

# Conservation District Supervisor Accreditation

Module 8:  
Financial Planning



# Discussion questions:

- Why should conservation districts be concerned with financial planning?
- What are some of the key elements of a sound financial plan?
- Name three different approaches to budgeting?
- What should a conservation district do to justify its budget?

# Introduction

- This module covers three approaches to budgeting. All three approaches have advantages and disadvantages. Some organizations combine aspects of different approaches to achieve their goals. Regardless of which approach is used, it is critical that planning be done.
- Once a district has developed its budget, it must have the ability to defend that budget and the priorities expressed in it.

# Financial Planning

- In order to be successful, a conservation district 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 results or to the goals of the district.

# Financial Planning

- The financial planning process allows the district staff and supervisors to attach dollar amounts to the goals in their long range plan and the hydrologic unit plans for their district. The board can then approach fulfilling the goals of the plans based on the resources available to the district.



# Financial Planning

- Establishing a sound budget will help ensure that the goals of the conservation district are met and will demonstrate the commitment of the board to the effective running of the conservation district.



# Elements of a Sound Financial Plan

- Identify all revenue sources for the planning period (government appropriations, fees, grants, interest, etc.)
- Identify all expense categories for the planning period (regular expenses, incidental or occasional expenses, emergencies, etc.)
- Establish a budget including all identified income and expense.

# Elements of a Sound Financial Plan

- Establish a statement of cash flows for the budget period which:
  - Details each income and expense item
  - Shows exactly what the amounts will be during each budget period
  - Allows for forecasting of unusual expenses and erratic income
- A budget won't show you when the money is needed; a cash flow statement will.

# Budgeting Approaches

- WAG (Wild Assumed Guess) – “Budget by gut instinct”. Assign budget amounts for all items without analysis of needs, impact on services, or outcomes.

## Advantages:

Quick and dirty  
Occasionally brilliant  
Appealing to those not  
comfortable with  
sophisticated systems

## Disadvantages:

No basis for decision if budget  
is wrong  
No standard for calculating error  
Difficult or impossible to defend  
Easy to cut

# Budgeting Approaches

- Incremental Budgeting – planning process using last year's budget as a basis for additional funding. The Consumer Price Index (CPI) or Wholesale Price Index (WPI) often act as the basis for the percentage of increase.

# Incremental Budgeting

## Advantages:

Saves time

Treats all programs the same

Simple to administer

CPI or WPI gives immediate,  
powerful rationale for budget  
change

Easy to understand

## Disadvantages:

Budgeting is year to year

Not all items need same  
increase or decrease

Easy to cut

Assumes that history  
repeats itself; no budget  
items need to be added  
or deleted.

# Budgeting Approaches

- Zero-based Budgeting – “start from scratch” budget process. Each activity is considered on basis of funds available and value (“bang for the buck”).
  
  - Advantages:
  - No budget item off limits
  - Can eliminate prior activities
  - Can add new activities
- 
- Disadvantages:*
  - Easier to cut necessary but unpopular programs
  - Takes effort to defend priorities
  - Budgeting is year-to-year

# Defending the Budget

- All districts have to defend their budgets to their county commission, residents, and others. It will be easier to explain and defend if your strategy is sound

## Foundations of Sound Budgeting:

- Sound Planning
- Careful forecasting
- Workable strategy
- Salesmanship
- Politics
- An ability to deliver results

“Do a good job, do a good job, and tell people about it

# Defending the Budget

- If your budget and programs are sound and still come under attack, keep your perspective and put first things first.
- Defend the base; keep budget at current levels *then look at*
- Increasing the base; get more money to do what you're already doing. *Only then look at*
- Expanding the base; secure funding for new programs and activities.

# Financial Planning

- SDCL 38-7-23 states the Division of Resource Conservation and Forestry (RC&F) "shall have the duty and power to require proper accounting and financial reporting procedures by conservation districts and to assist in the implementation of these procedures."
- RC&F will provide assistance as needed, and the districts can help each other to implement the system.

# Accounting Manual

- A financial committee was organized to develop and recommend changes to the original accounting manual. Members of the committee were from :
  - Department of Legislative Audit
  - State Conservation Commission
  - SDACDE
  - An individual with extensive bookkeeping experience
  - SD Association of Conservation Districts
  - Conservation District Supervisor
  - Resource Conservation & Forestry Division
- Please contact Division of Resource Conservation and Forestry for a copy of the current manual.

# Accounting Manual

- The objective of this manual is to provide clear accounting procedures to be followed by all conservation districts. When consistently applied, these procedures will assure that the various financial statements issued by the districts are comparable and standardized.
- This manual is designed for use with either a manual ledger or a computerized system. It is also designed to meet Generally Accepted Accounting Principles

# Accounting Manual

➤ Examples of transactions shown in the manual include:

- Formal Review Checklist of Financial Records
- Balance Sheet -- General Fund
- Profit/Loss Statement (Ordinary)
- Profit/Loss Statement (Extraordinary)
- Sample Cash Flow Budget Worksheet
- Statement of Cash Flows
- Information Directory
- Record of Assets
- Reconciliation Form
- Voucher
- Suggested References

Conservation District  
Accounting Manual



# *Accountability*

- Supervisors are accountable for the use of public funds. Supervisors, therefore, are obligated to ensure that district employees follow this manual.
- Internal control systems, all transactions, and other significant events are to be clearly documented. This includes a written policy or procedure for all transactions and methods of record keeping.
- Key duties such as authorizing, approving, and recording transactions; issuing and receiving assets; making payments; and reviewing or auditing transactions should be separated among individuals.

# Financial Planning

- Conservation districts shall submit annual financial and progress reports by March 1 covering the previous fiscal year. The reports shall be on the forms published in Appendix A at the end of Administrative Rules of South Dakota Chapter 12:03:01 or on forms substantially the same. The fiscal year for each district is January 1 through December 31.

# Financial Planning

- A district shall at least three weeks before the dates specified by law for the setting up of official budgets, estimate the total cost of operating and maintaining the district for the ensuing fiscal year and the funds available from all sources.
- These budget estimates shall be submitted to the county commissioners who shall then provide the additional funds needed for the ensuing fiscal year from general funds. The county may disallow or modify any item which it determines is not justified.

# Financial Planning

- Any conservation district before receiving such funds shall file with the county commissioners a financial statement for the last three years itemizing the amount of funds received and how they were disbursed.
- Any conservation district receiving county funds shall file with the county commissioners an itemized annual financial report within sixty days following the end of the district's fiscal year. Within thirty days of receiving the financial report, the county commissioners shall publish the report in the official county newspaper.

# Conservation District Special Revenue Fund (Revolving Loan Fund)

- Established by the SD Legislature in 1949 (SDCL 38-8-53). Loans (with 3% interest) to conservation districts are for securing necessary equipment, trees and other plant materials, and supplies needed to further their programs.
- Requests are submitted to the Division of Resource Conservation and Forestry.
- The division will make the loan investigation and present the application to the Conservation Commission for their approval or disapproval within 120 days of receipt.

# Revolving Loan

## ➤ Repayment of Loan:

- Equal annual installments of not less than \$250.00.
- Loan may be paid in full at any time.
- The repayment schedule will not exceed five years, unless extension is approved

➤ Each district receiving a loan from the revolving fund shall submit a statement of usage describing the current status of the loan and, if the loan was used to purchase equipment, the use and operation of that equipment during the year. A conservation district shall submit its statement of usage to the Conservation Commission at the time of the annual financial statement.

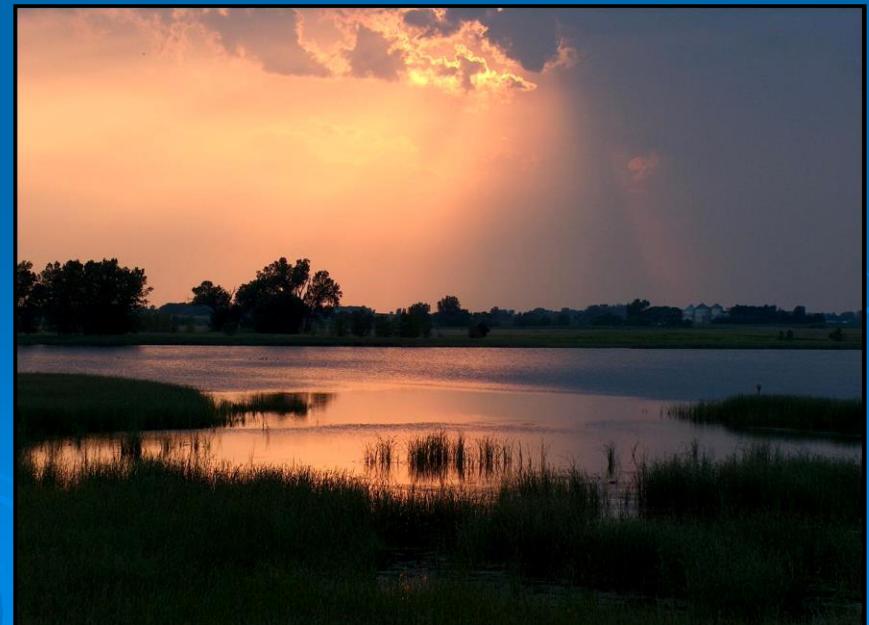
# Conservation Tillage Loan Fund

- Low interest (set by the Secretary of Agriculture) loan available to conservation districts
- Limited to the purchase of conservation equipment for use on a rental basis or to provide a service to district cooperators.
- Submitted to the Conservation Commission
- Recommendation forwarded to the Secretary of Agriculture for final approval.

# Coordinated Natural Resources Conservation Program Grants

(Commission grants)

- May be used only for grants to conservation districts on a competitive basis
- A copy of the motion of official action by the board of the sponsoring district to approve the project and the grant application must also be submitted by the deadline (usually April 1 or October 1).



# Coordinated Natural Resources Conservation Program Grants (Commission grants)

- The commission may not allocate grant funds for the primary purpose of purchasing equipment, land, buildings, or replacing available federal cost-sharing.
- Coordination between agencies and organizations is encouraged.

# Summary

- A district must have a process to determine financial priorities and to allocate resources to meet them.
- A sound financial plan will include a complete budget and statement of cash flows. These will show how much income and expense the district will have, and will show when the money is expected and needed.

# Summary

- Budget approaches that can be used:
  - WAG (wild assumed guess)
  - Incremental (add the same % to previous budget)
  - Zero-based (start from scratch each year)
- Districts have to be prepared to defend their budget priorities. Sound budgeting makes defending the budget easier: sound planning, careful forecasting, workable strategy, salesmanship, politics, and an ability to deliver results.

# Review Questions

- Why should conservation districts be concerned with financial planning?
- What are some of the key elements of a sound financial plan?
- Name three different approaches to budgeting?
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