

**HAMILTON COUNTY
SOIL & WATER CONSERVATION
DISTRICT**

Audit of Receipts and Disbursements

fiscal years ended June 30, 2022 and 2023

May 1, 2024



OFFICE OF THE COUNTY AUDITOR

455 N. HIGHLAND PARK AVENUE
CHATTANOOGA, TENNESSEE 37404

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COUNTY MAYOR

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HAMILTON COUNTY, TENNESSEE

OFFICE OF THE COUNTY AUDITOR

To: Weston Wamp, County Mayor
Hamilton County Commissioners
Board of Supervisors of the Hamilton County Soil & Water Conservation District

From: Chris McCollough

Date: May 1, 2024

Subject: Audit of the Receipts and Disbursements of the Soil & Water Conservation District

In February 2024, we conducted an audit of the financial transactions of the Hamilton County Soil & Water Conservation District for the fiscal years ended June 30, 2022 and June 30, 2023. The following pages summarize our audit procedures performed and conclusions reached.

BACKGROUND

The Hamilton County Soil & Water Conservation District (the district) was organized in October 1951. The district is a legal subdivision of the State of Tennessee and is separate from Hamilton County Government. The district was authorized by the Soil Conservation District Law of 1939 (as codified in *Tennessee Code Annotated*, Section 43-14-201 et al.). The district is directed by a five-member Board of Supervisors, of which the Tennessee State Soil Conservation Committee appoints two members, and local landowners elect three members. The members of the board of supervisors serve three-year terms.

The district's primary mission is to direct and coordinate a natural resource conservation program within Hamilton County. The district achieves its mission by providing technical conservation assistance to land-users in Hamilton County, assisting in community planning, land-use changes, soil and water management, reclamation of disturbed areas, and conducting educational programs dealing with conservation, etc.

Funding for the district’s programs is provided from various sources, including an annual operating appropriation from the Hamilton County Government, grants from Tennessee, program income, and private donations. Hamilton County Government assists the district by providing two full-time employees (a secretary and an urban conservationist) and providing funds to pay for various expenses in operating the district’s programs. In the fiscal years 2022 through 2023, Hamilton County expended the following on behalf of the district:

	<u>2022</u>	<u>2023</u>
Employee compensation	\$ 95,068	\$ 100,260
Employee benefits	26,614	27,819
Operating appropriations	<u>17,000</u>	<u>16,816</u>
Totals	<u>\$ 138,682</u>	<u>\$ 144,895</u>

During fiscal years 2022 and 2023, the USDA-NRCS assisted the district by providing two full-time employees (a district conservationist and a soil conservationist serving Hamilton and Rhea counties). The USDA-NRCS also provides the district with office equipment, office space (which it leases from Hamilton County), and utilities. An “outcome-based evaluation system” is reported annually to the Department of Agriculture to ensure resource and customer needs are met and to share accomplishments.

AUDIT PROCEDURES

Our audit of the district’s cash receipt and disbursement transactions covered the fiscal years ended June 30, 2022 and June 30, 2023 and included the following procedures:

1. Review of internal controls over the receipt and disbursement of funds and accounting for the district’s financial transactions;
2. Detail tests of transactions to ensure that:
 - a. all revenues for the district were adequately recorded in the district’s financial records;
 - b. all expenditures for the district were properly authorized, were supported by adequate documentation, and were valid and reasonable expenditures of the district;
 - c. all cash and other assets were properly safeguarded and maintained; and
 - d. all expenditures of grant monies were valid and authorized under the terms of the grant agreements.
3. We performed an analytic review of receipts and disbursements for fiscal years 2022 and 2023 to investigate all significant fluctuations through discussions with appropriate personnel and tests of supporting documentation.

Exhibits I and II on page 4 and 5 summarize the district's receipts and disbursements and changes in cash balances for fiscal years 2022 and 2023. It should be noted that these two schedules only include cash receipts and disbursements processed through the district's financial records. These schedules do not include contributions from Hamilton County for salaries and benefits for the two Hamilton County employees or the assistance from the USDA-NRCS for certain operating expenses of the district (including salaries and benefits for two USDA-NRCS employees shared by Hamilton and Rhea County).

AUDIT CONCLUSION

In our opinion, the Schedule of Receipts and Disbursements and Changes in Cash Balances, as shown in Exhibits I and II, present fairly, in all material respects, the financial activity of the Hamilton County Soil & Water Conservation District for the two fiscal years ended June 30, 2022 and June 30, 2023.

However, internal controls over cash receipts and disbursements are weak due to inadequate segregation of duties. One employee should not be designated to solely initiate, record, authorize, and reconcile a transaction without the involvement of another employee. We recommend that certain duties be separated in order to both safeguard the organization's assets and increase the efficiency of its operations. Issues with segregation of duties are common among small organizations with limited staff to divide tasks.

We thank the employees of the Hamilton County Soil & Water Conservation District for assisting us during our audit. If you have questions regarding this report or would like further information regarding the operations of the Soil & Water Conservation District, call Austin Durall at 209-6211 or me at 209-6212.


Chris McCollough, County Auditor

Staff Assigned to Audit
Austin Durall, Audit Manager
Roger Kincer, Senior Auditor

Cc: Claire McVay, Chief of Staff
David Roddy, Chief Operating Officer
Lee Brouner, Chief Financial Officer
Vonda Patrick, Deputy Chief Financial Officer
Patricia Moore, Legislative Administrator

Hamilton County Soil & Water Conservation District
 Schedule of Receipts and Disbursements and Changes in Net Assets Balances
 For the year ended June 30, 2022

	Program Activities								Total
	District General	Hamilton County	State of Tennessee	State Cost Share	Conservation Education	Farm Tour	Hall of Fame	Other Agriculture Agencies	
Support and revenue:									
Program income	\$ -	\$ -	\$ -	\$ -	\$ 288	\$ -	\$ -	\$ 260	\$ 548
Operating Grant from Hamilton County	-	17,000	-	-	-	-	-	-	17,000
Other Grants - TN Dept. of Agriculture	-	-	3,480	52,625	-	-	-	-	56,105
Donations	-	-	-	-	-	-	-	1,979	1,979
Geotextile	450	-	-	-	-	-	-	-	450
Other income	183	398	512	-	41	-	-	-	1,134
Total support and revenue	633	17,398	3,992	52,625	329	-	-	2,239	77,216
Expenses:									
Program expenses	450	4,369	512	52,625	15	-	-	953	58,924
Meetings and registration	-	2,583	1,070	-	-	-	-	-	3,653
Board member per-diem reimbursements	-	-	1,680	-	-	-	-	-	1,680
Office expenses	2	2,672	-	-	41	-	-	67	2,782
Donations	-	1,360	-	-	-	-	-	-	1,360
Dues and publications	-	1,069	605	-	-	-	-	-	1,674
Insurance	-	288	-	-	-	-	-	-	288
Total expenses	452	12,341	3,867	52,625	56	-	-	1,020	70,361
Support and revenue over (under) expenses	181	5,057	125	-	273	-	-	1,219	6,855
Net Assets at Beginning of Year	2,168	7,719	5,729	(28)	2,759	5,742	3,132	(1,686)	25,535
Net Assets at End of Year	\$ 2,349	\$ 12,776	\$ 5,854	\$ (28)	\$ 3,032	\$ 5,742	\$ 3,132	\$ (467)	\$ 32,390

The above Schedule of Cash Receipts and Disbursements and Changes in Cash Balances does not include contributions from Hamilton County for salaries and benefits for two Hamilton County employees totaling \$121,682.47 or contributions from the USDA-NRCS for certain other operating expenses of the District (including salaries and benefits for employees with USDA-NRCS and USDA-FSA).

Hamilton County Soil & Water Conservation District
 Schedule of Receipts and Disbursements and Changes in Net Asset Balances
 For the year ended June 30, 2023

	Program Activities								Total
	District General	Hamilton County	State of Tennessee	State Cost Share	Conservation Education	Farm Tour	Hall of Fame	Other Agriculture Agencies	
Support and revenue:									
Program income	\$ 825	\$ -	\$ -	\$ -	\$ 375	\$ -	\$ -	\$ 200	\$ 1,400
Operating Grant from Hamilton County	-	16,816	-	-	-	-	-	-	16,816
Other Grants - TN Dept. of Agriculture	-	-	7,000	-	-	-	-	-	7,000
Donations	-	-	-	-	-	-	-	2,039	2,039
Other income	231	-	286	-	1,313	-	-	-	1,830
Total support and revenue	<u>1,056</u>	<u>16,816</u>	<u>7,286</u>	<u>-</u>	<u>1,688</u>	<u>-</u>	<u>-</u>	<u>2,239</u>	<u>29,085</u>
Expenses:									
Program expenses	825	1,813	-	-	8,128	-	-	3,282	14,048
Meetings and registration	-	5,787	4,220	-	-	-	-	-	10,007
Board member per-diem reimbursements	-	-	1,500	-	-	-	-	-	1,500
Office expenses	-	3,146	286	-	43	-	-	-	3,475
Donations	-	2,278	-	-	600	-	-	-	2,878
Dues and publications	-	370	790	-	-	-	-	-	1,160
Insurance	-	273	-	-	-	-	-	-	273
Total expenses	<u>825</u>	<u>13,667</u>	<u>6,796</u>	<u>-</u>	<u>8,771</u>	<u>-</u>	<u>-</u>	<u>3,282</u>	<u>33,341</u>
Support and revenue over (under) expenses	231	3,149	490	-	(7,083)	-	-	(1,043)	(4,256)
Net Assets at Beginning of Year	2,349	12,776	5,854	(28)	3,032	5,742	3,132	(467)	32,390
Net Assets at End of Year	<u>\$ 2,580</u>	<u>\$ 15,925</u>	<u>\$ 6,344</u>	<u>\$ (28)</u>	<u>\$ (4,051)</u>	<u>\$ 5,742</u>	<u>\$ 3,132</u>	<u>\$ (1,510)</u>	<u>\$ 28,134</u>

The above Schedule of Cash Receipts and Disbursements and Changes in Cash Balances does not include contributions from Hamilton County for salaries and benefits for two Hamilton County employees totaling \$128,079.25 or contributions from the USDA-NRCS for certain other operating expenses of the District (including salaries and benefits for employees with USDA-NRCS and USDA-FSA).