

Extension Finances and Procedures

The council's role in fiscal management is important in the success of extension. Each county has adapted the fiscal policy to meet fiscal oversight and should adhere to county policies and procedures. The policy is on the County Services website, www.extension.iastate.edu/countyservices/fiscal-policy-and-procedures. Council members should be aware of specific fiscal matters, especially items detailed in the Iowa Code. Because of the nature of extension funding, you may be called upon to speak about this topic to public groups, county and state officials, and funding sources.

As a council member, you should understand how the budget for your county is developed, what sources of funding are available, how funds are expended (generally), and how the county is accountable to its funders and other publics. Each county usually has a finance/budget committee that creates the budget and makes recommendations for the next fiscal year. The council makes final budget decisions and votes on the yearly budget. Working with county staff to develop and follow a budget is critical to successful financial oversight. See more on county finance, www.extension.iastate.edu/countyservices/county-finance.

Three-way Funding Partnership

As indicated in the Orientation to Extension section of this notebook, extension exists as a partnership representing federal, state, and local levels. This is a partnership in every way, including funding.

At each level, funding is provided to the university to support extension, special programs, and projects. Federal funds and state appropriations are managed at the state level, not the county level.

Federal Capacity Funds

Smith-Lever, Expanded Food and Nutrition Education Program (EFNEP), and Renewable Resources Extension Act (RREA) are examples of capacity funds received from USDA NIFA based on a formula created by the Smith-Lever Act of 1914. Funds are distributed to the 50 states and certain federal territories for Cooperative Extension Services connected to land-grant institutions. Capacity funds are appropriated on a federal fiscal year basis (Oct. 1 – Sept. 30), and the Smith-Lever allocation requires a one for one match. All funds are used to provide operational funding for departmental, center, and program support activities.

Federal Competitive Funding

Other federal funding received by ISU Extension and Outreach includes competitive funding that is managed in cooperation with the Office of Sponsored Programs Administration (OSPA) at Iowa State University. Examples of this type of funding include the Farm and Ranch Wellness program from USDA NIFA, AgMRC from USDA Rural Development, the Integrated Pest Management program from USDA NIFA, and many other projects that contribute toward staff salaries, travel, supplies, and other activities to support that specific program.

State Appropriations

State funds are appropriated on a state fiscal year basis (July 1 – June 30). ISU Extension and Outreach receives a line item appropriation from the Iowa Legislature each year specifically for departmental, center, and program-support activities. In addition, the university also appropriates general funds to support the extension program in the state of Iowa.

State Contracts

Contracts and other agreements are made between the university and state agencies on both competitive and non-competitive bases. Examples include the Iowa Department of Human Services for the Iowa SNAP-Ed Nutrition Program, help lines, ServSafe, and childcare programs. Iowa Department of Agriculture and Land Stewardship (IDALS) partners with Iowa State University for the Midwest Grape and Wine Industry Institute, water quality/worker protection programs, and others. The Iowa Department of Natural Resources

provides funding for the Iowa Learning Farms, the Manure Application Certification Program, and other programs for the betterment of Iowa's land and resources.

County Funds

All funds managed by the extension councils are public funds. County funds are those funds received by each extension district through the local taxing process that takes place through property tax levies. Councils also manage grants, fees, and contracts for specific programmatic areas. The extension council develops a budget, publishes a budget, and then holds a public hearing. When adopted, this budget is sent directly to the county treasurer for the collection of the funds. The tax levy rate and maximum dollar limitation vary based on the population of each district. According to Iowa Code 176A.8.12, these local funds are to be used for *“salaries, travel, expense of personnel, rental, office supplies, equipment, communications, office facilities and services, and in payment of such other items as shall be necessary to carry out the extension district program...”*

Local Budget Process

Extension Council Budget Timeline

The fiscal year for county extension districts is July 1 to the following June 30. Each year the 100 county agricultural extension districts prepare a budget well in advance of the fiscal year to meet their financial needs as well as follow the rules laid out in the Iowa Code and administered by the Iowa Department of Management. The budget preparation process begins in the fall (November-December) with council, budget committee, and staff discussions. Before any budget can be officially adopted, it must go through the public hearing process. For the public hearing to be held, proper forms need to be submitted on the IDOM website, making it available online, and published by the county extension office in official newspapers in a strict time-sensitive window before the hearing. Furthermore, before the posting and publishing take place, the council needs to approve what is referred to as a “work budget.” These steps are needed so the public has the opportunity to react to the preliminary budget plans of the council. Iowa law specifies that the budget must be adopted and filed properly with the county auditor before March 15 each year. A good practice is for the extension council to thoroughly review and approve the “work budget” at its January or February meeting. See Appendix 6, Learning Module 14, Budget Timelines. Find your county's budget report through the Iowa Department of Management, Appendix 15.

While the budgeting for next year is being worked on, the council simultaneously will review the actuals, the budget, and re-estimate a projected or revised budget for the current operating year. If projected expenditures are estimated to be higher than originally budgeted, even by one penny, an amendment to the expenditure limit will be necessary. An approved amendment is required for county agricultural extension districts to exceed current budget expenditures. No additional tax income can be levied during the year, only the expenditure side of the budget is amended. It is highly recommended amendments be completed before May 31 because of time-sensitive publication and public hearing procedures that must be followed.

Non-Tax Based County Funding

Iowa Code 176A.9.4 states: *“The extension council may collect reasonable fees and may seek and receive grants, donations, gifts, bequests, or other moneys from public and private sources to be used for the purposes set forth in this section, and may enter into contracts to provide educational services.”*

Carryover Funds

Iowa Code 176A.8.13 states: *“To carry over unexpended county agricultural extension education funds into the next year so that funds will be available to carry on the program until such time as moneys received from taxes are collected by the county treasurer. However, the unencumbered funds in the county agricultural extension education fund in excess of one-half the amount expended from the fund in the previous year shall be paid over to the county treasurer. The treasurer of the extension council with the*

approval of the council may invest agricultural extension education funds retained by the council and not needed for current expenses in the manner authorized for treasurers of political subdivisions under section 12C.1.”

Financial Reporting/Accountability

ISU Extension and Outreach and the county agricultural extension districts are public agencies created by federal and state law. These agencies are supported by tax dollars and therefore are subject to the open records law for public funds.

Extension council members are elected at-large during the general election and, as elected officials, are held accountable for the use of public funds. Extension council members may have to answer questions from auditors regarding the accountability of the public funds held within county extension accounts.

An extension council has the responsibility to minimize financial and legal risk related to public funds. One method of risk prevention is to develop, implement, and maintain sound fiscal policies and procedures for the operation of county extension programs. To be effective, these policies and procedures must include all money held or passing through the county extension office and be:

- Based on Iowa Code 176.A and Generally Accepted Accounting Principles (GAAP).
- Adopted by the extension council.
- Communicated to all employees, volunteer groups, and cooperating entities to provide guidance and direction in accepting and spending of public funds.
- Implemented in a consistent and effective manner.

Fiscal management is one of the important roles council members play. Study Appendix 6, Learning Module 22, Understanding Your Extension Council Financials. The role of extension councils in financial reporting and accountability is detailed below.

Responsibility

- The voucher report listing expenditures incurred since the last extension council meeting shall be submitted to the extension council for review and approval. Subsequent extension council minutes should reflect *“a consecutive range (#XXX to #XXX) of voucher/check numbers was approved.”*
- The extension council is legally responsible for all public funds defined as both tax and non-tax monies. Public funds include those raised and used by 4-H clubs, Master Gardener volunteers, and/or any other programmatic entity. The funds from these entities are defined as public funds by the State of Iowa Auditor’s Office in Chapters 176A, 24, and 12C.1 of the Iowa Code. Management oversight by extension councils includes, but is not limited to, developing budget, signing vouchers, auditing, bonding, signing checks, and reviewing financial reports for the county extension program. The fiscal policy authored in cooperation with the State of Iowa Auditor’s Office outlines the legal responsibilities and recordkeeping protocols.

Delegation of Responsibility

- The extension council may authorize a separate checking account and fund to handle income and expenses held in custodial capacity. If authorized, this fund is called the “Agency Fund.” Delegation of responsibility shall be limited to the payment of expenses for which the funds were collected and at the request of the entity owning the money.
- The extension council delegates the responsibility for the day-to-day operation of the fiscal policy to the county extension council treasurer or designee. The extension council treasurer or designee may delegate to appropriate support staff the implementation of predetermined procedures, e.g., bookkeeping, ordering, preparing invoices, and signing checks.
- At the annual January organizational meeting, the extension council may authorize the extension

council treasurer and/or other designated bonded extension council member to sign checks for the operating fund prior to the regular extension council meeting for employee payroll, if the compensation has been previously budgeted or approved by the extension council. Budgeted expenditures may include, but are not limited to, rent, utilities, program and office supplies, and contractual services.

Public Accounting of Fund

Annually, the extension council shall publish in two district newspapers before **Sept.1** a full and detailed report of all receipts and expenditures in the Operating Fund and Summary of Agency Fund for the last fiscal year consistent with Iowa Code 176A.8.16.

Audit

The Agricultural Extension Education, Tort, and Unemployment Funds are audited yearly by the State of Iowa Auditor's Office. If a written audit report is received, a copy shall be included in the extension council minutes.

Amending Fiscal Policy

Amendments to the fiscal policy shall be approved by the extension council at a regularly scheduled meeting.

Extension Accounts

Operating Account

The operating account is used to record and report all financial transactions of the county agricultural extension district. There are four funds that make up the operating account.

A. The County Agricultural Extension Education Fund is made up of four sub-funds:

1. **Tax Sub-fund** – Iowa Code 176A.12 requires that the county agricultural extension tax sub-fund be used to record income received from a tax levy (property tax, delinquent property tax, mobile home tax, utility replacement excise tax, military service/mobile home replacement tax, grain handled tax, mobile home elderly replacement/credit) and to record credits against levied taxes as a deduction from the total property tax due (homestead credit, elderly and disabled credit, disabled veterans homestead credit, ag land credit, family farm credit, and native prairie tax credit).
2. **Program Fee Sub-fund** – The Program Fee Sub-fund is used to record all transactions related to a fee-based program (i.e., funds which come to the county in the form of registration and/or user fees). Fees for service will be used to offset direct expenses and to support the specific extension program.
3. **Donor Restricted Sub-fund** – The Donor Restricted Sub-fund is used when a donor has designated a purpose for the use of the funds outside of the “normal” annual county operations. A donation is considered “donor restricted” if it has a specific purpose, is not part of the county’s normal annual operations, and if the council has written and signed documentation of the donor’s intent.
4. **Grants and Contracts Sub-fund** – The Grants and Contracts Sub-fund receives funds from private and public sources for specially funded extension programs that require a separate account for the funds.

B. Tort Liability Fund

Iowa Code 670.10 permits the extension district to levy a separate tax for the cost of tort liability benefits. This levy is in addition to the regular levy for the county agricultural extension fund; however, the tort liability levy is only allowed when the regular levy for the county agricultural extension fund is at its maximum limitation imposed by statute. These limitations for the extension districts are noted in Iowa Code 176A.10 and also in the Iowa Department of Management (IDOM) budget instructions. **The tort liability fund includes the district liability insurance costs, the public officials/errors and omissions liability cost, and the cost of background screening authorized volunteers, but not the office property**

premium, crime bond premium, nor workers compensation premium.

C. Unemployment Compensation Fund

Iowa Code 96.31 permits the extension district to levy a separate tax for the cost of unemployment benefits. This levy is in addition to the regular levy for the county agricultural extension fund; however, the unemployment compensation levy is only allowed when the regular levy for the county agricultural extension fund is at its maximum limitation imposed by statute. These limitations for the extension districts are noted in Iowa Code 176A.10 and in the IDOM budget instructions. Once the maximum levy limitation is reached, the extension district has the choice to:

1. Levy for unemployment compensation in addition to the regular levy for the county agricultural extension fund;
2. Levy for unemployment insurance with Iowa Workforce Development; or
3. Record unemployment claims as an expense in the county operating account.

Funds received from any separate additional levy must be used for the following purposes:

1. To pay unemployment premiums to become part of the state plan, or
2. To pay unemployment claims to Iowa Workforce Development.

Agency Account

This optional account is used to record and report transactions for an agency account established to hold funds in custody for an entity cooperating with county extension programs. **The agency account is for non-extension funds only.** Agency accounts typically involve the receipt, temporary investment, and remittance of assets to their rightful owners. Agency accounts are not to be co-mingled in the extension operating account. See Section 2.4 of the county fiscal policy.

Extension must **not** have the ultimate decision-making authority about the use of the accounts. To determine who does, consider these criteria:

1. Is the non-extension entity legally separate? If so, the legal entity has sole decision-making authority for the money held in the fund.
2. If any of the following apply, the extension council has the ultimate decision-making authority: Is the entity appointed by the extension council? Does the entity carry out any part of the extension program? Is the extension council able to, if so desired, impart its will on the entity? Does the extension council support the entity with other funding through the county operating account?

A summary of these fund accounts is also available in Appendix 6, Learning Module 22, Understanding Your Extension Council Financials.

Fiscal Oversight

The county extension council treasurer or designee shall present to the extension council the following monthly financial reports and minutes should reflect their approval:

- A balance sheet, which provides bank account balances, payroll liabilities, and fund balances.
- A voucher report, which lists the voucher/check number, name of vendor, amount of check, and total amount of expenditures.
- An extension council revenue and expense summary report, which shows the actual income and expense compared to the budget.
- Bank reconciliation report.

Also, the approved voucher report shall be attached to the minutes of the extension council meeting.

Extension Council Mileage Reimbursement Rate

Iowa Code 176A.9.6 states that extension districts can reimburse extension council members at the “state rate” as provided below. Reimbursement forms are available in the county office.

“Members of the council shall serve without compensation, but may receive actual and necessary expenses, including in-state travel expenses at not more than the state rate, incurred in the performance of official duties other than attendance at regular local county extension council meetings. Payment shall be made from funds available pursuant to section 176A.8, subsection 12.”