



Conservation District Finances

Financial Planning & Budgeting

Elements of a Sound Financial Plan

- Identify all revenue sources for the planning period (*state & county allocations, tree sales, fundraisers, fees, grants, etc.*)
- Identify all expense categories for the planning period
- Establish a budget including all income and expenses
- Establish a Statement of Cash Flows for the budget period (*A Statement of Cash Flows details each income and expense item and shows exactly what the amounts will be for each budget period*).

Understanding District Finances

The accounting system used by Districts utilizes generally accepted accounting practices that are required and recommended by the Michigan Department of Agriculture.

These accounting practices and procedures allow for adequate management of the Districts revenues and expenses, and provides an adequate system of monitoring by the board of directors as well as outside auditors.

Internal Controls

Internal controls are policies and procedures designed to provide reasonable assurance that assets are safeguarded against unauthorized use and disposition.

The Conservation District Board of Directors is responsible for establishing and maintaining a system of internal controls over the accounting procedures as well as over all assets belonging to the Conservation District.

Internal Controls (continued)

The following is a *summary* of internal controls that should be in place in every Conservation District in Michigan. Please refer to the Accounting Procedures Manual located in each District office for detailed information.

- 1. Cash Receipts:** All revenue must be receipted, and a cash receipts journal is maintained through the use of the Deposit Advice Form.
- 2. Bank Accounts:** All District bank accounts must include the name of the Conservation District, the name of the account, and the name of the Board treasurer.

Internal Controls (continued)

- 3. Inventory Accounting:** Districts must have a system in place to provide a current record of inventory on hand and cost of goods sold to date.
- 4. Journal Entry:** Any corrections to entries must be done by journal entry. Journal entries must be sequentially numbered and must contain adequate explanation and supporting documentation.

Top 5 Things A Director Should Know

1. Directors should receive financial reports prior to the monthly board meeting. These reports should be for the period of the calendar month prior to the board meeting.

The reports are:

- Balance Sheet dated the last day of the reporting month
- Profit and Loss Statement for the reporting month
- YTD Budget vs Actual report through the reporting month

Top 5 Things A Director Should Know

Each director should:

2. Monitor the District's cash balance:

- Examine the monthly bank statements to verify deposits and checks written.

3. Monitor the District's overall financial standing:

- Examine the Balance Sheet Statement for bank account balances, accounts receivable and accounts payable. Ask about expected income. Look at a list of the current bills. Compare the cash balances to the bank statements.

Top 5 Things A Director Should Know

Each director should:

4. Monitor Income and Expenses from the previous month

- Examine the Profit and Loss Statement for the previous month. Verify that the bills authorized at the previous meeting were credited to the correct activity. Look at a list of the paid bills.

5. Monitor the budget:

- At least quarterly, examine the YTD Budget vs Actual report to compare the YTD amounts spent for each activity to the budgeted amounts set by the Board. Make adjustments to the budget as necessary to avoid a possible negative balance.