

Conservation District Finances

Training Module 5



What You'll Learn In This Module

Conservation District Directors are responsible for developing funding sources for the operation of the District and for conducting programs that focus on solving natural resources issues. In this module, you'll learn:

- How Conservation Districts are funded
- The importance of financial planning & budgeting
- Budgeting approaches
- Understanding financial statements
- Internal controls



Discussion Questions

- | Name five sources that Conservation Districts have to help them fund programs.
- | Why is it important for Districts to have a sound financial plan?
- | Of the three budgeting approaches listed, which one does your District use?
- | Does your District have a policy that targets finances and internal controls?



Funding Sources

Conservation Districts obtain money to do their work through a variety of sources. Many of these include:

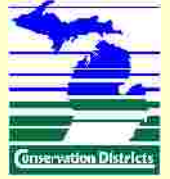
- State allocations
- County allocations
- Tree seedling sales
- Grants: Federal, state, local and private
- Fee-for-service
- Fundraising events
- Private donations



State Allocations

As of FY 2004 each Conservation District receives base funding of approximately \$20,000 per year from the State of Michigan.

These dollars are allocated through a grant from the Michigan Department of Agriculture called the District Operations Grant.



County Allocations

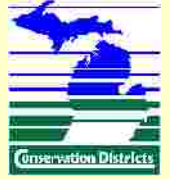
Many Districts in Michigan receive dollars from their County Board of Commissioners. The amount varies among Districts; some Districts receive office space in lieu of actual dollars, some receive allocations to do special projects within the county, and some don't receive anything at all.



Tree Seedling Sales

Each spring and fall Michigan's Conservation Districts sell a variety of high quality seedlings and other conservation products for erosion control, wildlife habitat, reforestation, windbreaks, and backyard conservation.

Seedlings are purchased from nurseries, repackaged and sold to landowners. Dollars derived from these sales help finance District operating funds, as well as specific conservation programs.



Grants

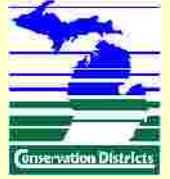
Grants for conducting special projects are also sought after by Districts. Districts write grants to fund many natural resource related projects in their counties, although they are encouraged to seek funding for those projects that reflect their mission and are part of their long-range plan.



Fee-for-Service

With the decrease in state and local funding for conservation programs over the past several years, many Districts can no longer afford to offer free programs and services to county residents.

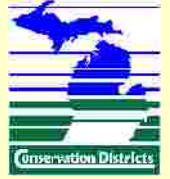
These Districts have established a “fee-for-service” program. For example, if a landowner wants the District forester to make recommendations on his woodlot, the District will charge a fee for that particular service.



Fundraising Events

Special fundraising events are also conducted by many Districts. These events not only bring in added income but can generate community awareness of conservation programs. Some events include:

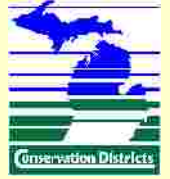
- Native plant/bulb sales
- Raffles (land, cabins, boats, hunting gear, etc.)
- Educational workshops
- Festivals



Private Donations

Obtaining funds, land, buildings, etc. from private donors is an avenue in which Districts have been recently involved.

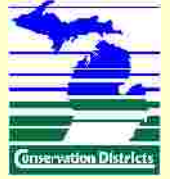
Since donations to Conservation Districts are tax incentives for the donor, it can be a win-win for both parties.



Financial Planning & Budgeting

In order to be successful, a Conservation District (like any organization) must have a process for determining financial priorities and allocating resources to meet those priorities.

The best plans, unless adequately funded, will never come to pass. Money, unless properly allocated and budgeted, will sit idle or be spent without regard to the goals of the District.



Financial Planning & Budgeting (continued)

The financial planning process allows the District staff and directors to attach dollar amounts to the goals in their Annual and Long Range Plans.

The Board can then approach fulfilling the goals of the Plans based on the resources available to the District.



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*).



Budgeting Approaches

Approach # 1: W.A.G. (Wild Assumed Guess)

This means, “budget by gut instinct”. Assign budget amounts for all items without analysis of needs, impact on services or outcomes. This is almost always the least accurate approach to budgeting.

| Advantages | Disadvantages |
|---|---|
| Quick & dirty | No basis for decisions if budget is wrong |
| Occasionally brilliant | No standard for calculating error |
| Appealing to those unwilling to deal with sophisticated systems | Difficult to defend & easy to cut |



Budgeting Approaches

Approach # 2: Incremental Budgeting

This planning process uses last year's budget as a basis for additional funding.

| Advantages | Disadvantages |
|----------------------------------|--|
| Saves time | Long-range programming is minimized; all budgeting is “year-to-year” |
| Treats all programs the same way | Not all budget items need the same increase or decrease |
| Simple to administer | Emphasis is places in inputs, not outputs |
| Easy to understand | Easy to cut |



Budgeting Approaches

Approach # 3: Zero-Base Budgeting

This is a “start from scratch” budget process. All programs and activities are evaluated and choices are made on basis of funds available and value. Each activity must be successfully defended in order to remain in the budget.

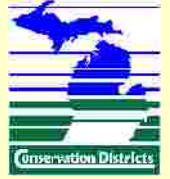
| Advantages | Disadvantages |
|---|--|
| Each budget item is examined | Easier to cut necessary but unpopular programs |
| Possible to eliminate previously funded activities | Requires efforts to examine and defend priorities |
| Changes in priorities make programs/spending possible | Long-range programming is minimized; budgeting is “year-to-year” |



Understanding District Finances

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

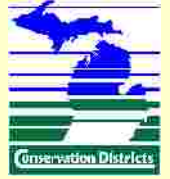
These accounting practices and procedures allow for adequate management of the Districts revenues and expenses, and provides an adequate system of monitoring by the board of directors as well as outside auditors.



Understanding District Finances (continued)

Reports reflecting the financial condition of the District are presented to the board each month. These financial reports include:

- **Status of expenditures on general operations, specific projects and grant programs**
- **Monthly statement of cash flow**
- **Monthly revenue and expense statement for the month and year-to-date with comparison to the budget**



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 are 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)

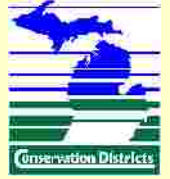
The following is a *summary* of internal controls that should be in place in every Conservation District in Michigan. Please refer to the Accounting Procedures Manual located in each District office for detailed information.

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.



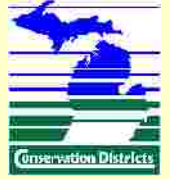
Internal Controls (continued)

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.



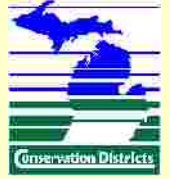
Summary

- | Conservation District Directors is responsible for developing funding sources for the operation of the District and for conducting programs that focus on solving natural resources issues.
- | Districts obtain money to do their work through a variety of sources including state and county allocations, tree seedling sales, grants, fee-for-services, fundraising events, and private donations.



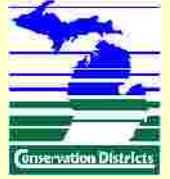
Summary

- | In order to be successful, a Conservation District must have a process for determining financial priorities and allocating resources to meet those priorities.
- | The accounting system used by Districts utilize generally accepted accounting practices that are required and recommended by the Michigan Department of Agriculture.



Summary

- | The Conservation District Board of Directors are 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.



Review Questions

- | Name five sources that Conservation Districts have to help them fund programs.
- | Why is it important for Districts to have a sound financial plan?
- | Of the three budgeting approaches listed, which one does your District use?
- | Does your District have a policy that targets finances and internal controls?



Resources Available

| Resource Available | Where to Find It |
|---|---|
| Accounting Procedures Manual | Located in each District office. |
| Michigan Department of Agriculture Environmental Stewardship Field Staff | Phone numbers for MDA Field Staff can be found in the District Directory located in each District office. |