

10 Minute Supervisor Trainings



January 2022

Preparing, Reviewing and Revising Your Annual Budget

Conservation districts are a subdivision of state government and are required to file a budget with their local fiscal court. The due date for this filing is generally April 1, although some fiscal courts may request that they receive the budget earlier. There is a slightly different process if a district is on a millage tax and is planning to increase their tax rate beyond the compensating tax rate. They must request approval for the rate increase before submitting their budget (KRS 65A.110).

If the local fiscal court has not received a budget by 30 days before the next fiscal year begins, they will alert the county attorney, who will alert the district that they are noncompliant and that no funds can be expended until they are compliant.

KRS 65A.080 states “The governing body of each special purpose governmental entity shall annually adopt a budget conforming with the requirements established under KRS 65A.020 prior to the start of the fiscal year to which the budget applies. The adopted budget may be amended by the governing body of the special purpose governmental entity throughout the fiscal year using the same process that was used for adoption of the original budget. **No moneys shall be expended from any source except as provided in the originally adopted or subsequently amended budget.**” This law is reflected in the statutory requirements of the District in Good Standing program. Failing to submit the annual budget to the Division of Conservation by the April 1st deadline will result in a 25% Direct Aid penalty.

Preparing the annual budget is an important task that requires time and attention. Annual budgets can be prepared by the full board of supervisors or the budget committee. Annual budgets must be approved by a majority vote during a board meeting. Conservation districts and watershed conservancy districts are required to utilize the standard budget form which is located on the Division of Conservation’s website.

When working on the annual budget consult with the office staff to see if any equipment and/or materials are needed to improve office productivity and efficiency. Preparing the annual budget will be easier if you have these items available:

- A good estimate of the balance in ALL accounts for July 1st (You most likely will not know the exact amount of carryover funds, so keep in mind that you can amend the budget in the new fiscal year.)
- A copy of the most recently revised budget
- A copy of the Annual Financial Report from the prior fiscal year
- A printout of the actual income and expenses to date
- Working knowledge of expenses that have increased or decreased and any additional expenses
- Working knowledge of income that has increased or decreased and any additional revenues

Please remember that the public can view all of the available funds in the end of the year financial reporting on the Department for Local Government (DLG) website. All funds held by the conservation district are considered public funds and should be accounted for in the annual budget.

Special Purpose Governmental Entities (SPGEs) such as conservation districts and watershed conservancy districts are not required to publish the annual budget in the local newspaper. KRS 65A.080 states, "In lieu of the publication requirements of KRS 424.220, but in compliance with other applicable provisions of KRS Chapter 424, each special purpose governmental entity shall, within sixty (60) days after the close of each fiscal year, publish the location where the adopted budget, financial statements, and most recent audit or attestation engagement reports may be examined by the public." All SPGEs are required to disclose the budget on the DLG website by July 15th each year.

Budgets should be reviewed at least quarterly and revised, as needed. All reviews and revisions must be approved by the board of supervisors and recorded in the meeting minutes. **Remember: it is unlawful to spend any money that is not in an approved budget.** The District In Good Standing Report Card contains a section for documenting the quarterly reviews and/or revisions. Failing to meet the requirements for budget updates will result in a 25% Direct Aid penalty.

Note: It is not necessary to shuffle money from within the current budget to make an amendment for an expenditure. This type of budget amendment can be made utilizing funds from the ending balance of the approved budget, assuming there are adequate funds in the ending balance. If your budget is balanced to \$0, you will need to find the money for the amendment inside of the approved budget.