under which the employees' duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues and expenditures. Under such a system, the work of employees is subdivided so that no single employee performs a complete cycle of operations. Moreover, under such a system, the procedures to be followed are definite and require proper authorizations by designated officials for all actions to be taken.

Levy: (Verb) To impose taxes, special assessments, or service charges for the support of governmental activities. (Noun) The total amount of taxes, special assessments, or service charges imposed by a governmental unit.

Liabilities: Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.

Net Pay: The actual amount of money an employee takes home after deductions have been made from his/her gross pay.

Operations Fund: To account for county moneys (general fund, tax levies and other funds), state moneys (matching funds), and other receipts not accounted for in another fund.

Operating Revenues: Proprietary fund revenues directly related to the fund's primary activities. They consist of user charges for goods and services.

Outstanding Check: An item on a bank reconciliation statement that represents a check issued to the payee but not yet paid by the bank and therefore not shown on the bank statement.

Appendix 5-1: Glossary of Financial Terms (continued)

Petty Cash: A sum of money set aside to make change or to pay small obligations for which the issuance of a formal voucher and check would be too expensive and time consuming. Petty cash accounts are referred to as petty cash funds. However, they are not "funds" in the sense of governmental accounting individual funds. Petty cash accounts should be reported as assets of the fund of ownership.

Petty Cash Voucher: A voucher used to record individual disbursements of petty cash.

Posting: The act of transferring to an account in a ledger the data, either detailed or summarized, contained in a book or document of original entry.

Receipts: Cash received.

Reimbursements: (1) Repayments of amounts remitted on behalf of another party. (2) Interfund transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it but that properly apply to another fund (e.g., an expenditure properly chargeable to an Enterprise Fund is initially made from the Operations Fund, and is subsequently reimbursed).

Special Revenue Funds: To account for the proceeds of specific revenue sources that is restricted by law or administrative action to expenditure for specific purposes.

Statements: (1) Used in a general sense, statements are all of those formal written presentations which set forth financial information. (2) In technical accounting usage, statements are those presentations of financial data which show the financial position and the results of financial operations of a fund, an account group, or an entire governmental unit for a particular accounting period.

Statute: A written law enacted by a duly organized and constituted legislative body.

Surety Bond: A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through non-performance or through defalcation (e.g., a surety bond may be required of an independent contractor). Surety bonds also include fidelity bonds covering government officials and employees.

Voucher: A written document that evidences the propriety of transactions and usually indicates the accounts in which they are to be recorded.

Warrant: An order drawn by the legislative body or an officer of a government upon its treasurer, directing the latter to pay a specified amount to the person named or to the bearer. It may be payable upon demand, in which case it usually circulates the same as a bank check; or it may be payable only out of certain revenues when and if received, in which case it does not circulate as freely.

Appendix 5-2: Example Claim Voucher

Happy County Conservation District
 123 Smile Street
 Gladville, KS 61234

Claim Voucher

Date	Claim Vouche...
2/5/2008	8001

Vendor
Smith Brothers Seed

Due Date
2/5/2008

Description	Fund	Qty	Rate	Amount
Grass Seed Purchase for Resale	5 - Enterprise		5,200.00	5,200.00

I hereby certify that the foregoing or attached account is just and correct, and remains due and unpaid.

Approved By:

Total	\$5,200.00
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 District Treasurer

 Date

 District Secretary/Manager

 Date

Appendix 5-3: Example Treasurer's Report – Transaction Detail by Account

[This report reviewed at the February 5 meeting. Last board meeting was January 8.]

Happy County Conservation District Treasurer's Report - Transaction Detail by Account January 8 - February 4, 2008

Type	Date	Num	Name	Memo	Amount	Balance
1000 - American Bank						59,736.48
1001 - Operations Fund Checking						48,050.48
Bill Pmt -Check	1/8/2008	1448	Ima R. Good	Dec. Wages	-1,528.49	46,521.99
Bill Pmt -Check	1/8/2008	EFT	KPERS	Dec. Contribution	-157.94	46,364.05
Bill Pmt -Check	1/8/2008	1446	Ima R. Good	Reimb. A.M. Deco...	-20.39	46,343.66
Bill Pmt -Check	1/8/2008	1447	AT&T	Dec. Telephone Bill	-45.00	46,298.66
Total 1001 - Operations Fund Checking					-1,751.82	46,298.66
1002 - Enterprise Fund Checking						11,686.00
Sales Receipt	1/21/2008	102	Bob Barker	Grass Drill Rental	7,350.00	19,036.00
Sales Receipt	2/1/2008	104	Fred Farmer	Native Grass Seed	2,500.00	21,536.00
Sales Receipt	2/1/2008	105	George Strait	50 Cedars	50.00	21,586.00
Payment	1/15/2008	3456	Fred Farmer	No-Till Drill Rental	7,500.00	29,086.00
Bill Pmt -Check	2/1/2008	8001	Turner Nursery	50 Cedar Trees	-25.00	29,061.00
Total 1002 - Enterprise Fund Checking					17,375.00	29,061.00
Total 1000 - American Bank					15,623.18	75,359.66
1075 - 1st State Bank, EF CD, 12/15/10						2,000.00
Total 1075 - 1st State Bank, EF CD, 12/15/10						2,000.00
1095 - Petty Cash - Enterprise Fund						50.00
Total 1095 - Petty Cash - Enterprise Fund						50.00
TOTAL					15,623.18	77,409.66

Appendix 5-5: Resale Exemption Certificate

(Name of Purchaser)

(Address of Purchaser)

I HEREBY CERTIFY: That I hold valid retail registration no.

_____ issued pursuant to the Kansas Sales and Compensating Tax Law; that I am engaged in the business of selling

That the tangible personal property described herein which I shall purchase from:

(Name and Address of Seller)

will be resold by me in the form of tangible personal property. Provided, however, that in the event any of such property is used for any purpose other than retention, demonstration, or display while holding it for sale in the regular course of business, it is understood that I am required by the Kansas Sales and Compensating Tax Law to report and pay tax, measured by the purchase price of such property. Description of property to be purchased:

Date: _____ 20_____

_____ (Signature of Purchaser Authorized Agent)

STD-28A (Rev. 2/91)

Appendix 5-6: Agricultural Exemption Certificate

The undersigned purchaser certifies that the sale to him/her of tangible personal property or service by _____ County Conservation District of _____, Kansas, is exempt from Kansas sales and compensating taxes for the following reasons (check appropriate exemption):

- _____ 1) Ingredient or component part;
- _____ 2) Consumed in production;
- _____ 3) The property purchased or leased constitutes farm machinery or equipment, repair or replacement parts or services for farm machinery or equipment which will be used only in farming or ranching.
- _____ 4) Seed and tree seedlings (used on agricultural land to prevent soil erosion).

Description of property or service purchased:

The undersigned understands and agrees that if the property or service purchased is used other than as stated above, or for any purposes which is not exempt from sales or compensating tax, the undersigned becomes liable for the tax.

Date: _____ Purchaser: _____
(Signature)

Address: _____
(Street, Rural Route or Box No.) (City) (State) (Zip)

Appendix 5-7: Request for Project Exemption Certificate

Kansas Department of Revenue
Division of Taxation
Business Tax Bureau
Robert B. Docking State Office Building
Topeka, Kansas 66625-0001
(913) 296-2461

Date _____

It is requested that a Certificate of Exemption be issued to the Petitioning Authority for the following described project if it is determined by the Department of Revenue that the proposed project qualifies for exemption from sales tax under the provisions of K.S.A. 79-3606(d) or (e).

(A) Type of Project: _____
Describe Work To be Done

A. Present Use of Facility: _____

B. Proposed Use of Facility After Project: _____

(B) Project Location: _____
Building Number, Street Address, City State

(C) Is this project being constructed as part of a business enterprise whose sales are subject to sales tax (e.g., municipal water, electric or gas companies)? Yes No

(D) Is the Petitioning Authority authorized to levy ad valorem taxes on tangible property? Yes No

If so, under what statute? _____

(E) A. Is this project being totally financed by industrial revenue bonds? Yes No

B. Is this project being partially financed by industrial revenue bonds? Yes No

Amount of bonds being issued for project: _____

If yes, A or B above, you must have the agreement on the back of this form completed and attach a copy of the letter of intent or resolution of intent to issue bonds.

If no, how is project being financed (show type of tax, bonds, etc.)? _____

(F) Name of Claimant Owner of Project: _____

(G) Estimated Project Cost: _____ (H) Contract Date: _____

(I) Contract No. _____ (J) Project No. _____

(K) Starting Date: _____ (L) List Names and Addresses of Prime Contractors Below:

Petitioning Authority

Mailing Address

Signature of Authorized Representative

City, State & Zip Code

Type or Print Name

Title Phone Number

Appendix 5-7: Request for Project Exemption Certificate (continued)

This agreement is made and entered into between and by the
(name of political subdivision), hereinafter referred to as Exempt Entity; and
(name of beneficiary of industrial revenue bond proceeds), hereinafter referred to as Beneficiary.

It is hereby agreed by all parties to this agreement that the construction project for which the request for an exemption certificate is being made would be exempt from sales tax solely due to the fact that it is being financed by industrial revenue bonds. It shall be the duty of the Exempt Entity to notify the Department of Revenue when the industrial revenue bonds have actually been issued.

Whereas, the Department of Revenue deems it necessary to insure that sales or compensating tax is paid should the project not be financed by industrial revenue bonds, it is hereby further agreed by the Beneficiary that if the industrial revenue bonds have not been issued by the time the project is completed then the Beneficiary will remit to the Department of Revenue the sales or compensating tax, and applicable interest on tax, which is due based upon the cost of tangible personal property or services used or consumed in the construction of the project. It is agreed, that the Secretary of Revenue shall determine when the project has been completed.

The Director of Taxation shall have the right to demand from the Beneficiary payment of the sales and compensating tax and applicable interest due the State should the Department of Revenue not receive such payment within thirty (30) days after the project has been completed.

Any and all notices required herein shall be mailed and addressed as follows:

- A. Notices to the Department of Revenue shall be addressed to: Chief, Business Tax Bureau, Kansas Department of Revenue, Robert B. Docking State Office Building, Topeka, Kansas 66625-0001;
- B. Notices to the Exempt Entity shall be addressed to: _____

- C. Notices to the Beneficiary shall be addressed to: _____

This agreement shall be binding upon all parties hereto and any and all their successors.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by persons authorized to do so lawfully and with full corporate authority.

POLITICAL SUBDIVISION

BENEFICIARY OF INDUSTRIAL REVENUE BOND PROCEEDS

Authorized Signature

Authorized Signature

Type or Print Name and Title

Type or Print Name and Title

DATED: _____

DATED: _____

Appendix 5-8: Conservation District Audit Guidelines

**APPENDIX J CONSERVATION
DISTRICT AUDITS
GUIDELINES FOR AUDITING AND FINANCIAL REPORTING**

Prepared Jointly by: Division of
Accounts & Reports
900 SW Jackson, Room 351
Topeka, KS 66612-1248
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And

State Conservation Commission
109 SW 9th, Suite 500, Mills Building
Topeka, KS 66612-1299
Telephone: 785-296-3600
Fax: 785-296-6172
KMAAG (1/12) J-2

Appendix 5-8: Conservation District Audit Guidelines (continued)

GUIDELINES FOR AUDITS OF CONSERVATION DISTRICTS

Purpose

These guidelines were prepared by the Division of Accounts and Reports and the State Conservation Commission in an effort to standardize the auditing and financial reporting of conservation districts. The auditor should be aware of, and refer to, the *Kansas Conservation District Handbook* which the State Conservation Commission uses to prescribe operating procedures for the districts to follow.

Regulatory Audit Requirement

Conservation districts are included in the definition of municipality in K.S.A. 75-1117 and are thus subject to the regulatory audit requirement under K.S.A. 75-1122 if they have annual gross receipts in excess of \$275,000. There are presently a few conservation districts that are required to be audited under K.S.A. 75-1122. Annual audits are required for all conservation districts, however, by K.S.A. 2-1907.

To satisfy the regulatory audit requirement under K.S.A. 2-1907, each conservation district must annually either 1) have its financial statements audited in accordance with generally accepted auditing standards (GAAS), or 2) have *agreed-upon procedures* applied to its financial statements. Under either option, the district must contract with a certified public accountant (CPA) licensed to practice in Kansas to have the work performed.

Although both a *GAAS audit and agreed-upon procedures* involve an examination of the district's financial statements, the two are significantly different. A GAAS audit is more extensive, and the result is a report that gives an opinion on the financial statements. For agreed-upon procedures, the certified public accountant's report is in the form of procedures and findings. There are also practitioner guide books available.

Steps to Fulfill Regulatory Audit Requirement

All conservation districts must follow these steps to satisfy the regulatory audit requirement under K.S.A. 2-1907:

1. Prepare annual (year-end) financial statements on a basis of accounting which demonstrates compliance with the cash basis law (K.S.A. 10-1011 et seq.) in the prescribed format as shown on page J-7 and which excludes all note disclosures. If financial statements are prepared in accordance with generally accepted accounting principles, then a separate reconciliation should be presented to show compliance with the cash basis law. A GAAP waiver under K.S.A. 75-1120a is not required for conservation districts. A combined statement, as illustrated in these guidelines, must be prepared for all funds. Conservation districts are not subject to the budget law (K.S.A. 79-2925 et seq.). However, under K.S.A. 2-1907c, on or before September 1 of each year, each conservation district must submit to the State Conservation Commission a certification of the amount of money to be furnished by the county commissioners for conservation district activities for the ensuing calendar year. Kansas conservation districts may have the following funds:

Appendix 5-8: Conservation District Audit Guidelines (continued)

Operations Fund - Accounts for county moneys (i.e., general fund and tax levies), state moneys (i.e., matching funds), and other receipts not accounted for in another fund. (The use and restrictions of these funds are stated in K.S.A. 2-1907b.)

Business Fund - Accounts for operations that are financed and operated in a manner similar to private business enterprises.

Special Purpose Funds - Accounts for the proceeds of special revenue sources that are restricted by law or administrative action to expenditures for specific purposes.

Capital Project Fund - Accounts for financial resources restricted for the acquisition or construction of major capital facilities.

NOTE TO AUDITOR: Refer to the *Kansas Conservation District Handbook* for further information on allowable funds.

2. Contract with a certified public accountant to either 1) conduct an audit of the annual financial statements in accordance with generally accepted auditing standards (GAAS), or 2) apply agreed-upon procedures to the annual financial statements, including a compilation report letter.

Note: If option one is chosen (audit in accordance with GAAS), the regulatory compliance checklist shown below would apply. Material instances of non-compliance should be disclosed in the notes.

Note: If option two is chosen, the agreed-upon procedures as identified below and a compilation of the financial statements must be performed by a certified public accountant. The procedures must be conducted, and the related report must be issued, in accordance with *Statement on Standards for Attestation Engagements (SSAE) No. 10 at Professional Standards, AT section 201* and *Statement on Standards for Accounting and Review (SSARS) No. 1 at Professional Standards, AR Section 100.47* (since the financial statements are presented without disclosures which are required by the Kansas prescribed basis of accounting), respectively.

3. The annual financial statements, including the certified public accountant's report and management letter (if one is prepared), must be submitted, no later than one year following the end of the period being reported on, to the State Conservation Commission. The certified public accountant shall mail a copy of the report to the personal residence of the board of supervisors' chairperson.

Regulatory Compliance Checklist for Audits of Conservation Districts

The regulatory compliance checklist represents statutes, at a minimum, that must be tested for an audit conducted in accordance with generally accepted auditing standards (GAAS). The tests of compliance, the extent and nature to be based on auditor judgment, should provide the auditor with reasonable assurance that these statutes have been complied with.

1. Income from investments properly accounted for and credited to funds (K.S.A. 12-1677).

Appendix 5-8: Conservation District Audit Guidelines (continued)

2. Investments made in accordance with regulatory provisions (K.S.A. 12-1675 and K.S.A. 17-5002).
3. Depositories officially designated for all public monies (K.S.A. 9-1401). [Note: This designation is not required annually but is recommended whenever the board of supervisors changes.]
4. Bank deposits adequately secured (K.S.A. 9-1402).
5. Joint custody receipts pledged to secure deposits properly filed (K.S.A. 9-1405).
6. Claims itemized, internally audited, and approved (K.S.A. 12-105b).
7. Expenditures made in compliance with the cash basis law (K.S.A. 10-1113 and K.S.A. 2-1908(12)).
8. The minutes contain an adequate record of the proceedings of the governing body, and – after they have been put into final form - they have been approved by the supervisors and signed by the chairperson. (K.S.A. 2-1907).
9. District funds disbursed as provided by law (K.S.A. 12-105a., K.S.A. 12-105b., and K.S.A. 10-801 *et seq.*).
10. District treasurer maintained records, which conform to the statutes (K.S.A. 10-1118). [Note: Bookkeeping may be performed by an employee.]
11. Surety (fidelity) bonds furnished for all employees and officers entrusted with funds or property (K.S.A. 2-1907).
12. If the district participates in the Kansas Public Employees Retirement System, determine if all employees of the district have been enrolled as required by statute (K.S.A. 74-4901).

Required Agreed-Upon Procedures

If the conservation district chooses the "Agreed-Upon Procedures" option rather than a GAAS audit, the procedures to be applied by the certified public accountant must include, but are not limited to, the following:

Procedure 1 - Cash Receipts. For a minimum of two separate months (to be selected by the certified public accountant), trace non-mail cash receipts from the receipt book to the bookkeeping records to determine if the receipts were properly recorded. Also, for the same two months, trace bookkeeping entries for cash receipts to the bank statement to determine if receipts are deposited intact and on a timely basis.

Procedure 2 - Cash Disbursements. For approximately ten percent of the non-payroll cash disbursements (to be selected by the certified public accountant), trace disbursements from the bookkeeping records to the related invoice, bank statement, and canceled check. Also, determine the propriety of the disbursements from the operations fund considering the following:

Appendix 5-8: Conservation District Audit Guidelines (continued)

- The district supervisor shall receive no compensation for services but may receive travel expenses.
- Travel and expenses are permitted only for supervisors and district employees.
- Disbursements are not permitted for prizes or as incentives for achievements or attendance at meetings.
- Disbursements are not permitted for meals at the annual meeting.

Procedure 3 - Encumbrances and Accounts Payable. Examine evidence of outstanding encumbrances and accounts payable, and determine if they have been properly stated in the financial statements as of the end of the year. Evidence of outstanding encumbrances would include unpaid purchase orders and contracts. Evidence of accounts payable would include unpaid invoices and receiving reports.

Procedure 4 - Year-End Cash. Tie the district's total cash per books at year-end to source documents. This should include a review of the bank reconciliation for the last month of the year.

Procedure 5 - Payroll. Review payroll for a minimum of one month (to be selected by the certified public accountant) to determine that proper deductions and employer contributions are being made. Also, review payroll for compliance with the Fair Labor Standards Act.

Procedure 6 - Comparison with Prior Year. Compare the following items in the current year financial statements to the same items in the prior year financial statements to determine if there is a variance of more than 25 percent per fund: 1) total cash receipts, 2) total cash disbursements, 3) outstanding encumbrances and accounts payable, and 4) ending unencumbered cash balance.

Procedure 7 - Compliance with Kansas Statutes.

- a) For a minimum of two months (to be selected by the certified public accountant) trace any interest income from the bank statement to the district's cash receipts records.
- b) For the last bank statement of the year, compare the name of the depository institution to an entry in the official minutes that designates the institution as the district's official depository.
- c) Tie the year-end cash balance as shown on the Statement of Cash Receipts and Cash Disbursements to: 1) demand deposits at the district's official depository, 2) time deposits at the district's official depository, 3) investments in U.S. Treasury bills; and other cash/investment accounts.
- d) Using the last bank statement of the year, compare total deposits in excess of FDIC insurance to securities pledged to secure the excess deposits, as evidenced by joint custody receipts.
- e) For a minimum of one month (to be selected by the certified public accountant) compare the disbursements as recorded in the check register to an entry in the official minutes that approve the disbursements.

Appendix 5-8: Conservation District Audit Guidelines (continued)

- f) For a minimum of two months (to be selected by the certified public accountant), review the District's month-end statement of cash receipts and cash disbursements to determine that the ending unencumbered cash balance is greater than or equal to zero.
- g) For a minimum of two months (to be selected by the certified public accountant), review the official minutes to determine that the minutes have been signed by the chairperson of the board of supervisors.
- h) Review the district's surety (fidelity) bonds to determine that all employees and officers entrusted with funds or property is covered by such a bond.
- i) For the last month of the year review the payroll records for each employee to determine if a deduction for KPERS (Kansas Public Employees Retirement System) was made.

Appendix 5-8: Conservation District Audit Guidelines (continued)

XXX COUNTY CONSERVATION DISTRICT
 Combined Statement of Cash Receipts, Cash Disbursements, and Cash Balance
 For the Year Ended December 31, 20XX

	<u>Operations</u> <u>Fund</u>	<u>Business</u> <u>Fund</u>	<u>Total</u>
Beginning Cash Balance, January 1	\$	\$	\$
Cash Receipts:			
Appropriations – State	\$	\$	\$
Appropriations - County			
Retail Sales and Services			
Equipment Rental			
Interest			
Donations			
Miscellaneous			
Transfers from Other Funds	_____	_____	_____
Total Cash Receipts	_____	_____	_____
Total Available Cash	\$	\$	\$
Cash Disbursements:			
Salaries and Wages	\$	\$	\$
Employee Benefits			
Travel Expenses			
Fixed Assets Purchases			
Equipment and Building Maintenance			
Information and Education			
Other Administrative Expenses			
Goods for Resale			
Miscellaneous			
Transfers to Other Funds	_____	_____	_____
Total Cash Disbursements	_____	_____	_____
Ending Cash Balance, December 31	\$	\$	\$
Outstanding Encumbrances and Accounts Payable, December 31	_____	_____	_____
Ending Unencumbered Cash, December 31	\$ _____	\$ _____	\$ _____
Composition of Cash:			
Repurchase Agreements			
Municipal Investment Pool			
Savings Account			
Checking Account			
Petty Cash			
Total Cash	\$ _____	\$ _____	\$ _____
See Accountant’s Compilation Report.			