

## VII. Financial

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### ***A. SWCD Finances – The Board of Supervisors’ Responsibility***

It is the responsibility of the Soil and Water Conservation Districts (SWCDs) supervisors to manage district funds in accordance with state laws, commission policies, rules and procedures. Supervisors are also responsible for managing district funds as efficiently as possible to provide the greatest service to the citizens of the district. The Soil and Water Conservation Program (SWCP) provides a financial tracking system to all SWCDs to assist with the recordkeeping of the district.

### ***B. Sources of Funding***

#### **1. State Funds**

##### **a. Parks, Soils and Water Sales Tax**

- 1) The Parks, Soils and Water Sales Tax was created through a constitutional amendment. The tax was first approved by voters in 1984 and has since been approved again by voters in 1988, 1996, 2006 and 2016. The sales tax, will be on the ballot for renewal in 2026.
- 2) One-half of the tax collected is dedicated to soil and water conservation measures and the other half is dedicated to the Missouri State Parks system. These funds are made available to the Department of Natural Resources, SWCP, through appropriation by the state legislature and governor approval of the budget.
- 3) Funds are appropriated annually and allocated to the SWCDs on a state fiscal year (July 1 to June 30) basis.

#### **2. Local Funds**

RSMO 278.080 states: “...any money or other form of aid raised or provided within a soil and water district for the use or benefit of that soil and water district shall be received and administered by the governing body of that soil and water district.”

The local funds of the SWCD are considered public funds, as the SWCD is a locally operated subunit of state government, organized according to state law. Article III Section 38(a) of the Missouri Constitution prohibits the granting of public monies or property to any private person, association or corporation.

Examples of local funds would be appropriations from a district’s county commission, funds from rental of agricultural equipment, sales and donations.

##### ***a. Restrictions on Other Sources of SWCD Funding***

- 1) The State Constitution prohibits the use of locally obtained funds for specific items including, but not limited to salary bonuses, unspecified donations, scholarships, condolences, and gifts.
- 2) If an organization or agency places restrictions regarding the use of their funding, the district needs to honor those restrictions. The SWCD may only accept contributions if the funds will be used to further the goals of soil and water conservation.

**b. *Sale of Conservation Related Items***

- 1) If SWCDs raise funds through the sale of conservation-related services or items, the SWCD must refrain from competing with local vendors offering similar services.
- 2) As written in RSMO 278.135, “Any soil and water conservation district engaged in the marketing or buying and selling of farm products used directly or indirectly in soil conservation shall be required to obtain approval from the state soil and water districts commission to continue such activity if the commission receives written complaints from three or more business entities. Upon request from any person, all soil and water conservation districts shall provide information on the complaint procedure provided in this section, including information on how to contact the state soil and water districts commission.”
- 3) SWCDs must not encourage or coerce landowners in purchase of products or services from a preferred vendor and must not participate in any arrangement that results in the district receiving a commission (kickback).

**c. *Equipment Rental***

- 1) Equipment may be owned by a SWCD and rented to individuals. The district is discouraged from making a profit in this endeavor. The SWCD must refrain from competing with local vendors offering similar services.

**d. *Inappropriate Income Sources***

- 1) Fees for technical assistance.
- 2) Collection of cost-share deposits.
- 3) Fees for advertisements on information and education generated publications (newsletters, websites, etc.).

***C. District Assistance Grants***

**1. Intention of State Grant Funds**

- a. The overall intention of the district assistance grant funds is to assist SWCDs in the conservation and protection of the state’s soil and water resources. All expenditures, whether directly or indirectly, must be related to soil and water conservation efforts.
- b. All expenses will be considered ineligible from state grants that do not have a direct correlation or content related to protecting the productive power of Missouri’s agricultural land through saving soil or protecting the water resources of the state. The SWCP reviews grant expenditures to determine eligibility within grant guidelines. If an expense is deemed ineligible, the SWCD will be notified and requested to transfer the expense to local funds or transfer the expense to the appropriate fund.

## 2. **Policies Governing Use of State Grant Funds**

### a. ***Personnel Policy Documentation***

Employees paid by state grant funds must have a written personnel policy, maintained on file at the SWCD office, stating conditions of employment and a job description applicable to the position(s) being funded.

### b. ***Documentation of Financial Activity***

The board of supervisors must review and approve all expenditures and income. SWCD must document income and expenses in the financial tracking system provided by the SWCP.

### c. ***Fiscal Year***

All SWCD expenditures claimed from state grant funds must be paid in the fiscal year in which the expenditures were incurred.

### d. ***Out-of-State Travel***

Out-of-state travel expenses for training incurred by SWCD supervisors and employees are eligible expenditures from state grant funds if specific grant eligibility requirements and the following conditions are met:

- 1) The SWCD must contact the SWCP to determine and/or confirm that similar training or activity is not available within Missouri. If similar events are available within the state, the SWCD will not be authorized to use state funds to attend the out-of-state event.
- 2) Supervisors must officially approve, and record within the minutes, out-of-state expenses for supervisors and/or employees ensuring the training/activity aids in the performance of their duties or for the purpose of increasing the effectiveness of the SWCD's operation.

### e. ***Disposition of Tangible Equipment***

Disposition of tangible equipment (equipment with a value of \$1,000 or more), which was purchased with state grants, has a current resale value greater than \$400, and is less than five years old must be in accordance with the procedures outlined below. (The SWCP retains the right to make a visual inspection of any tangible equipment purchased with state funds):

- 1) The SWCD must notify the SWCP in writing of the intent to dispose of the equipment;
- 2) Upon sale of the equipment, the district must return an amount equal to the state's share in the original purchase or apply the state's share to the purchase of a similar piece of equipment.

f. *Appropriate Use of State Funds*

All expenses from state grants must be in support of the Soil and Water Districts Commission’s programs. All expenses will be considered ineligible from state grants that do not have a direct correlation/content related to protecting the productive power of Missouri’s agricultural land through saving soil or protecting the water resources of the state. All information and eligible expenses listed below are subject to change based on available funds.

1) Personnel Grant (fund 02)

Stipend is available for gross salary only for positions listed on the district’s allocation sheet.

Funding for SWCD personnel is based on the SWCD Progression Line. Information on the Progression Line is located in the Personnel section of the District Operations Manual.

Funding may be provided for the position of intern that meets the following requirements: applicants must be a higher education (college, university, technical school, etc.) student within any degree major. The intern cannot be a high school senior transitioning into higher education or a student that has completed their college degree. Funding will only be made available to districts that hire someone in this capacity; funding is eligible for up to 500 hours annually at a rate of \$10.00 per hour.

2) Indirect Grant (fund 03)

State grants eligible expenses include:

Employer’s Portion of Social Security (6.20% of state funded gross salary)
Employer’s Portion of Medicare (1.45% of state funded gross salary)
Health Insurance Premium for employees funded by state funds for $\frac{3}{4}$ time (1,560 hours) or greater
Retirement Investment (7% of state-funded gross salary) for employees funded by state funds for $\frac{3}{4}$ time (1,560 hours) or greater. If the SWCD participates in the Local Government Employee Retirement System (LAGERS) the retirement rate will be determined by LAGERS.

3) Administrative Grant (fund 04)

State grants eligible expenses include:

Accounting Management – SWCDs are encouraged to outsource their payroll and bank reconciliations process. Payment to a professional accounting or payroll service (must be bonded or insured) to complete bank reconciliation
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and/or payroll functions. (SWCDs that elect to outsource their payroll services will receive an additional \$1,000 annually)
Background Checks
Bank Service Charges (such as expenses for checks)
Board Meeting Expenses
District Cell Phone
Employee Travel and Training (lodging <sup>1</sup> , mileage <sup>2</sup> , conference registration, meals <sup>3</sup> , etc.)
SWCD Board Election
Information/Education Activities (expenses to organize or in support of such events)
Legal Fees
Unemployment
Liability Insurance (errors, omission and general liability)
LinePass Certification
Office Equipment
Office Furniture
Office Supplies
Organizational Dues (MASWCD, RC&D and NACD)
Professional Dues
Supervisor Travel and Training (lodging <sup>1</sup> , mileage <sup>2</sup> , conference registration, meals <sup>3</sup> , etc.)
Technical Equipment
Expenses associated with state provided vehicles including fuel, maintenance cost, insurance, and approved accessories
Workers Compensation
Stand-Alone Districts - expenses related to districts who are not co-located in federal facilities (stand-alone districts include Camden, Carter, Dent, Iron, Madison, Maries, Ozark, Pulaski, Reynolds, Stone, Taney and Washington) (\$10,000 annually): <ul style="list-style-type: none"> <li>• Rent</li> <li>• Janitorial services or supplies</li> </ul>

- Facility phone services
- Utilities (electric, heating, air, water, trash, etc.)
- Building Maintenance not otherwise covered by a rental agreement

<sup>1</sup> Utilization of state funds for lodging expenses will only be allowed up to the federal per diem rates set for Missouri ([www.gsa.gov/portal/category/21287](http://www.gsa.gov/portal/category/21287)).

<sup>2</sup> Mileage reimbursements will not exceed the established state per diem rates (<https://oa.mo.gov/accounting/state-employees/travel-portal-information/mileage>).

<sup>3</sup> Meal expenses (exception in attending conference with provided meals) cannot exceed the established state per diem rates (<https://oa.mo.gov/accounting/state-employees/travel-portal-information/state-meals-diem>). To qualify for meal reimbursement, individuals must be in travel status for greater than twelve (12) hours or have overnight lodging.

**g. *Unauthorized Use of State Grants***

The soil and water supervisors of any soil and water district shall not incur indebtedness beyond available funds pursuant to 278.130 RSMo.

State grants ineligible expenses include:

Bank Charges (overdraft, etc...)
Credit Card Expenses (interest, late fees, etc...)
Clothing
Computer Hardware (computers, printers, etc.)
Computer Software not authorized by ITSD
District-Owned Vehicles (purchase, maintenance, operation or insurance)
District Rental Equipment (purchase, maintenance, operation or insurance)
Donations
Door Prizes
Employee Bonuses
Entertainment
Gifts (scholarships, retirement, condolences, etc.)
Insurance (dependent, life, dental, vision, etc.)

Items for Resale
Lobbying Activities
Missouri Soil and Water Conservation District Employees Association (MSWCDEA) (dues, time and/or travel )
Petty Cash
Promotional Items
State Sales Tax
Direct Payments to Landowners
Website Expenses

Note: A request must be made to the program office to use state funds to match funds available through other sources such as Regional Conservation Partnership Program (RCPP), Conservation Innovation Grants (CIG), etc.

### 3. **Quarterly Report Process**

#### a. Tracking SWCD Income and Expenses

The financial tracking system in MOSWIMS must be used to track all state and local income and expenses. Instructions for entering information in the financial tracking system can be found on the SWCD intranet site.

#### b. Quarterly Report Deadlines

Audit findings have occurred in SWCDs that have not submitted their quarterly report in a timely manner. In an effort to give SWCDs further guidance on the deadlines for submitting the SWCDs quarterly report the following Quarterly Report Timeline has been developed. This timeline outlines the appropriate action that will be taken if the dates are not met.

#### 1) First Quarter Timeline

October 20<sup>th</sup> Quarterly Report Due - If your report is not received by this date a reminder email will be sent to the SWCD office.

November 1<sup>st</sup> - If the report is not received by this date a letter will be sent to the board members stating that the report is late and the district's quarterly allocation may be delayed.

November 15<sup>th</sup> - SWCDs that have not submitted their report by this date will not receive their allocation until their next quarterly report is received, verified and completed.

December 1<sup>st</sup> - Reports must be verified and completed by this date. If not completed by this date no additional funds will be sent until the next quarterly report is received, verified and completed.

## 2) Second Quarter Timeline

January 20<sup>th</sup> Quarterly Report Due - If your report is not received by this date a reminder email will be sent to the SWCD office.

February 1<sup>st</sup> - If the report is not received by this date a letter will be sent to the board members stating that the report is late and the district's quarterly allocation may be delayed.

February 15<sup>th</sup> - SWCDs that have not submitted their report by this date will not receive their allocation until their next quarterly report is received, verified and completed.

March 1<sup>st</sup> - Reports must be verified and completed by this date. If not completed by this date no additional funds will be sent until the next quarterly report is received, verified and completed.

## 3) Third Quarter Timeline

April 20<sup>th</sup> Quarterly Report Due - If your report is not received by this date a reminder email will be sent to the SWCD office.

May 1<sup>st</sup> - If the report is not received by this date a letter will be sent to the board members stating that the report is late and the district's quarterly allocation may be delayed.

May 15<sup>th</sup> - SWCDs that have not submitted their report by this date will not receive their allocation until their next quarterly report is received, verified and completed.

June 1<sup>st</sup> - Reports must be verified and completed by this date. If not completed by this date no additional funds will be sent until the next quarterly report is received, verified and completed.

## 4) Fourth Quarter Timeline

July 20<sup>th</sup> Quarterly Report Due - If your report is not received by this date a reminder email will be sent to the SWCD office.

August 1<sup>st</sup> - If the report is not received by this date a letter will be sent to the board members stating that the report is late and the district's quarterly allocation may be delayed.

August 15<sup>th</sup> - SWCDs that have not submitted their report by this date will not receive their allocation until their next quarterly report is received, verified and completed.



September 1<sup>st</sup> - Reports must be verified and completed by this date. If not completed by this date no additional funds will be sent until the next quarterly report is received, verified and completed.

#### ***D. SWCD Fund Deposits and Account Maintenance***

1. SWCD funds must be deposited in any duly incorporated state or national bank, or credit union doing business within the state in accordance with Missouri law for the deposit of public funds by a public entity. All funds received by the SWCD must be deposited directly into an applicable checking account that is FDIC insured. Bank documents should be reviewed periodically and updated as needed to ensure only authorized signers are listed and proper account restrictions are in place.
2. The purpose of the SWCD's financial tracking system is to reflect a record of all receipts and disbursements. Receipts, check stubs, cancelled checks and bank statements must be kept for audit review. Any expenditure of funds is to be approved by the SWCD board and must be reflected in the board meeting minutes.

SWCDs must have more than one person controlling disbursements. The following actions must be followed with regard to disbursements:

1. As a board, review and approve the Treasurer's Report to verify that all expenses are eligible.
2. Require the Treasurer to review bank statements for all SWCD asset accounts with another board member or staff on a monthly basis.
3. Require dual signatures on all checks.
4. Do not allow signing of blank checks.

#### ***F. Credit and Debit Cards***

##### **1. Credit Cards**

- a. Credit cards are an acceptable payment method for Soil and Water Conservation Districts. SWCDs are encouraged to use the credit card vendor that currently provides credit cards to state agencies. UMB is the current credit card vendor used by state agencies. The benefit of applying for a UMB credit card is SWCD staff or board members do not have to provide personal information to obtain the credit card. If your SWCD is interested in a UMB credit card please contact the program office.
- b. The SWCD must develop a credit card policy. The policy should include proper uses of the card, when supervisor permission is needed, who can use the card, where it is kept, must be paid timely/ interest is not an eligible expense from the state fund, etc...
- c. The SWCD must develop a SWCD credit card user agreement or cardholder agreement that must be signed by all SWCD employees that use the SWCD credit card. The use agreement should include documentation requirements, unauthorized uses, lost or stolen card, etc....
- d. With credit cards the soil and water supervisors of any soil and water district shall not incur indebtedness beyond available funds pursuant to 278.130 RSMo

## 2. **Debit Cards**

Per Soil and Water Districts Commission action, Soil and Water Conservation Districts are not allowed to use Debit Cards for conducting district business.

## ***G. Financial Records to be Maintained***

SWCD supervisors are responsible for ensuring adequate financial records are maintained. At a minimum, the district's financial records must include the records outlined below.

### 1. **Cash Receipts Journal**

Maintain a pre-numbered receipt book for all income. Entries in the journal must be easily traceable to deposit slips. Enter deposit dates on the district copy of the receipts.

### 2. **Petty Cash Book**

The SWCP discourages the establishment of petty cash funds. If a district uses a petty cash fund for small purchases, a petty cash book must be used. The board must establish a petty cash amount. At all times, the cash and receipts must equal the established petty cash amount.

### 3. **Payroll Documentation**

#### a. Time Sheets

The time accounting system within Missouri Soil and Water Information Management System (MoSWIMS) provides the required timesheets for SWCD employees who receive any portion of their salary from state funds. Time sheets must accurately reflect hours worked and be approved prior to payment, leave taken and leave balances and signed by the applicable employee and a board member prior to payroll being disbursed.

#### b. Employee Earning Records and pay stubs

The Employee Earning Record (EER) and the pay stub must be maintained for each employee to keep accurate records of employee salary, tax withholdings and other employer/employee expenses. The EER is required by the SWCP as documentation of employee/ employer expenses claimed from state funds.

### 4. **Receipts and Other Documentation**

Receipts must be requested and kept for all expenditures made by the SWCD. If the SWCD encounters a situation where a receipt is not readily available, the SWCD must create documentation and have the payee sign to document the nature of work and amount received.

Supervisors are also required to review all invoices against the district. This is carried out in conjunction with review of the Treasurer's Report. Invoices can usually be presented at each monthly meeting. It is the responsibility of the supervisors to see that each invoice is:

- a. Proper and legal charge against the SWCD.
- b. Accurate.

c. Timely paid, with expenses paid in the same fiscal year they are incurred.

**5. Treasurer's Report**

SWCDs must include a review of the Treasurer's Report of all asset accounts (CDs, money market account, etc.) at each board meeting. The Treasurer's Report assists SWCD supervisors in their responsibility to ensure the district's financial integrity. The SWCD board must verify that the Treasurer's Report from the financial tracking system agrees with the bank reconciliation and the check book register.

**6. Annual Financial Report**

To ensure the integrity of public funding, each district must maintain an Annual Financial Report. The report must include all income and expenses for the fiscal year as well as all asset accounts. Both state and local funds must be included in this report. The Annual Financial Report is available through the financial tracking system

**7. Annual Inventory Report**

Each SWCD shall maintain an Annual Inventory Report which is available upon request. The SWCDs should remain cognizant of inventory on hand and use whatever is necessary to ensure due diligence in relation to inventory as there is an increased risk of lost, stolen or misreported assets when a physical inventory is not conducted.

***H. Annual Audit Requirements***

An audit is a safeguard for the supervisors to indicate whether SWCD funds are being properly handled and in accordance with surety bond requirements. The annual audit requirement will be fulfilled by contract audits completed through the Department of Natural Resources Internal Audit Program. Contract audits will follow the "District Audit Plan" (refer to the Appendix) provided by the SWCP. In preparation for an upcoming audit, SWCDs are advised to review the prior audit report to ensure the SWCD has corrected previously identified findings.

***I. SWCD Budgets***

Budgets are valuable tools; SWCDs should develop an annual budget. When used properly, budgets can ensure:

1. Wise and efficient payment of ordinary expenses
2. Planning for desired programs
3. Planning for future needed purchases

***J. Financial Investments***

**1. General Information**

The decision to make any investment must be recorded in the minutes of the board meeting and include consideration of the safety, liquidity and return of public funds. When the investment matures or is sold, any income must be entered in the Annual Financial Statement. In addition, when funds are transferred from a savings account to a checking account, a deposit slip or some record of the transfer must be maintained as

appropriate documentation for auditing purposes. SWCDs should only invest in interest-bearing accounts. A district may invest more stringently than required by Missouri law, but not less, and the Missouri Constitution Article VI, Section 23 prohibits political subdivisions from owning corporate stock. High-risk investments (i.e., stock market) are not appropriate.

## 2. **Maintaining a Reserve**

Although SWCDs are not encouraged to accrue a large reserve of funds, they are encouraged to maintain a reserve to prepare for unforeseen emergencies. The size of such a reserve is up to the discretion of the SWCD board. As sub-units of local government, SWCDs are not required to expend all locally earned funds within a given fiscal year (unless such stipulations are placed on the funds by the grantee).

## ***K. Surety Bonding***

The Soil and Water Districts Law requires surety bonding. “The board of soil and water supervisors shall provide for the execution of surety bonds for all officers and employees who shall be entrusted with funds or property” (RSMO 278.110).

### 1. **Surety Bond Definition**

A surety bond is a specific type of insurance policy. For an annual premium, the insurer pledges to replace money taken without proper authorization from the insured entity (the SWCD). For example, if funds were stolen, the bonding company makes payment in the amount taken (after investigation) to the SWCD. The company could, and likely would, seek to recover its money from the party(s) listed in the surety bond policy. Surety bonding gives financial protection to the SWCD against loss caused by actions of those persons bonded. Surety bonding does not protect those persons who are bonded from prosecution.

### 2. **Surety Bond Provider**

The board is legally responsible for obtaining the required surety bonds. However, the legal language does not preclude other parties from supplying this bond. At this time, the Commission furnishes a blanket surety bond, which covers all SWCD supervisors and employees.

### 3. **Surety Bond Coverage**

- a. The Commission’s surety bond policy protects each district from loss of funds for which the official Treasurer is held responsible. Effective April 1, 1996, the surety bond policy will provide coverage for all SWCD supervisors and employees at no cost to the SWCD. The amount of coverage is \$250,000 per claim. To be eligible for this coverage, your district must meet two internal control requirements, as stated by the bonding company. The two requirements are:
  - 1) Each SWCD must require two signatures on all district checks, and;
  - 2) Bank statements must be reconciled by someone other than those who sign checks and/or make bank deposits.

## ***L. Charging and Collecting Interest on Overdue Accounts***

1. SWCDs may charge interest on overdue bills or accounts. SWCDs who choose to charge interest on overdue accounts must first adopt a policy stating the conditions leading to the charging of interest penalties and the interest rate that the delinquent accounts will be charged. This information must then be made available to any customer at the time that the order is placed. The information must also accompany any requests for payment sent to the customer.
2. The SWCD must make every effort to collect overdue bills or accounts. RSMO 278.120 states that SWCDs are “capable of suing and being sued.” Delinquent bills or accounts due the SWCD may, therefore, be collected by professional collectors or turned over to legal authorities for collection through normal legal remedies.

## ***M. Sales Tax***

### **1. Sales Tax Collection**

The SWCP does not support districts who actively partake in retail sales. Missouri Sales Tax Law (144.010 to 144.525 RSMo) provides that a sale is any transfer of tangible personal property for any valuable consideration. Unless specifically exempt as supported with an exemption certification, sale of items by an SWCD should be considered taxable for Missouri sales tax collection. The SWCD’s status as a subdivision of state government does not excuse it from collecting state sales tax. Specific questions regarding sales tax collection and payment procedures should be addressed to the Missouri Department of Revenue, at the Harry S Truman State Office Building, 301 W. High St., Jefferson City, MO 65101.

### **2. Sales Tax Exemptions**

Political subdivisions, such as an SWCD, qualify for exemption from the payment of sales and use tax on purchases used in the conduct of their functions and activities. The SWCD must obtain a Sales/Use Tax Exemption letter from the Missouri Department of Revenue. This exemption letter must be renewed every five years. A copy of this letter should be provided to each vendor or seller to verify the district’s exempt status.

Items purchased for use by a tax-exempt agency are exempted from sales taxes, and no further accounting is required. Items purchased tax-free for the purpose of resale are expected to be reported on a sales tax form.

## ***N. Income Taxes***

State and local governments are exempt from filing federal and state income tax returns. Therefore, SWCDs, being a unit of local government and a subdivision of state government, are not required to file yearly income tax returns. In addition, SWCDs are exempt from filing information returns such as Form 990.