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Understanding County Budgets and Fiscal Reports
*Council Member Handout*

Funding for University of Missouri Extension is a shared responsibility among the U.S. Department of Agriculture, the University of Missouri and county Extension councils. As a council member, you and your council have responsibility to oversee and account for all funds received and used by the local office for its operation and program expenses.

 This module will help you understand:

* Sources of funding for Extension work;
* Your role in fiscal accountability;
* Reports the council is required to provide.

**Sources of Funding**

University of Missouri Extension is funded through a three-way partnership with federal, state and local governments. Extension work also is supported through grants and contracts awarded to the University or county Extension councils.

**Federal**

The U.S. Department of Agriculture, through the Cooperative State Research, Education and Extension Service, funds cooperative Extension work carried out through land-grant universities, such as the University of Missouri and Lincoln University. Some federal funds are earmarked for specific programs, such as the Expanded Food and Nutrition Education Program, which is part of Missouri’s Family Nutrition Education Program.

**State**

State appropriations from the Missouri General Assembly to the University of Missouri support regional and campus faculty for the development of high-priority educational programs.

**County**

County governments appropriate funds annually to county Extension councils for support of local Extension work. Local Extension budgets also are supported through the resale of guidesheets and other publications, and services, such as soil testing; donations from citizens; grants for specific activities; and fees for programs.

**Grants and Contracts**

Grants and contracts with federal, state and local agencies provide funds for specific educational programs delivered by UME and other University faculty and staff. Grant and contract funds support campus and regional Extension activities.

**State Statutes Governing County Council Finances**

The Revised Statutes of Missouri, Chapter 262, outline the Extension council’s legal responsibilities for financial support of local Extension work, and management of and accountability for the council budget.

**Section 262.590(3)** states that it is the council’s duty to *“arrange for and administer the county’s share of the cost of the Extension services in the area over which the council has jurisdiction …”*

**Section 262.593** establishes the Extension council as the official governing body in the county:

*1. The council shall be recognized as the official body within the county to cooperate with the university in carrying out the provisions of the Smith-Lever Act of Congress and amendments and acts supplementary thereto (7 U.S.C.A. Sec. 341 et seq.) and any other acts affecting Extension programs.*

*2. The council shall not engage in commercial or other private enterprises, legislative programs, or other activities not authorized by sections 262.550 to 262.620 and shall not give preferred service to any individual, group or organization.*

*3. Councils may collect fees for specific services which require special equipment or personnel, such as a soil testing laboratory, seed testing service or other educational service, but they shall not collect dues for or pay dues to any state or national organization or association. The furnishing of supplies or services deemed necessary by the university and the council to the conduct of any education program authorized under sections 262.550 to 262.620 shall not be considered private enterprise or commercial activity within the meaning of sections 262.550 to 262.620.*

*4. Councils may accept contributions of funds from private sources to be used for Extension purposes. Nothing in sections 262.550 to 262.620 shall prevent councils or Extension personnel from using or seeking opportunities to reach an audience of persons interested in Extension work through the help of interested farm organizations, civic organizations or any other group, but in using or seeking such opportunities the council and Extension personnel shall make available to all groups and organizations in the county equal opportunity to cooperate in the educational Extension program.*

5. Extension personnel shall not require uniform bylaws, regulations and methods of procedure.

**Section 262.597** provides further detail on local Extension budgets and appropriations:

*The council, in cooperation with the county commission and the university, shall prepare an annual financial budget covering the county's share of the cost of carrying on the Extension services contemplated by sections 262.550 to 262.620 which shall be filed with the county commission on or before January first each year and the county commission shall include the budget so filed in class four of the budget of county expenditures for such year in counties budgeting county expenditures by classes, and in the budget document of all other counties, subject to the following minimum appropriations:*

*(1) In counties with an assessed valuation of seventy million dollars or more, ten thousand dollars;*

*(2) In counties with an assessed valuation of twenty-five million dollars or more, but less than seventy million dollars, five thousand dollars;*

 *(3) In counties with an assessed valuation of fifteen million dollars or more, but less than twentyfive million dollars, four thousand dollars;*

*(4) In counties with an assessed valuation of ten million dollars or more, but less than fifteen million dollars, two thousand five hundred dollars;*

*(5) In counties with an assessed valuation of eight million dollars or more, but less than ten million dollars, one thousand five hundred dollars;*

*(6) In counties with an assessed valuation below eight million dollars, one thousand two hundred dollars.*

**Section 262.600** explains the procedure for the monthly requisition of funds from the county commission:

*Immediately following the close of each month the council shall requisition the county commission for the estimated amount of the month's expenditures and within ten days after filing the requisition, shall submit to the county commission a certified, itemized statement of all expenditures covered by the requisition. The requisition shall constitute the basis for immediate issuance by the county commission and it shall, if there be funds available therefore, promptly issue a warrant covering the requisition in full and drawn in favor of the treasurer of the council. For the purpose of this section the chairman and secretary of the council shall be regarded as certifying officers. The requisition for any given month shall not exceed one-twelfth of the total amount appropriated for the year unless a reserve shall have accumulated as a result of expending less than the aforementioned twelfth portion during one or more preceding months, in which case the reserve shall be constantly available for current expenditures. If the amount of the certified itemized statement is less than the amount requisitioned the difference shall be credited against the next requisition. Any unused funds remaining in the appropriation on December thirty-first shall revert to the county treasury.*

**Section 262.610** describes how the council treasurer should handle and report on funds:

*1. All moneys received by the treasurer for the council shall be deposited by him in a bank or trust company designated by the council and authorized to receive public deposits.*

*2. The treasurer shall pay out, on the warrant of the secretary of the council, or by a combination warrant check, signed by the chairman of the council and treasurer of the council, all moneys which come to his hands for the use of the council, and he shall not pay any sum from the funds of the council in any other manner.*

*3. He shall keep a book in which he shall enter all the moneys received and disbursed by him, specifying the person from whom received and to whom paid, and the object for which same has been paid out.*

*4. He shall present to the council at each annual meeting of the council a report in writing containing a statement of all moneys received by him from the county treasurer and from any other source since the last annual meeting of the council, and of the disbursements made by him with the items of such disbursements, and exhibit the warrants or checks or combination warrants and checks therefore, which report shall be recorded by the secretary of the council; and at the close of his term of office shall settle with the council; and shall hand over to his successor the books and all other records and papers coming into his hands as treasurer, together with all moneys remaining in his hands as such treasurer.*

**Section 262.617** details the annual report to the county commission:

*At the close of each calendar year the council, through its secretary, shall make an annual detailed report to the county commission, covering all receipts and expenditures, together with a summary of work undertaken and results accomplished. The report shall be filed with the county commission not later than February first, following the close of the year or portion of year covered by the report.*

**Extension Council Operating Budget**

In addition to the provisions of Section 262.573 of the state statutes, University of Missouri Extension issues annual county funding guidelines for county Extension operations. These guidelines are based on the number of specialists headquartered in the office and current actual costs to ensure adequate resources to support the Extension mission. These costs include:

* Travel (mileage reimbursement) for regional Extension faculty who conduct educational activities in the county;
* Materials for educational activities, e.g., handouts, notebooks, etc.;
* Marketing, e.g., brochures and advertising;
* Council-employed secretary’s salary;
* Office operations, e.g., rent, utilities, equipment, supplies.

County Extension councils prepare and approve an annual operating budget, which is inclusive of all council operations, including all sources and uses of funds. This budget is submitted to the county commission annually ― Jan. 1 for most counties; by Sept. 1 for first-class counties. The county program director, as the UME liaison with the council, assists in preparing the budget and keeping it current during the year. The council treasurer provides a monthly financial statement at each council meeting (*see “Sample Monthly Financial Statement”).*

County financial records are maintained in QuickBooks Pro, a computer software application for cash-fund accounting. The financial records include receivables, payables, revenue, expenses, assets and liabilities.

“Fiscal Policies and Procedures for County Councils” provides guidance to ensure that county Extension councils comply with state statutes, University of Missouri policies and commonly accepted accounting and management practices for public entities. These policies and procedures provide for uniform financial record keeping and facilitate reporting among cooperating partners, the University, county councils and county commissions. Councils may adopt additional policies and procedures to ensure efficient management of their operations.

**Required Reports**

Because University of Missouri Extension at all levels, including county Extension councils, receives public funds to support its mission, regular reporting is required by the funding entities. The following reports are required of the county Extension council:

**Monthly Financial Report** - The council treasurer with assistance from the county program director and local staff members prepares a monthly financial statement, which is reviewed by the county council *(see “Sample Monthly Financial Statement”).* Items included in the statement:

* Current cash position;
* Checks to be approved and written;
* Accounts payable;
* Cash position after paying bills;
* Account balances;
* Any other financial information the local council deems necessary.

**Quarterly Financial Reports** - The council treasurer, with support from the county program director and local staff members, creates a quarterly financial statement, which is submitted to the regional director. This report, signed by the council chairman and the county program director, is used to meet the University’s state and federal reporting obligations. The reports include a summary of revenues and expenses for the previous quarter.

**Annual Report of Operating Budget** - Per state statutes *(see Section 262.610(4), RSMo, 1961),* the council treasurer presents a written financial report at the annual meeting. The report of revenues and expenses is recorded by the council secretary.

It is the council secretary’s responsibility to prepare a detailed annual report to the county commission *(see Section 262.617, RSMo., 1961).* The report should include:

* Summary of receipts and expenditures prepared by the council treasurer;
* Summary of work undertaken;
* Results accomplished.

The report is to be filed with the county commission no later than Feb. 1, following the close of the year.

**Annual Audit Report** - In keeping with commonly accepted practices for public entities, the county Extension council conducts an annual audit of its financial records and operating procedures after books are closed for the prior year (*see “Audit Guidelines for County Extension Councils*”). Depending on the volume and complexity of financial transactions, a council may elect to: 1) appoint an audit committee, or 2) engage a certified public accountant or audit firm.

A written report is presented to the Extension council and made part of the minutes. The audit report should be presented to the county commission and made available to the public. A copy should be provided to the regional director.

**Providing Sound Financial Management**

Dividing the responsibility for financial management among multiple individuals helps to provide important checks and balances to ensure that we are good stewards of the funds entrusted to us. This only works when we understand the roles and carry them out. The following guidelines provide clarification on the responsibilities of key individuals.

**CPD Role:** The CPD is responsible for:

* Overseeing day-to-day operations
* Supervising council-paid staff members
* Reviewing receipts and disbursements to monitor the budget, policies and procedures
* Implementing county-level policies adopted by the council
* Keeping the council and regional director informed of administrative matters.

**Bookkeeper Role.** The bookkeeper conducts most of the support work in maintaining council financial records. Using the Quickbooks bookkeeping software, they:

* Enter transactions in Quickbooks
* Prepare monthly, quarterly and annual financial reports
* Reconcile bank statements
* Generate invoices
* Disburse payments

**Treasurer Role.** As discussed earlier, the council treasurer is legally responsible for all council finances. While many of the day-to-day operations have been delegated to others, it is important that the treasurer maintains oversight of these functions:

* Review monthly financial reports and appropriate documentation
* Present reports to council
* Sign checks (with second officer)
* Work with budget committee to develop budget proposal

**Council Finance Committee Role**. Most councils have a standing committee on finance to provide input on financial management. Common roles of the finance committee include working with the treasurer to:

* Develop budget proposal
* Present proposal to county commission
* Review financial policies and make recommendations to council

**Extension Council Role.** While many of the duties of financial management are delegated to specific individuals, every council member shares in the responsibility of providing appropriate oversight for extension council funds. The council in its entirety has the responsibility to:

* Prepare an annual financial budget;
* Arrange for and administer county’s share of the cost of Extension services; if needed, support fund-raising activities to support programmatic needs;
* Receive by way of gift, purchase or other manner, real or personal property required for the administration of the Extension program;
* Collect fees for services requiring special equipment or personnel. Supplies or services necessary to conduct educational programs are not considered private enterprise or commercial activity within the meaning of the statutes;
* Accept financial contributions from private sources to be used for Extension purposes. The Internal Revenue Service has ruled gifts and contributions to the council to be tax exempt;
* Prepare a monthly fund requisition and certified statement of expenses and submit to county commission;
* Direct the council treasurer to account for all monies received and disbursed, specifying the person from whom received, to whom paid and the purpose;
* Direct council secretary to make an annual report of receipts and expenditures, work undertaken and results accomplished for the county commission;
* Establish procedures for providing a satisfactory audit and management review of funds administered by the council.

**Additional Resources**

1. Revised Statutes of Missouri, Chapter 262; see The Extension Council Manual (M-61), p. 3 *(http”//www.moga.state.mo.us/STATUTES/C262.htm)*

2. The Sample Monthly Financial Statement shows the type of information included in monthly reports to the Extension council.

3. “Fiscal Policies and Procedures for County Councils” provides financial management guidance. *(http:/extension.missouri.edu/staff/adminmgmt/fiscal\_policy\_council.html)*

 4. “Audit Guidelines for County Extension Councils” lists steps for conducting annual audit of Extension council fiscal records and operating procedures. *(*[*http://extension.missouri.edu/staff/adminmgmt/audit.html*](http://extension.missouri.edu/staff/adminmgmt/audit.html)*)*

5. “County Extension Council Funding Guidelines” outlines estimated operational costs for county offices.

6. UME Budget Information website provides an overview of funding sources and related information. *(http://extension.missouri.edu/about/budget)*