

Tax Ditch Officer Training

DNREC, DIVISION OF WATERSHED STEWARDSHIP
CONSERVATION PROGRAMS SECTION
DRAINAGE PROGRAM

Agenda

- Drainage Program & Tax Ditch Background
 - Staff Introductions & Contact Info
 - Conservation District Contacts
- Why are we here?
- Financial Controls
- Preparation of the Financial Statement
- Audit of the Financial Statement
- Non-Financial Reminders
- Financial Statement Workshop (optional)

Who to Contact for Questions

DNREC Drainage Program

Matt Grabowski – Program Manager
matthew.grabowski@state.de.us

Jason Strauss - Maintenance Questions
jason.strauss@state.de.us

Heather Hitchens – COC's & Audits
heather.hitchens@state.de.us

Right of Way inquiries

DNREC_Soil_TaxDitch@state.de.us

Michele Garner – Officer Assistance
michele.garner@state.de.us

If requested, we will try to have a representative at your annual meeting

Georgetown Field Office

855-1930 ♦ 677-7059 fax

21390 Berlin Road Unit 6 ♦ Georgetown, DE 19947

DNREC_Soil_TaxDitch@state.de.us

New Castle C.D.

(302) 832-3100

Rick Mickowski
Bonnie Westcott

Kent C.D.

(302) 741-2600 ext. 3

Gene Vanderwende
Gayle Wills

Sussex C.D.

(302) 856-3990 ext. 3

Bryan Jones
Dan Lee

Tax Ditch Law

- Title 7, Chapter 41 of the Delaware Code passed in 1951 last revised in 2008
 - “Drainage of Lands and Management of Waters; Tax Ditches”
 - Online @: <http://www.delcode.state.de.us>
- Law Declared:
 - “... that the drainage and the prevention of flooding of lands and the management of water for resource conservation shall be considered a public benefit and conducive to the public health, safety and welfare.”

Tax Ditch Organization's Powers

Powers as a Governmental Subdivision of the State:

- Levy taxes
- Make & execute contracts
- Receive administrative & technical assistance from Division of Watershed Stewardship
- Others as defined in §4161 of Title 7 Ch. 41

What is Technical & Administrative Assistance?

Technical Assistance

- Maintenance Inspections
- Court Order Changes
- Construction Inspection
- Environmental Permitting
- Surveying
- Beaver Trapping



Administrative Assistance

- Right of Way Requests
- Mailing Labels / Post Cards
- Banking Issues
- IRS Issues
- Right of Way Obstructions
- Mapping
- Assessments / Certified Lists



So... Why are we here?

- Fraud Prevention
 - White Marsh Tax Ditch
 - 2005
 - \$29,995
 - Tappahanna
 - 2013
 - \$124,655
- \$600,000 - \$700,000 in tax disbursements to Tax Ditches statewide each year.
- Total Tax Ditch Assets are estimated to be over \$2 million
- State Auditor of Accounts to start auditing 10 -12 tax ditch organizations per year.



Don't Panic! We are here to help.

- Developed Guidance Document to explain the process
- Developed sample forms that will assist you in preparing proper documentation
- We will do your audits (DNREC or CDs)
- Training



Tax Ditch Internal Controls Advice & Audit Procedures Guide

Department of Natural Resources and Environmental Control (DNREC) Division of Watershed Stewardship

Tax Ditch Internal Controls Advice & Audit Procedures Guide

DNREC provides administrative and technical assistance to tax ditch organizations. As a joint effort with the State of Delaware Office of Auditor of Accounts (AOA), we have developed this document to provide guidance in matters of internal controls, financial statement preparation, and audit procedures.

Tax ditch organizations are governmental subdivisions of the State of Delaware that are required by law to hold annual meetings, elect officers, keep meeting minutes, prepare financial statements, have financial statements audited, and secure bond for the secretary-treasurer. Once elected, tax ditch officers have a fiduciary responsibility to the landowners, also known as the taxables, to ensure the tax ditch functions properly and to ensure adequate safeguards are in place over tax ditch assets. A system of internal control that promotes efficiency, yet minimizes risk, is essential.

Internal Controls

As management and the fiscal stewards of the tax ditch, the managers are responsible for the creation and maintenance of a system of internal controls to ensure effective and efficient organizational operations. However, internal controls are not foolproof. Management's monitoring of and attitude towards the adherence to control procedures are critical to making controls work. Support for good controls must come from all levels of the organization without regard to title, position, or contribution to the organization. Support includes the willingness to recognize and take corrective steps when fraud, waste, or abuse is suspected or has occurred.

A well-designed system of internal controls must include written policies and procedures and good supporting documentation to ensure each control objective is met. Failure to meet control objectives constitutes a weakness in an entity's internal controls system. The three categories of objectives, as defined by COSO¹, are as follows:

- Operations objectives relate to the overall operations of the entity.
- Reporting objectives ensure that all information used and output by the entity are accurate and reliable.
- Compliance objectives relate to the entity's compliance with laws and regulations.

There are five components of internal control which include the control environment, risk assessment, control activities, information and communication, and monitoring. All of these components should be evident in each entity's system of internal controls.

- Control Environment
 - Sets the tone of the organization;
 - Provides discipline and structure;

¹ The Committee of Sponsoring Organizations of the Treadway Commission (COSO), *Internal Control—Integrated Framework* has been used as a blueprint for the private and public sectors to establish internal controls that promote efficiency, minimize risks, promote the accuracy and reliability of financial statements, and encourage compliance with laws and regulations. In addition to COSO, the tax ditch should consider the *Standards for Internal Control in the Federal Government* (known as the Green Book), issued by the United States Government Accountability Office (GAO), which may be adopted by state, local, and quasi-governmental agencies, as well as not-for-profit organizations. The Green Book can be found at <http://www.gao.gov/assets/670/665712.pdf>.

Prepared in partnership with DNREC and AOA
so that Tax Ditches can meet the standard

Internal Controls

As management and the fiscal stewards of the tax ditch, the managers are responsible for the creation and maintenance of a system of internal controls to ensure effective and efficient organizational operations.

Each Tax Ditch should develop and adopt an internal control system that looks at all 5 components

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring



Control Environment & Risk Assessment

Control Environment

- Sets the tone of the organization;
- Provides discipline and structure

Examples:

- Integrity
- Ethical Values
- Competence
- **Operating Style**

Risk Assessment

- External and internal sources;
- Identification and analysis of relevant risks;
- Basis to determine how the risks should be managed

Examples

- Husband & Wife Officers
- Debit / Credit Cards
- Bank Fees

Control Activities

- Policies and procedures that help ensure management directives are carried out;
- Ensure that necessary actions are taken to address risks;
- Includes: approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets, and segregation of duties

Examples:

- At least 2 authorized signers on all accounts
- 2 signers on checks
- Manager should approve payment prior to payment by Sec./Tres.
- No Debit/Credit Cards
- No Petty Cash

COMPLETE LIST ON PAGE 2

Information & Communication

- Pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities;
- Effective communication flows down, across, and up the organization.

Examples

- Communication between officers should be more frequent than once per year at annual meeting
- Have Bank Statements delivered to a manager then taken to Sec./Treas. after review

Monitoring

- A process that assesses the quality of the system's performance over time;
 - Ongoing monitoring activities such as review of monthly bank reconciliations;
 - Separate evaluations such as financial audits.
- Examples
 - Reconciled Bank Statements
 - Financial Statements
 - Audits

Preparation of the Financial Statement

- ▶ Complete Prior to Tax Ditch Meeting
- ▶ Tax Ditch Fiscal Year is Calendar Year
- ▶ Definitions
 - Financial Statement
 - Audit
 - Fixed Assets
 - Receivables/Liabilities
 - Related Parties

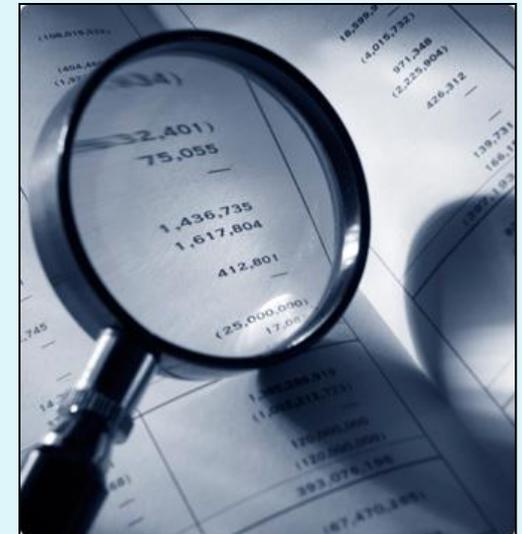


Financial Statement

- ▶ Per 7 Del. C. §4163 (2)
 - *“(2) Prepare a complete financial statement at the end of each calendar year, including therein an itemized report of all funds received, all funds expended, all funds due from taxes not yet collected and all sums due and owing by the tax ditch, and this statement and the records of the secretary-treasurer shall be audited annually by 2 qualified persons and shall become part of the permanent records of the tax ditch;*
- ▶ Must include: beginning and ending balances, receipt/disbursement, fixed assets belonging to the tax ditch, funds due to or owed by the tax ditch, and a description of any related party transactions that have occurred.

Audit

- ▶ Review of financial statement and examination of all financial records and supporting documents.
- ▶ Audit performed by 2 qualified persons who do not have access to the Tax Ditch Funds.
- ▶ AOA recommends auditors are:
 - Not tax ditch officers
 - Not signers on the bank account
 - Not related to signers on the bank account
 - Two persons with a financial background
 - DNREC, Drainage Program
 - Accountants with the Conservation District
 - A Certified Public Accountant (CPA) with a private accounting firm (paid or voluntary)



Fixed Assets

- ▶ Something tangible or expect to be used for more than one accounting period.
- ▶ Tax Ditch Examples
 - Reusable Meeting Advertisement Signs, ATV, Computer, or Printer
- ▶ Purchases of items costing more than \$50, that are expected to last more than one year should be included.



Receivables / Liabilities

- ▶ Tax Ditch Examples:
 - Cost Share Due
 - Uncollected Taxes
 - Loans / Credit Cards
 - Outstanding Invoices



Related Parties

Related parties may be defined as affiliates of the tax ditch (such as a smaller tax ditch that feeds into a larger tax ditch), management of the tax ditch and members of their immediate families, other parties the tax ditch may transact with if the party has control or significant influence over the management or operating policies of the tax ditch, or a tax ditch officer that has ownership interest in a transacting party.

Transactions that, because of their nature, may be indicative of the existence of related parties include: borrowing or lending on an interest-free basis or at a rate of interest significantly above or below market rates prevailing at the time of the transaction, making loans with no scheduled terms for when or how the funds will be repaid, exchanging property for similar property in a nonmonetary transaction, and services received without charge. These transactions must be **disclosed** on the financial statement form.

_____ Tax Ditch
 January 1 through December 31, _____ Financial Statement

Certificates of Deposit

Account #	
Opened Date	Matures
Beginning Balance January 1 (<i>agrees to bank statement and ending balance of prior year Financial Statements</i>)	
Interest earned	
Ending Balance December 31 (<i>agrees to bank statement</i>)*	\$

Account #	
Opened Date	Matures
Beginning Balance January 1 (<i>agrees to bank statement and ending balance of prior year Financial Statements</i>)	
Interest earned	
Ending Balance December 31 (<i>agrees to bank statement</i>)*	\$

*Attach copy of bank statement.

Cash Summary

Account #1	\$ _____
Account #2	\$ _____
CD #1	\$ _____
CD #2	\$ _____
Total tax ditch cash (ending balance of all accounts)	\$ _____

Fixed Assets: items that cost more than \$50 and have a useful life greater than one year (examples: ATV, tractor, computer, printer, etc.)

Description	Date Acquired	Acquisition Cost	Location

Receivables/Liabilities (cost share due, uncollected taxes, loans, credit cards, bills to be paid, etc.)

Description (include statement)	Receivable (R) or Liability (L)?	Balance as of 12/31

If tax ditch has applied for cost share funds, attach approval letter(s) from the respective conservation district.

_____ Tax Ditch
January 1 through December 31, _____ Financial Statement

Related Party Transactions (see description in *Tax Ditch Internal Controls Advice & Audit Procedures Guide*)

Description of Transaction and Relationship	Date	Actual Cost or Estimated Value

We have read the Tax Ditch Internal Controls Advice & Audit Procedures Guide and acknowledge that we have followed these procedures. We also have prepared and reviewed the records and Financial Statement of _____ Tax Ditch and believe them to be true and accurate.

 Secretary/Treasurer (sign above)
 Print Name _____
 Contact # _____
 Date _____

 Manager (sign above)
 Print Name _____
 Contact # _____
 Date _____

Assemble Audit Package

- ____ Complete Financial Statement.
- ____ Provide prior year audited Financial Statement.
- ____ Assemble all bank statements for the year for all accounts.
- ____ Provide check register or ledger.
- ____ Provide all invoices and receipts.

- ____ Assemble all statements for Certificates of Deposit.
- ____ Provide a list of authorized signers from each bank.
- ____ Attach meeting minutes for the year.
- ____ Attach cost share funds approval letter from conservation district.
- ____ Attach *Expected vs. Actual Received Revenue* (from DNREC).
- ____ Attach Bond Certificate.

Assembling The Audit Package

- ✓ Complete Financial Statement
- ✓ Provide prior year audited Financial Statement
- ✓ Assemble all bank statements for the year for all accounts
- ✓ Provide front and back of all canceled checks
- ✓ Provide check register or ledger
- ✓ Provide all invoices and receipts
- ✓ Assemble all statements for Certificates of Deposit
- ✓ Provide a list of authorized signers from each bank
- ✓ Attach meeting minutes for the year.
- ✓ Attach cost share funds approval letter (conservation district)
- ✓ Attach Expected vs. Actual Received Revenue (from DNREC)
- ✓ Attach Bond Certificate

Reimbursement

- ▶ Establish Reimbursement Rates at Meeting
 - Renew Annually
- ▶ Officer Compensation
- ▶ Mileage
 - 57.5 cents per mile for business miles driven, up from 56 cents in 2014
- ▶ Mowing



Auditing the financial statement

- ▶ Check list
- ▶ What the auditors should be looking for?
- ▶ What to do if items are missing or fraud is suspected?

A graphic with a white background containing the text "I ❤️ AUDIT". The letter "I" is in a large, black, serif font. To its right is a solid red heart. Below the "I" and heart, the word "AUDIT" is written in a large, black, serif font.

I ❤️
AUDIT

Tax Ditch Audit Check List

Tax Ditch Audit Check List	
Audit of _____ (year) Financial Statement of the _____ Tax Ditch	
Yes (Y), No (N), Not-applicable (N/A)	
Auditor #1	Auditor #2
Verify each bank statement clearly shows the tax ditch account is held in the name of the tax ditch (and is spelled correctly) and is not shown as "Trading As" (T/A), "Doing Business As" (DBA), or as a joint account. Verify the authorized signers are current officers of the tax ditch.	
Jan _____ Feb _____ Mar _____ Apr _____ May _____ June _____ July _____ Aug _____ Sept _____ Oct _____ Nov _____ Dec _____	Jan _____ Feb _____ Mar _____ Apr _____ May _____ June _____ July _____ Aug _____ Sept _____ Oct _____ Nov _____ Dec _____
Examine Bank statements Jan – Dec _____ (year) for all deposits and withdrawals along with supporting documentation. See below: <ul style="list-style-type: none"> • Receipts/Deposits – check for County deposits, bank interest, cost share funds, etc. and are reflected on the Financial Statement. • Invoices/Bills – check to see that expenses are legitimate and reflected on the Financial Statement. 	
Auditor #1 & #2 check off in box to the left as you examine each statement.	
Verify the December bank statement has been reconciled to the checkbook register or ledger.	
<u>Certificate of Deposit (CD)</u> Look at prior year Financial Statement to make sure CDs not cashed in are still in existence and inquire if any new CDs have been purchased. Verify all CDs are reported on the Financial Statement. Agree amounts to the bank statement. Verify all amounts on the Financial Statement add properly. Agree the ending balance per account listed in the Financial Statement to the ending balance per the bank statement. Account Closed - Type of Account _____ Acct # _____ Verify ending balance of closed account matches the deposit into a new account or explain circumstances. Closing Balance \$ _____ Date _____ New Account Beginning Balance \$ _____ Date _____ DNREC notified Y / N (circle) County notified Y / N (circle) <u>Fixed Assets</u> Compare to last year's list to ensure it is complete and verify current year asset purchases have been included. <u>Receivables/Liabilities</u> Agree amounts reported to a statement of account, loan agreement, invoice, or other source as applicable.	
We have read the Tax Ditch Internal Controls Advice & Audit Procedures Guide and acknowledge that we have followed these procedures. We have examined the records and Financial Statement of the _____ Tax Ditch and have assessed an overall rating of: _____ ? Pass _____ ? Pass with immaterial deficiencies _____ ? Fail	
Auditor #1 _____	Date _____
Print name & contact # _____	
Auditor #2 _____	Date _____
Print name & contact # _____	
Submit completed audit form and Financial Statement to DNREC, Division of Watershed Stewardship, 21309 Berlin Road, Unit #6, Georgetown, DE 19947.	

Check List

- Verify that each bank statement shows the tax ditch account and name is spelled correctly and not shown as “Trading As” (T/A) or “Doing Business As” (DBA) and that authorized signers are current officers of the Tax Ditch.



ABC Bank		Checking Account Statement		
C/O FRED FLINSTONE BEDROCK TAX DITCH 1234 QUARRY LANE GEORGETOWN, DE 19947		ACCOUNT TYPE ABC CHECKING FOR BUSINESS		
ACCOUNT NUMBER	STATEMENT PERIOD			
12345678910	1/1/2014- 1/31/2014			
BEGINNING BALANCE	5,280.50			
DEPOSITS & CREDITS	1,240.32			
LESS CHECKS & DEBITS	1,800.00			
LESS SERVICES CHARGES	0.00			
ENDING BALANCE	4,270.82			
ACCOUNT ACTIVITY				
POSTING DATE	TRANSACTION DESCRIPTION	DEPOSITS & OTHER CREDITS (+)	WITHDRAWALS & OTHER DEBITS (-)	DAILY BALANCE
1/1/2014	Beginning Balance			\$5,280.50
1/15/2014	Sussex County	790.32		\$6,070.82
1/19/2014	Deposit	450.00		\$6,520.82
1/30/2014	Check Number 111		1,800.00	\$4,720.82

Check List

__Jan	__Jan
__Feb	__Feb
__Mar	__Mar
__Apr	__Apr
__May	__May
__June	__June
__July	__July
__Aug	__Aug
__Sept	__Sept
__Oct	__Oct
__Nov	__Nov
__Dec	__Dec

- Examine reconciled bank statements Jan–Dec (1/1/___ to 12/31/___) for all deposits and withdrawals along with supporting documentation
- Receipts/Deposits – check for County deposits, bank interest, cost share funds, etc. and are reflected on the Financial Statement.
- Invoices/Bills – check to see that expenses are legitimate and reflected on the financial statement
- Auditor #1 & #2 check of in box to the left as you examine each statement.
- Verify December bank statement has been reconciled to the checkbook register or ledger.

Sample of Bank Statement

1st National Bank of Bedrock Checking Account Statement

C/O FRED FLINSTONE
 BEDROCK TAX DITCH
 1234 QUARRY LANE
 GEORGETOWN, DE 19947

ACCOUNT TYPE
CHECKING FOR BUSINESS

ACCOUNT NUMBER	STATEMENT PERIOD
12345678910	1/1/2014- 1/31/2014

BEGINNING BALANCE	5,280.50
DEPOSITS & CREDITS	1,240.32
LESS CHECKS & DEBITS	1,800.00
LESS SERVICES CHARGES	0.00
ENDING BALANCE	4,270.82

ACCOUNT ACTIVITY

POSTING DATE	TRANSACTION DESCRIPTION	DEPOSITS & OTHER CREDITS (+)	WITHDRAWALS & OTHER DEBITS (-)	DAILY BALANCE
1/1/2014	Beginning Balance			\$5,280.50
1/15/2014	Sussex County	790.32		\$6,070.82
1/19/2014	Deposit	450.00		\$6,520.82
1/30/2014	Check Number 111		1,800.00	\$4,720.82

Sample of Invoice

Bam Bam's Mowing

1111 Breakable Lane
Millsboro, DE 19966
(302) 555-1111

INVOICE

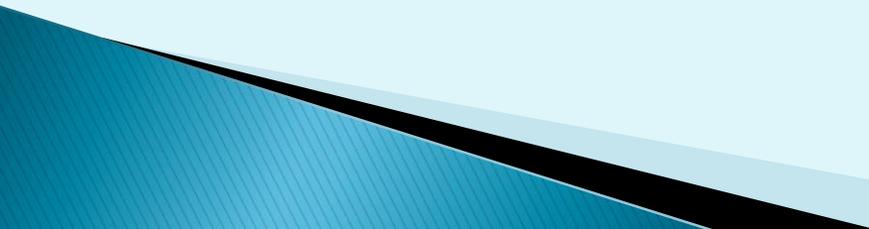
Invoice Number: 001
Invoice Date: 12/31/2013

Bill To:
Bedrock Tax Ditch
c/o Fred Flintstone
1234 Quarry Lane
Georgetown, DE 19947

Payment Terms	Due Date
Net 30 days	1/30/2014

Miles	Description	Rate	Amount
20	Mowing Ditch banks	\$90.00	\$1800.00
Thank you for your Business		Total	\$1,800.00

Certificate of Deposit (CD)

- ▶ Look at prior year Financial Statement to make sure CDs not cashed in are still in existence and inquire if any new CDs have been purchased.
 - ▶ Verify all CDs are reported on the Financial Statement and agree.
 - ▶ Amounts agree to the bank statement.
- 

Sample of Certificate of Deposit

ABC BANK
1000 MONEY TREE LANE
GEORGETOWN, DE 19947

5/27/2015

Date of Notice:

Account # 12345

C/O Fred Flintstone
Bedrock Tax Ditch
1234 Quarry Lane
Georgetown, DE 19947

Certificate of Deposit Renewal Notice

12 Month CD		Account 12345	
Value at Renewal	\$4,220.25	Issue Date	6/16/2014
Renewal Term	12 months	Maturity Date	6/16/2015
Renew:	Principal & Interest	Renewal Maturity Date	6/16/2016
Interest Credited:	At Maturity		

Dear Customer:

We are writing to inform you that your Certificate of Deposit (CD) account will mature on June 16, 2016. If no changes are made your CD will automatically renew on June 16, 2015 for an additional term of 12 months.

Check List

- ▶ Verify all amounts on the financial statement add properly.
- ▶ Agree the ending balance per account listed in the Financial Statement to the ending balance per the bank statement.



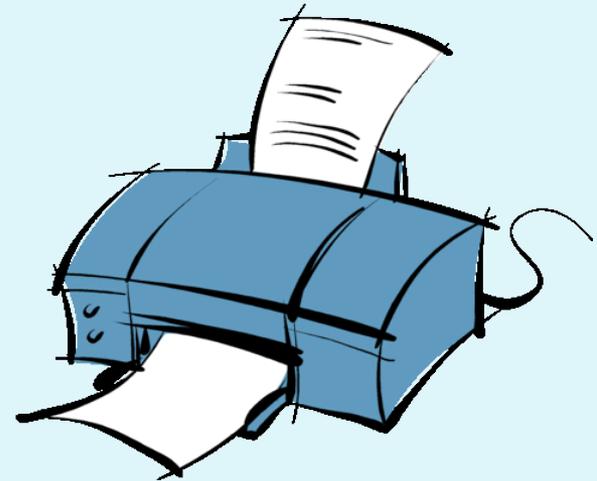
Check List

- ▶ **If an Account is Closed**
- ▶ Type of Account – Checking/Savings/Money Market/CD
- ▶ Acct #_____
- ▶ Verify ending balance of closed account matches the deposit into a new account or explain circumstances.
- ▶ Closing Balance \$ _____ Date _____
- ▶ New Account Beginning Balance \$ _____ Date _____
- ▶ DNREC notified Y/N (circle) DNREC will send a letter to update the County offices



Check List

- ▶ Fixed Assets
- ▶ Compare to last year's list to ensure it is complete and verify current year asset purchases have been included.



Check List

- ▶ Receivables / Liabilities
- ▶ Ensure amounts reported to a statement of account, loan agreement, invoice, or other source as applicable agree.



Check List

- ▶ Pass, Pass with immaterial deficiencies or Fail
- ▶ Sign, Print Name & Date

We have read the Tax Ditch Internal Controls Advice & Audit Procedures Guide and acknowledge that we have followed these procedures. We have examined the records and Financial Statement of the _____ Tax Ditch and have assessed an overall rating of:

_____ Pass _____ Pass with immaterial deficiencies _____ Fail

Auditor #1 _____ **Date** _____

Print name & contact # _____

Auditor #2 _____ **Date** _____

Print name & contact # _____

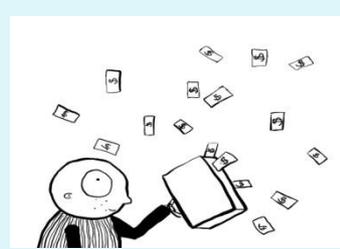
Submit completed audit form and Financial Statement to DNREC, Division of Watershed Stewardship, 21309 Berlin Road, Unit #6, Georgstown, DE 19947.

What Auditors should look for

- ▶ Bank Statements are in correct name
- ▶ Verify authorized signers on the accounts.
- ▶ All bank statements have been reconciled
- ▶ Invoices/bills for any checks written.
- ▶ Receipts for any money coming in (county deposits, cost share, etc.)
- ▶ Verify all CDs are current
- ▶ Accounts are still current (no closed accounts dormancy)
- ▶ Fixed Assets are accounted for (printer, computer, all-terrain vehicle etc.)
- ▶ Receivables/Liabilities – Loan payments, etc.

Should there be any discrepancies in the record, a meeting of the managers and the auditors is recommended.

Things to Avoid



- ▶ Certificate of Deposits (CD's) going into dormancy. We have had cases where there was no activity on the bank account for some time and the banks turn the funds over to the State Abandoned Property.
- ▶ Make sure if they show a CD on last years financial statement and it was not cashed in that they still have that CD.
- ▶ Changing banks and the bank writes the check to the Tax Ditch Officer personally not in the Tax Ditch's name.
- ▶ Unnecessary Fees – low balance, account type etc.

WHAT TO DO IF YOU SUSPECT FRAUD

- ▶ If there is apparent or a suspected misappropriation of funds, we recommend that the auditors contact the DNREC, Division of Watershed Stewardship **IMMEDIATELY** at 302-855-1930 or the Office of Auditors of Accounts at 302-739-4241

Other Tax Ditch Business

- ▶ Typical agenda example
- ▶ How to run a meeting
- ▶ How to present the financial statement
- ▶ Setting warrant rate, planning for future maintenance
- ▶ Election of Officers
- ▶ Meeting notice

TYPICAL AGENDA EXAMPLE



(for meeting)

Call to order

Read minutes of previous meeting

Report from Secretary/Treasurer

Special topics or presentations

Old business

New business

Warrant Rate

Election of Officers

Next Meeting – date & method of notice

Final Comments

Adjourn

VOTE!



(for notice purposes – newspaper & postings)

Election of Officers, Discuss Finances/Tax Rate,
Pending Maintenance, and Condition of Ditch

%



ANNUAL MEETING GUIDE

1. Call to order. (list attendees in meeting minutes)

Example:

The Annual Meeting of Baker Tax Ditch was called to order at 1:00 p.m.

Present: Mary Jones John Smith
 Robert Jones Paul Roberts

2. Read minutes of previous meeting with call for corrections, motion to accept minutes as read or as corrected.
*Previous meeting minutes, if corrected, are physically corrected as well as, the correction is noted in the current meeting minutes.

No Corrections Example:

The minutes of the 2014 Annual Meeting were read, there were no corrections. A motion was made by John Smith, seconded by Robert Jones to accept the minutes as read. Motion adopted.

Corrections Example:

The minutes of the 2014 Annual Meeting were read, Robert Jones noted that the beaver problem reported as Prong 1, is actually on Sub 1 of Prong 1. A motion was made by Robert Jones, seconded by John Smith to correct the minutes to reflect the beaver problem as being on Sub 1 of Prong 1. Motion adopted.

3. Report from secretary/treasurer on financial condition of the tax ditch organization:

Financial Statement – last completed fiscal year (audited or subject to audit)

Read: Beginning Balance

Bills, amount, and what bill was for

Receipts (including tax disbursements and interest)

Ending Balance

Expected vs Actual Revenue Report (*letter from DNREC*)

Current Balance

A motion should be made and adopted to accept the Financial Statement as audited or subject to audit (whichever applies).

4. Special topics or presentations by ditch managers or outside speakers from the DNREC, Conservation District, Natural Resources Conservation Service, Fish and Wildlife, and others.

Record brief summary of presentation in the minutes (can ask presenter to provide a summary).

5. Old business - update on business discussed at previous meeting.

- a. maintenance work completed during past year
- b. other issues

6. New business -

- a. Maintenance - What maintenance work is needed? Mowing? Spraying? Cleanout? Pipe repair? Erosion Problem? Apply for cost share.
- b. Landowner problems/concerns.
- c. Other problems, such as beavers, blockages, downed trees, etc.
- d. Ditch tax / Warrant Rate - Should it be raised to cover increased costs of maintenance? Note current warrant rate.

7. Warrant Rate – percentage rate of Warrant for upcoming tax collections.

Warrant rates should be set to plan on collecting enough funds to pay for annual expenses (mowing, advertisement, meeting place rental, etc.) – plus enough to build for the future (clean-out, pipe replacement, and miscellaneous emergencies).

8. Election of Officers (Managers & Secretary-Treasurer) – Officers serve a one year term and are elected annually. Record elected officers names and titles in meeting minutes.

9. Next Meeting – date & method of notice (advertise in newspaper & post signs or mailing).

Notice of all meetings shall be made at least 10 days' notice prior to the meeting by either of these methods

(1) By publishing in a newspaper of general circulation in the area of a tax ditch, and by posting at 5 conspicuous places in or near the area of said tax ditch, a notice stating the time, place and object of the meeting; or

(2) By mailing to each affected taxable at the address currently shown on the records of the board of assessment of the county, a notice stating the time, place and object of the meeting.

10. Final Comments

11. Adjourn.

ANNUAL MEETING GUIDE

1. Call to order. (list attendees in meeting minutes)

Example:

The Annual Meeting of Baker Tax Ditch was called to order at 1:00 p.m.

Present: Mary Jones John Smith
 Robert Jones Paul Roberts

2. Read minutes of previous meeting with call for corrections, motion to accept minutes as read or as corrected.

*Previous meeting minutes, if corrected, are physically corrected as well as, the correction is noted in the current meeting minutes.

No Corrections Example:

The minutes of the 2014 Annual Meeting were read, there were no corrections. A motion was made by John Smith, seconded by Robert Jones to accept the minutes as read. Motion adopted.

Corrections Example:

The minutes of the 2014 Annual Meeting were read, Robert Jones noted that the beaver problem reported as Prong 1, is actually on Sub 1 of Prong 1. A motion was made by Robert Jones, seconded by John Smith to correct the minutes to reflect the beaver problem as being on Sub 1 of Prong 1. Motion adopted.

3. Report from secretary/treasurer on financial condition of the tax ditch organization:

Financial Statement – last completed fiscal year (audited or subject to audit)

Read: Beginning Balance

Bills, amount, and what bill was for

Receipts (including tax disbursements and interest)

Ending Balance

Expected vs Actual Revenue Report (*letter from DNREC*)

Current Balance

A motion should be made and adopted to accept the Financial Statement as audited or subject to audit (whichever applies).

4. Special topics or presentations by ditch managers or outside speakers from the DNREC, Conservation District, Natural Resources Conservation Service, Fish and Wildlife, and others.

Record brief summary of presentation in the minutes (can ask presenter to provide a summary).

5. Old business - update on business discussed at previous meeting.
 - a. maintenance work completed during past year
 - b. other issues

6. New business -
 - a. Maintenance - What maintenance work is needed? Mowing? Spraying? Cleanout? Pipe repair? Erosion Problem? Apply for cost share.
 - b. Landowner problems/concerns.
 - c. Other problems, such as beavers, blockages, downed trees, etc.
 - d. Ditch tax / Warrant Rate - Should it be raised to cover increased costs of maintenance?
Note current warrant rate.

7. Warrant Rate – percentage rate of Warrant for upcoming tax collections.
Warrant rates should be set to plan on collecting enough funds to pay for annual expenses (mowing, advertisement, meeting place rental, etc.) – plus enough to build for the future (clean-out, pipe replacement, and miscellaneous emergencies).

Setting Warrant Rates

Sample:

Beginning Balance		\$12,000.00
Annual Revenue		
Tax Disbursement (16% Warrant rate)	\$4,000.00	
Cost Share (mowing 9.5 mi @ \$25)	<u>\$ 237.50</u>	
	\$4,237.50	\$4,237.50
Annual Expenses		
Mowing	\$3,000.00	
Bonding	\$ 86.00	
Meeting Advertisement	\$ 25.00	
Meeting Place Rental	<u>\$ 50.00</u>	
	\$3,161.00	-\$3,161.00
Ending Balance		\$13,076.50

Revenue \$4,237.50
 Expenses \$3,161.00
 Difference \$1,076.50

\$1,076.50 x 20 years = \$21,530.00

Assessment Base \$25,000.00

@ 10%	\$2,500
@ 12%	\$3,000
@ 14%	\$3,500
@ 16%	\$4,000
@ 18%	\$4,500
@ 20%	\$5,000

8. Election of Officers (Managers & Secretary-Treasurer) – Officers serve a one year term and are elected annually. Record elected officers names and titles in meeting minutes.

9. Next Meeting – date & method of notice (advertise in newspaper & post signs or mailing).

Notice of all meetings shall be made at least 10 days' notice prior to the meeting by either of these methods

(1) By publishing in a newspaper of general circulation in the area of a tax ditch, and by posting at 5 conspicuous places in or near the area of said tax ditch, a notice stating the time, place and object of the meeting; or

(2) By mailing to each affected taxable at the address currently shown on the records of the board of assessment of the county, a notice stating the time, place and object of the meeting.

10. Final Comments.

11. Adjourn.

Miscellaneous Information

Voting at meetings is based on dollars assessed to each property. Typically, at meetings when a vote is held it is done as one person/one vote. This is fine, as long as there are no dissenting votes. If there is even one dissenting vote, the vote must be held per the law and based on dollars assessed with a majority of votes cast determining the if the motion is adopted or denied.

It is recommended that the Tax Ditch have a *full complement of Officers*. Most Tax Ditches are required to have two (2) Managers (one of which is selected Chairman), and one (1) Secretary-Treasurer. The Chairman can appoint an officer to fill a vacancy until the next annual meeting.

The Tax Ditch Managers may also call a *special meeting* of the tax ditch during the year to discuss and vote on any other important matters requiring the attention of the taxables.

Operations and Maintenance Plan (O & M Plan) - It is recommended that Tax Ditches have an O & M Plan which will assist in determining planned maintenance activities & estimated costs to insure funds are available to meet expenses. Adjust tax warrant rate based on O & M Plan. Upon request DNREC and/or Conservation District can assist in inspection of ditch and development of O & M Plan.

BONDING & TYPES OF BONDS

Bonding of Secretary-Treasurer

Delaware Code requires that the secretary-treasurer of a tax ditch be bonded. A bond is basically an insurance policy.

Per 7 Del C. §4164. Bond of secretary-treasurer.

“The secretary-treasurer shall, before assuming the duties of his office and within 15 days after his election, furnish a bond in favor of the tax ditch, in an amount satisfactory to the ditch managers and with a surety to be approved by the ditch managers, conditioned for the faithful performance of his duties and for the payment to his successor of all tax ditch funds. If any person elected secretary-treasurer neglects or refuses to give bond as aforesaid within the time specified, his right to hold such office shall be terminated, and the ditch managers shall call a special meeting of the taxables to elect a new secretary-treasurer who shall give bond and security as provided in this section.”

DNREC and AOA recommend that all tax ditch officers be bonded. The tax ditch can choose the insurance agent or bonding company preferred. DNREC maintains a list of various companies that offer bonding. Costs vary between companies and by the type of bond purchased.

- Blanket Position Bond (Government Crime Policy) – bonds each officer position.
- Fidelity Bond – bonds each officer (an application must be completed for each officer with personal information such as name, address, occupation, and, with some companies, social security number).

The managers should ensure that the bond has been renewed annually. A copy of the Bond Certificate (proof of bonding) should be kept by each officer and an additional copy sent to the DNREC Division of Watershed Stewardship.

Questions



Who to Contact for Questions

DNREC Drainage Program

Matt Grabowski – Program Manager
matthew.grabowski@state.de.us

Jason Strauss - Maintenance Questions
jason.strauss@state.de.us

Heather Hitchens – COC's & Audits
heather.hitchens@state.de.us

Right of Way inquiries

DNREC_Soil_TaxDitch@state.de.us

Michele Garner – Officer Assistance
michele.garner@state.de.us

If requested, we will try to have a representative at your annual meeting

Georgetown Field Office

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Bryan Jones
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