

## Financial

To develop effective conservation programs, district boards must obtain adequate district funding. Conservation districts receive and disburse public funds. Supervisors must also account for how district funds and other assets, such as conservation tree planting equipment, are used. Conservation district funds should be handled only by supervisors or district employees who have been delegated this responsibility.



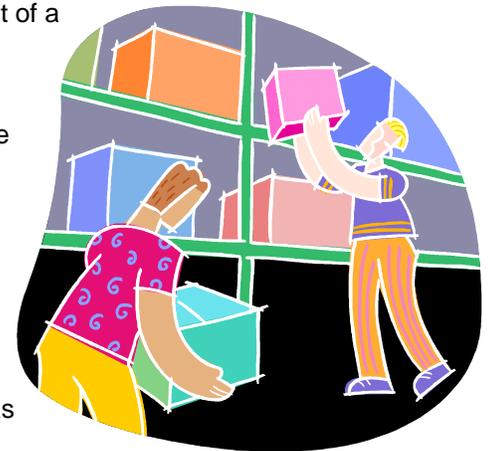
The Colorado State Auditor has developed a Financial Management Manual to assist your district in financial responsibilities as well as complying with Colorado statutes. The intent of the Manual is to provide current information pertaining to daily conservation district financial transactions. The Manual is a practical set of guidelines designed to provide financial information and a link to the Manual is available at the following web page: <http://www.leg.state.co.us/OSA/coauditor1.nsf/LocalGovPublic?openform>

It is good business practice for conservation district boards to have a finance committee to oversee all financial aspects of the district and help the board make informed decisions. The finance committee should review sources of funding, develop budgets and budget reports, arrange required audit procedures, and check the reliability of financial information. Ultimately, decisions on the budgets, etc. are made by the supervisors and the finance committee helps by providing information and recommendations.

Conservation districts are covered by the provisions of Amendment One – Taxpayer’s Bill of Rights (TABOR) Article X, Section 20. As such, districts should complete the various calculations to determine if they are in compliance with the provisions as they prepare the General Fund Budget each year. Districts can “DeTabor” their budget process if approved by the voters within the district. You can find more information regarding TABOR from the Department of Local Affairs at the following link. <http://www.dola.state.co.us/dlg/ta/budgeting/index.html>

## Asset Inventory

A good inventory provides information that is useful to daily management of a conservation district. According to a quote from the IRS: “An asset is a resource controlled by the enterprise as a result of past events and from which future economic benefits are expected to flow to the enterprise.” Assets are economic resources owned by a district. Assets owned by the district are things of value that can be readily converted into cash. Cash itself is also considered an asset. The balance sheet of a district records the monetary value of the assets owned by the district including money and other valuables. Assets may be either tangible or intangible. Tangible assets include such items as buildings, machinery, furniture, tools and equipment. Intangible assets are nonphysical resources and rights that have a value to the district which can be difficult to assess. Examples of intangible assets are goodwill, copyrights, trademarks, patents, computer programs and financial assets, including such items as accounts receivable, bonds and stocks.



Assets are controlled and monitored by the use of asset inventory documents. These inventory documents usually track purchase prices, usage and disposal. [Click here](#) for an example of an equipment inventory template.



## Audits

Colorado Revised Statutes Title 35-70-108(l) provides that districts will, as one of their statutory duties, “cause annual audits to be made

in accordance with the Colorado Local Government Audit Law". In addition, it is one of the basic responsibilities of supervisors to ensure that the district is following correct budget and audit procedures to ensure the health and welfare of the district.

Districts must submit an annual audit of the financial records to the State Auditor or obtain an Exemption from Audit from the State Auditor's office. The district treasurer leads this effort. All supervisors should be aware of their responsibilities to maintain accountability of public funds.

The Financial Management Manual mentioned in the first section of this chapter along with a link (<http://www.leg.state.co.us/OSA/coauditor1.nsf/LocalGovPublic?openform>) to this Manual has specific information on accounting and budgeting systems for conservation districts including the calendar for submitting the Audit or Exemption from Audit.

## Bookkeeping/Quick Books

Bookkeeping is the process of recording a district's financial transactions. This process requires accurate, organized data as the basis for classifying, reporting and analyzing financial data for a conservation district. If a district does not have staff skilled in bookkeeping, it may be a good idea to hire qualified help to do the bookkeeping on a contract basis. Bookkeepers will organize all of the district's financial transaction records – receipts, canceled checks, sales, purchases, cash disbursements, etc. The bookkeeper will ensure that district books remain organized and balanced. Keeping balanced books will ensure that the supervisors know where district money is going and will help assess the financial needs of the district.



Accurate records are crucial to the management of the cash flow of the district.

Basic records will normally include:

- ✓ cash book
- ✓ petty cash book
- ✓ order notes and invoices
- ✓ sales invoices (hard copy or electronic)
- ✓ details of any other business income received
- ✓ details of any grant money, donations, memberships received
- ✓ details of any other income
- ✓ bills and invoices for purchases and expenses
- ✓ a record of stocks, mutual funds, etc. on hand at the end of the year
- ✓ all bank statements, pass books, check stubs and ledgers that include details of these transactions



To effectively manage district financial resources, a manual or electronic bookkeeping system is needed. This bookkeeping system should effectively track funds (i.e. by grant, by project, by fund type, or other category). The good news is that there are a number of ways to make sure that your district keeps its financial house in order. Districts can set up a bookkeeping system using systems such as QuickBooks. CSCB Conservation Specialists are available to assist districts with this process.

## Monthly Reporting to the Board

The district should have a process for regularly reviewing financial documents and the budget and, if necessary, amending the budget. Supervisors should receive and approve monthly financial reports during the monthly board meetings. These reports should include at the very least a balance sheet and profit and loss statement.

[Click here for a sample of a Balance Sheet](#)

[Click here for a sample of a Profit and Loss Statement](#)

These reports must provide the necessary information to make accurate financial decisions. During the monthly meetings, good business practices should include time for the board to

reconcile district financial reports with other financial information such as bank statements, check registers, billing statements, payroll reports, grant or project budgets. Bills and invoices should also be reviewed to verify legitimate business expenses and assign charges to the appropriate project or expense categories.

The Board must adopt internal controls to ensure financial integrity of public funds. To facilitate this financial integrity as well as efficient daily management of a district's day-to-day operations, the board should pre-authorize an individual(s) to pay certain types or amounts of expenditures within budget limits. Duties should also be assigned in a manner so that no individual controls all phases of collecting, recording, and processing cash, checks, and transactions in a way that permits errors or omissions to go undetected. Bills, bank statements and other account statements can be reviewed and verified by the board designee(s) such as the secretary or treasurer.

Another important report that the board must receive and approve is the treasurer's report that includes all deposits and checks by number, payee, and purpose. Another procedure that is advantageous is one that outlines when checks require more than one signature. Board members should ensure that checks are always filled out completely before being signed. Good business practices should also ensure that blank or cancelled checks, receipt books, cash and other receivables are secured appropriately.

With the common use of credit cards for payment of expenditures, the board should have written policies that govern the establishment and use of these accounts, including authorization and spending limits. The board should regularly review account statements and purchasing activity of all accounts to ensure compliance with policy at monthly board meetings.

Other important aspects of the financial picture are grant applications, grant contracts, and receipt of grant funds. For a complete financial picture at each monthly meeting, the board should also receive regular updates on grants including project status, report deadlines, comparison to budget, and report submissions - both interim and final reports.

## Budgeting



The first and most important step to effective financial planning is developing and implementing a budget. Budgeting simply means to live within an entity's financial means. Without proper budget planning, it is often difficult for a district to focus its activities. An important part of district finances is developing budgets to allocate conservation district funds and other resources.

A conservation district budget is important because:

1. Each district must be economically sound and the budget is a tool to help accomplish this goal.
2. Each district needs to plan sources of income and the ability to pay expenditures to accomplish the goals established in the Long Range Program and Annual Plan of Work.
3. A district is required by law to adopt an annual budget.
4. A well-prepared budget is an excellent public relations tool that is useful to apply for grants and leverage district funds.
5. By regularly reviewing a well-prepared budget the district board can make quick financial decisions at monthly meetings.

All funds received by conservation districts are classified as public funds, regardless of how obtained. As public officials, supervisors are accountable for funds, property, and equipment belonging to the district. It is a good practice for the board treasurer to report on income, expenses, and other budget status information at monthly board meetings to allow district supervisors to keep track of district budget status. Districts should also report to the public on how their resources are being used.

## Cost-share tax forms for landowners

If a district pays more than \$600 in one year (2009 figure) to a landowner for cost-share practices or other income for services, then they must supply the landowner with a 1099- Misc tax form by January 1<sup>st</sup>. They must also send a copy of the form to the IRS. This form is available from tax offices and instructions and an example can be found on-line. [CLICK HERE](#) for the link to IRS Forms and Instructions Download Page.



If the district directly pays a business rather than a landowner – for example, a spray company – then they do not need to send the 1099-Misc to the landowner. Instead, the business will need to claim the cost-share income as part of their tax liability.

## General Fund Budget

Your district budget should be prepared annually by the finance committee, in conjunction with the district annual plan. The required forms include:

- Completed General Budget Form
- Resolution to adopt budget
- Resolution to appropriate funds
- Resolution to set mill levy (if district has one)
- Budget message
- Letter of budget transmittal

These forms along with detailed instructions are available on the CSCB Forms web page at:

<http://www.colorado.gov/cs/Satellite?c=Page&cid=1209143975551&pageName=Agriculture-Main%2FCDAGLayout>



## Grant Budgets (e.g. Matching Grant and DCT Budget)

Grant proposals are a part of fundraising activities for many districts. Most grants are awarded by foundations or government entities and require the same basic information in grant proposals. Most grant making organizations have their own proposal/application forms, although a few may only give you some basic guidelines. In most every case, the grant proposal requires a detailed budget at the time of application and final reporting.

As with the rest of an application, it is important to follow any guidelines for budget submission. These may be things such as whether or how much administration or indirect costs can be deducted, what is permissible in terms of costs/match and, whether any other guidelines apply. For federal and state grants, Office of Management and Budget (OMB) circulars often apply and dictate permissible costs. The circulars can be found on-line: [CLICK HERE](#) for the link to OMB circulars. The Grants section below contains more information on preparing grant budgets.

## Grants

A defining question grantors must ask when making awards is "What will my money be spent on?" It is easy to forget when applying to an "impersonal entity" that individual people with their personal views on finances will be scrutinizing your application and deciding whether you can be trusted with "their" money. They will probably be on the lookout for common ploys such as applying for more money than is needed in the hopes of getting a decent amount should funds be cut, or trying to use funds for something the applicant really wants to do but isn't really in line with the purpose of the grantor's funds. They will certainly want to know fairly precisely what you are going to spend their money on without having to work hard to understand the budget. They will also want to know how much and what the district and other partners are contributing.

## Grants - Application Budgets

### Why A Bad Budget Makes a Stink



A budget that is unclear is likely to arouse suspicion and no matter how good your application narrative is, it may jeopardize chances of funding because grantors do not like to provide funds when they are not sure how they will be spent. A poor budget can also suggest overall poor financial management and accountability. For the grantor, particularly if they will not be closely involved with implementing the project, granting an award requires a level of comfort and trust generated through the application.

### Overarching Considerations in Writing a Grant Budget:

- Use the budget format requested, if there is one – even if you don't like it or think you have a better format. The grantors have designed the budget for a reason and it makes it easier for reviewers to compare applications.
- Find a way to make the budget transparent and all inclusive in the format with notes or information in other parts of the application if necessary – but don't completely circumvent the grantor's required budget format. Some grantors will reject an application if they decide it isn't following the requested format or may take offense that you did not respect the format. The person who developed it may be reading your budget!
- As with all grant writing, don't overwhelm the budget with too much information or it will not be read. Find a concise but inclusive way to present and, if necessary and appropriate, put additional information in appendices. BUT, if the grant does not allow appendices or additional information DO NOT DO IT!
- Use easy to understand line items at a level that provides sufficient but not too much, information for the project at hand. For example – "Materials" is highly generic. "Materials for tree planting" is less generic; "Trees, rabbit guards, weed barrier" is more precise; breaking down each item separately is very precise. Depending on the scope of the work, you will have to decide the most appropriate level of detail that provides sufficient information without bogging down the reviewer. It is almost always a good idea to include more detail in an appendix or notes if permissible because this demonstrates a well thought out budget without forcing a reviewer to wade through lots of information. Remember, you don't know who will be reviewing your application – there may be people who like to pore over budget detail and others who just want to be reassured about what the funds will be spent on. As an applicant you want to cater to both as best you can.
- Use budget categories that are explanatory not ambiguous – for example "Travel for practice inspections" rather than just "Travel". Otherwise questions can arise such as "travel for what?" Don't assume that the application narrative speaks for itself and the budget is merely a formality. Budgets should be able to basically explain themselves and not encumber the reviewers by trying to guess connections with the narrative in order to understand them.
- "Miscellaneous" or "Other" categories are red flags – they can look like budget padding or careless budgeting. It is best not to use these categories. Instead try to categorize them a little more – perhaps they are for "office supplies" or "meals at workshop". If you must use "miscellaneous" ensure it is only for a very minimal amount and, if possible, put an explanation in the budget notes.
- Ensure your budget and narrative fit together to avoid creating suspicions or confusion that leads to lack of trust as to the ability or intentions of the district in carrying out the work. If there are costs in the budget that cannot be traced to the narrative, it appears as if the applicant is being devious. If there is a cost/activity in the narrative that isn't reflected in the budget, it appears that the applicant has failed to plan or budget properly.

- Be careful what you ask for. If you feel obliged to ask for more than you really need, try to find out whether the grantor generally fully or partially funds projects. Being left with unspent funds – or obviously trying to “use them up” – at the end of the grant cycle does not send a positive message for future funding. Grantors – especially of tax dollars – may face fierce competition to keep their grant programs funded and face cuts if they cannot ensure all funds are spent. And where demand is high for grant dollars, no grantor likes to see grantees sitting on unused funds while other needy applicants are left unfunded.
- For proposed budgets, it is generally acceptable to round figures to the nearest dollar or even nearest \$10 or \$100 depending on the overall budget size – and this makes the budget cleaner and easier to read.

If the grant does not require a particular budget format then think about what the grantor appears to need – is there a match, for example, and is it required to be cash or in-kind – and design a budget that is as simple as possible but provides all the information. Excel is an excellent tool for budget preparation because it can contain formulae to ensure the math is correct. Do ensure formulas are correct and check the math manually if necessary to be sure. Manual calculations should be checked two or three times. Mistakes in the budget insinuate potential sloppy financial management and a careless attitude to finances – not an enticement for anyone to give the district their money.

[CLICK HERE](#) for link to examples of good and poor budgets  
[CLICK HERE](#) for link to generic budget for your use/adaptation

#### Figuring Out The Figures:

Use budget figures based on verifiable figures as much as possible and use budget notes, appendices, or narrative comments to indicate the source of figures. If you use appendices, don't forget to reference them at the appropriate point –perhaps in the budget notes. Grantors are suspicious of applications with “made-up” figures and demonstrating that your budget figures are realistic gives confidence in the likely success of the project because it is feasible and carefully budgeted. Reviewers may or may not appreciate the realism of costs in your budget and if they do not they may look for ways to judge if the figures are feasible or not. For example, if you have a figure of \$10,000 for “Trees”, try to include at least the cost per tree and perhaps why that figure – such as \$2.75/tree based on previous year costs + 1% inflation. Again, you will need to decide how much information and where to provide it to present sufficient but not overwhelming, information depending on the application. Bear in mind that it is not only you who has to stand behind your budget. Grantors may need to answer to auditors, governance boards, legislators or stakeholders on how well funds entrusted to them were spent.



#### Labor Rates

Labor can be an area for scrutiny in a budget. First, it is often best to describe what the labor is for rather than just say “labor” so that there is no ambiguity. For example – “Labor: practice installation”. If it is paid labor it is useful to indicate if it is “Contract labor” or “Salary”. If there are fringe benefits associated with the salary (such as health and retirement benefits), it is often customary to list them separately as “fringe benefits”. Paid labor rates are easy to explain in terms of number of hours at an actual rate. Providing the number of hours helps grantors have confidence the actual labor need has been calculated.



Volunteer labor (used for match) is trickier. OMB circulars recommend the usual pay rate within the organization for the type of work being done. If there is no such comparison, other options in order of preference could be:

- gathering three local commercial rates that would be charged to do the same work
- searching occupational databases for rates of pay – preferably specific to your area  
[CLICK HERE](#) for link to Colorado Department of Labor and Employment Labor Market Analysis web page
- using a published volunteer rate – preferably specific to your area.  
[CLICK HERE](#) for link to Independent Sector Value of Volunteer Time

With all budget figures be realistic. With potentially “softer” figures err on the conservative side to indicate fairness rather than exaggeration – you are trying to demonstrate that your project is both feasible and a good investment. If the rate for a skilled insured weed sprayer is \$65/acre and a landowner is doing the work – perhaps use a lower figure for his match time. Or if the volunteer rate you have is for an area where wages are higher, reduce the rate. Just like the Internal Revenue Service, it is better to deflect attention not invite it. Under-budgeting of actual hard costs is not advisable because it can appear that the district doesn’t appreciate the real expense of things or even that the project may fail due to lack of proper budgeting. Similarly, sometimes items are left out because the cost will be “absorbed” elsewhere and leaving it out can make the budget look more modest. The danger can be that reviewers may wonder if the applicant has failed to account for that cost and this indicates poor planning as well as insufficient budgeting. Sometimes the budget format may require match to be listed and there is no room for contributions that are made but are not to be applied as match. In this case, try to indicate these costs in the narrative or budget notes. For example: “Natural Resource Conservation Service to provide labor for practice design and inspection but not used as match.”



#### Administration and Indirect Costs

Ensure you understand whether these can be taken out from the grant you are applying for and /or used as match. Ensure you understand what the applicable costs may be and the rates at which they can be applied. Sometimes there will be a flat rate, sometimes a percentage, sometimes actual costs may be used, and sometimes these costs cannot be used at all. Sometimes grantors look more favorably on applications where administrative/indirect costs are low or non-existent. Or grantors may see them as good business management for implementing a project or program. Finding out the levels of these costs in awards made by the grantor in the past may give you some indication of where to pitch these costs if you are prepared to be flexible. Moderation may be the safest strategy in most cases.

*Administration:* this almost certainly will cover managing the funds and submitting reports as required by the grantor. Sometimes it is more difficult to ascertain if a cost is administration or project implementation. For example – is designing a solicitation form for a cost-share project administration or part of project implementation? Check with the grantor if you are not sure – grantors may vary in what they interpret as administration.

*Indirect Costs:* these are costs shared across organization activities and not singly attributable to the grant activity. Insurances, building maintenance, utilities, some labor costs (preparing organization payroll for example), shared equipment, shared office spaces, shared vehicle usage etc. Unless at a set rate, indirect costs should be attributed to the grant in as reasonable a way as possible.

This might be by division among labor hours (full-time equivalents (FTE)): Example: Office has 2 full-time and one 20-hour/week position and space rental is \$4,000 per month. Grant is to take 10 hours per week in labor.

$FTE = 40+40+20 = 100$     $100/40 = 2.5$  FTE  
 10 hours/week is  $10/40 = 0.25$ FTE  
 Cost per FTE is  $4000/2.5 = \$1,600$  per FTE  
 Cost for 0.25 FTE is  $1,600 \times 0.25 = \$400$   
 Office indirect cost attributable to grant is \$400



Another way might be by % of organization expenses: Example:  
 General Liability insurance cost is \$2,400 per year  
 Tree program expenses: \$12,700  
 Weed program expenses; \$30,700  
 Schools Education program expenses: \$4,900  
 General office/meeting expenses \$2,200  
 This grant application program costs: \$20,650  
 Total program budget cost  $(12,700+30,700+4,900+2,200$   
 $+20,650) = \$71,150$   
 $\% \text{ of costs to grant } 20,650/71,150 \times 100 = 29\%$   
 $29\% \text{ of general liability insurance costs} = 2,400/100 \times 29 = \$696$   
 General liability costs attributed to grant: \$696

Another way might be by resource usage: Example:  
 District vehicle costs \$1,800 in overheads  
 Previous year mileage was 40,000 miles  
 Estimate grant will add 10,000 miles  
 Total estimated mileage = 50,000 miles  
 Overhead per mile is  $1,800 / 50,000 = \$0.036/\text{mile}$

Vehicle overhead allocable to grant  $10,000 \times 0.036 = \$360$ .

Other methods are possible – the point is to demonstrate the method is reasonable and is a good faith effort. In the application it is not generally necessary to elaborate the entire calculation, although you should keep it for your own records. It will be useful if you are awarded the grant and are eventually reporting final figures calculated in the same way. Should an audit occur or the grantor has questions, the information will be available. In the application you might explain in the following ways:

Office space costs calculated by FTE utilization

General liability insurance costs calculated by expenses % of district annual budget

Vehicle overhead cost based on per mile usage

### Equipment

There is sometimes a blurred line between equipment and materials and the grantor may have their own definitions. Equipment typically costs more and lasts longer – a figure of \$500 for an individual item that will last more than one year is a typical standard. Equipment can usually be budgeted as an outright cost at time of purchase or on its depreciation value over time and you should check with the grantor as to how they permit budgeting of equipment costs for match. Depreciation methods vary and can be complicated. The simplest method is “straight line depreciation”. The formula for the annual depreciation value under this method is:

$$\frac{\text{New Purchase Cost (\$)} - \text{Salvage Value (\$)}}{\text{Life span (years)}}$$

For example: A piece of equipment is purchased or donated that costs \$5,000 new, has an expected lifespan of 8 years with a salvage value of \$500:

$$\text{Annual depreciation rate: } \frac{5,000 - 500}{8} = \$562.50$$

	Value Begin Year	Depreciation	Accumulated Depreciation	Value End Year
1	\$5,000	\$563	\$563	\$4,438
2	\$4,438	\$563	\$1,125	\$3,875
3	\$3,875	\$563	\$1,688	\$3,313
4	\$3,313	\$563	\$2,250	\$2,750
5	\$2,750	\$563	\$2,813	\$2,188
6	\$2,188	\$563	\$3,375	\$1,625
7	\$1,625	\$563	\$3,938	\$1,063
8	\$1,063	\$563	\$4,500	\$500

Other methods of depreciation may be used or required by the grantor.

[CLICK HERE](#) for link to Wikipedia describing depreciation and depreciation methods.

OMB circulars may specifically exclude computer purchases as equipment because they become outdated so quickly. For grants operating under these circulars, computers may be valued at cost at purchase but are worth \$0 after one year.

#### In-Kind vs. Cash Match

It is important to check with the grantor as to what they classify as in-kind or cash match. Generally the following apply:



#### CASH

- Real dollars change hands
- Documentable through receipts/paid invoices
- Materials procured specifically for the grant activity
- Paid labor costs documented and paid either at hourly rate or, if salaried position, 100% attributable to grant activity
- Contract paid labor and/or equipment hire for grant activity

#### IN-KIND

- Materials donated without receipts/paid invoices
- Labor donated without paid invoices
- Salaried labor for person used for other duties - a person who would be paid whether they worked on the grant activity or not.
- Donated use of equipment without paid invoices
- Volunteer labor (including district board members)

### Grants - Ongoing and Project End Budgets



When applying for a grant the submitted budget is a “proposed budget”. If the grant is awarded the expectation is that the budget will be closely but not necessarily exactly followed. Some grantors will require notification of any significant changes to the proposed budget should you be given an award. Particularly for competitive grants, any awards given were based on the merit of the proposed budget and serious deviations to it could lead to breach of contract or refusal to make payments. The proposed budget is the promise of what funds will be spent on, and at the very least, dishonoring it may

damage relations with grantor. If it becomes apparent that there is a need to significantly deviate from the proposed budget – including line item amounts- contact the grantor with an explanation and request to modify the budget.

Project completion or ongoing budget reports reflect what has actually happened with expenditures and incomes. Each figure in a budget should be traceable to the necessary validating information - receipts, paid invoices, paid or volunteer timesheet records, expenditure/income bookkeeping records and other information such as how the value of match was calculated. Grantors will vary as to how much validation information they want submitted, but complete records are needed for audits or simply to demonstrate to any interested party that good budgetary practices have occurred.

Budgets that reflect actual activity should contain figures down to the cents level. If you choose not to show cents indicate in the notes that figures are calculated to the cent level but displayed to the nearest dollar. Since these budget figures reflect actual activity, rounding figures can give the impression of sloppy accounting.

### CSCB Grant Budgets

Look on the relevant program web page for the budget format and instructions for CSCB grants such as the District Conservation Technician and Matching Grants programs.

### Grants - Tracking Match



Raising match is only the first part of match responsibilities. The second part is validating and documenting the match. Auditors will certainly require such information and grantors will also – although they may vary in how much they ask to be routinely submitted to them. In addition, it is simply good financial management.

The question to ask is “How would an auditor trace the match figures back to an objective validated source?” For example:

- \$100 claimed for district manager time
- ↓ Signed timesheet details activity, date and time
- ↓ Payroll records detail pay rates
- ↓ Bookkeeping documents intended funds source/ movement
- Bank statements show actual funds movement

When deciding how to track the match, there are four key validations that need to be considered:

- The dollar value of the match
- How the match relates to the grant project – what was it for
- The source of the match – generally you cannot use sources that are the same as the grant. For example using federal funds or resources to match a federal grant.
- Assurance that the match is not being used to match a different grant – “double dipping”

In addition, to make reporting easier, collect match information under the same categories that the grantor will be asking you to report them. For example: If you will be required to report “labor” as a separate category make sure that any volunteers or contractors list labor costs separately from any materials costs they incurred or donated..

### Purchases of Goods and Services

These are the easiest to validate since a receipt or paid invoice is available. The value is obvious and since there is only one receipt/invoice, double dipping is unlikely. It may be necessary to indicate on the receipt/invoice how it relates to the grant and to demonstrate through bookkeeping records that the source of funds paying the cost was a valid match contributor.

### Paid Labor

Timesheets – signed and dated by the employee and their supervisor are the usual way of documenting paid labor time along with payroll records that indicate pay rates and where the funds are sourced that paid the labor costs. The timesheet may be either one that is used for all duties or one kept specifically for the grant. In either case, it should be clear what the time was spent on and that it relates to the grant project.

### Volunteer Labor

This can be tracked in different ways but all should address the key validation points. In addition, the method used to calculate the labor rate should be in the grant records. The section of this manual about grant budgets has more information on how to decide such rates. Signatures of the person(s) donating the labor and dates are critical as validation of the time, activity and a confirming clause that the labor was not used as match for another purpose.

### Volunteer Time at Meetings



A sign-in sheet that collects attendee signatures if they are willing to allow their time to be used as match is an easy way to collect meeting time match. Be sure to include a clause describing that time can only be donated as match if it is not being used for match elsewhere and include a line for affiliation so that source is validated – for example, state employees attendance may not be used to match state grants and should be edited from the match

calculations. Along with the sign in sheet, it is good practice to retain a copy of the agenda that describes the place, date and agenda item of the match activity.

Travel costs may also be used as match and these should be divided into mileage costs and the travel time costs. When collecting travel information ensure the mileage costs are collected per vehicle not per person where ride sharing occurs. Keep records of the basis for travel cost rates. Meeting organization costs may also be used as match.

Sometimes only part of a meeting may be used as match. For example, a district may have a grant to improve wildlife habitat and give a presentation about the project at their annual meeting. The meeting may be three hours long and the wildlife project presentation may be 20 minutes. The meeting match can be apportioned by calculating the relevant portion of all the expenses/time donations. Twenty minutes is 11% of a 3 hour (180 minute) meeting and so 11% would be the apportioned amount of match from the calculated costs.

### Board Member Match

By statute, Board members cannot be paid for their time. However, the time they spend on grant projects may be used as in-kind match and tracked in a similar way to volunteer labor time.

If you keep the four validation points in mind, use objective information and can trace everything back to signed and/or bookkeeping/banking documentation, then your match tracking is likely very solid. If an outside person asked for validation of a match figure and the answer was “we decided it seemed a reasonable figure”, then your match tracking is likely rather shaky!



CSCB has tools to help identify and then track various kinds of

match, bearing the validation points in mind– they are sheets within an Excel document:  
[CLICK HERE](#) for Match Tracking Tools

CSCB also has an example of a letter-style document to track volunteer/partner/board member labor match (the Excel tool has a table-style tool for the same purpose)  
[CLICK HERE](#) for Donated Labor Letter Example

### Grants - Tracking Awarded Funds

Accountability is a critical element of grant management. Without it districts may at worst, have grants canceled or be required to pay funds back, at best they may lose credibility with grantors and fall short in their fiduciary responsibilities as trustees of public funds.

The district must in some way be able to track grant funds they receive and how they are spent. This may be through a database program such as QuickBooks, through a spreadsheet program such as Excel, or through a manual ledger. It is important to remember that all these methods are only bookkeeping – they reflect what SHOULD have happened not what ACTUALLY happened. Activity recorded through all these methods should tie in with bank statement activity – that is what actually happened.

The three main points to bear in mind with bookkeeping records for grants are:

- Identifying the grant funds as they are received and as they are expensed - either through separate bank accounts or by tagging with a code within the bookkeeping of mixed funds bank accounts
- Ensuring sufficient bookkeeping information to tie expenses to costs associated with receipts, salaries, etc. associated with the grant. Remember that grant records are typically audited for up to three years and sometimes longer after the grant ends. A line item “Carol Smith” is not going to be useful whereas a line item “Smith: brochure design” will be much more traceable to an invoice. Record check numbers, invoice numbers or other identifiers in bookkeeping and on receipts/invoices that will make it much easier to trace transactions. Be diligent about including dates for the same reason. Make this a habit and it will become second-nature and can save you hours if a problem or question occurs.
- If mistakes are made, make corrections in “real time” if transactions/reports have already been generated based on the mistakes. Mistakes are inevitable to some extent and transparency is key to mitigating them. If you change an old figure in the bookkeeping but the original reports show different information then confusion or even the appearance of fraud can be the result. It is better to make a new line item in the bookkeeping correcting the mistake and perhaps including an explanation in the notes – remembering that everything should be clear if the books are consulted several years from now.



## Accountability Trail for Income and Expenses

### Expense Invoice

Annotate invoice/receipt  
What for  
Date Generated (and date paid if invoice)  
Check #/ credit card transaction noted if applicable  
Allocation to identified program

### Entry in ledger

Ledger (should trace/tie with invoice/receipts/deposit);  
What for  
Allocation to identified program  
Date Generated

Show up in bank statement

### Income Deposit/Receipt

### Entry in ledger

Show up in bank statement



(File receipts/invoices consistently so that they correspond with ledger by date)

### Reimbursement Grant Payments

Reimbursement is a normal way to award grants mainly because it allows the grantor to ensure the claim is valid and work accomplished meets performance standards before parting with their money. Also, interest from grant funds generally belongs to the grantor since it is their investment, and so retaining funds can help the grantor collect that interest for their own use.

Generally, proof of work completion/costs incurred is all that is needed to make a reimbursement claim and the district may hold off actually paying out to third-parties until they receive the reimbursement payment from the grantor. If the district chooses to or must make up-front payments, bookkeeping records are needed that show how funds were temporarily moved around and ultimately tie the grant reimbursement to the relevant expenses when it is received.

### Grants - Reporting and Outcomes Accountability

Reports are the opportunity to demonstrate success and build trust with grantors for future funding requests. Never forget that some of the funds spent were THEIR funds and THEIR reputation as well as the district's is at stake.



Before beginning activity related to a grant, be familiar with what the reporting requirements are – including what information will need to be gathered. This is especially important for final reports. If baseline photography is required for example, you need to know that before activity begins. If you need to report hours spent on the project every month, design a system to collect that information. If a particular format is required to report information, gather that information in that format rather than try to reconstruct it from a different collection method. Also, be aware of deadlines and plan accordingly – the grantor may need information in a timely manner from you for their own reporting purposes and delivery of timely reports demonstrates competence.

As with grant applications make reports concise but informative and in the required format, if applicable. The grantor is likely interested in:

- What has been accomplished and is it in line with the project's scope/statement of work?
- Is the project on track with projected timelines and outcomes?
- What have grant funds been spent on?
- How much match has been raised and what was it for?



- How is the district tackling any unanticipated problems?

For Final Reports it will be important to account for ALL of the funds – awarded and match. Significant deviations from the original budget (which should have been approved by the grantor before they occurred) should be explained. It is also important to relate the activity accomplishments to the goals and outcomes stated as expectations when the award was made. Outcomes are generally stated as quantifiable measurables and should be reported as such. For example : “XX tons of soil were prevented from eroding through 110 yards of terrace installation – erosion savings based on Natural Resource Conservation Service calculations”. If the outcomes are significantly different from predicted, the reasons should be explained. Main outcomes should relate to the purposes of the grant. For on-the-ground conservation this should generally be natural resource benefits such as soils conserved from erosion, water efficiency improvements or water conserved, wildlife habitat created – rather than number of landowners assisted or amount of funds distributed. For education programs it may include numbers of people educated, but ideally it should be behaviors changed. For example – “six weeks after the workshop 75% of attendees had changed their grazing practices for improved conservation benefits as a result of knowledge gained at the workshop”.

If the grant requires periodic and a final report, ensure information in all reports ties together. In particular, budgetary and match reporting information should tie in through all reports and with reimbursement requests. There is always an option to explain discrepancies, but don't ignore them!

#### What if the Project Was Not Successful?



While “positive spin” is normal when reporting to grantors, sometimes there is no way around reporting a project failure to deliver as expected. Any information provided needs to pass the “red-face “test if trust and future funding possibilities are to be retained.

As when applying for grants, this is a good time to remember the grantor is not a faceless entity, but made up of individual human beings. Providing the district has made good faith efforts, made contact with the grantor when appropriate, has learned from mistakes or oversights and shows reasoned analysis of what went wrong, all is not lost. Providing future solutions or options to problems that occurred will also go a long way to retaining grantor confidence.

If a problem has occurred it is generally best for the district to take ownership rather than blame it on “out-of-our-control” circumstances. While this may be true for the weather, few other things are so fickle. For example – here is a district explaining in an inert and in a more proactive way why all the funds in a landowner cost-share project were not spent:

1. The funds were not all expended because landowners did not show enough interest in the project. Of the 13 that did sign-up, eight failed to follow through and complete their projects despite the district contacting them.
2. The project experienced less interest than anticipated and therefore not all the funds were spent - \$10,000 was de-obligated to the grantor on August 15<sup>th</sup>. Eight landowners signed-up but did not complete their projects and the District interviewed them to ascertain why. Three gave “personal reasons”, one realized the project was going to cost more because he could not re-use timbers, and four said they “ran out of time”. This was the first project of this type the district had undertaken and it was based on a vote for “highest priority on-the-ground cost share practice“ by attendees at the annual workgroup meeting. The district now realizes this was insufficient to guarantee participation. For future projects the district will implement the following strategies to boost participation:

- Conduct “interest focus groups” of producers to better ascertain real needs, potential barriers and commitment to cost-share participation
- Distribute “preliminary applications” in fall of previous year to ascertain interest and apply for funding level to complete 85% of eligible projects submitted at that time – assume 15% attrition
- Require 50% project completion by June 15<sup>th</sup> or will transfer funds to another cooperator.