

CHAPTER VII

FINANCIAL ADMINISTRATION

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The board of supervisors has overall responsibility for the financial administration of a county. This responsibility includes approving and monitoring the budget, making appropriations, acting on claims against the county, authorizing the issuance of warrants (checks) and selecting depositories (banks) for county funds. Revenues to finance the various county departments and/or functions originate from various local, state and federal sources.

REVENUE SOURCES

Although specific revenue sources may differ from county to county, all counties receive revenue from three general sources – revenue generated at the local level, revenue received from the state, and revenue received from the federal government.

Local Sources

The primary source of local revenue for a county is ad valorem taxes on property. Other local sources of revenue include, but are not limited to, local privilege licenses, road and bridge privilege taxes, court fines and forfeitures, fees from the chancery and circuit clerks due to earnings over limitations established by state law, excess tax bids on property sold for taxes, charges for housing federal, state and other local government prisoners, E-911 emergency service fees, garbage collection fees, and gaming contract fees.

State Sources

State sources of revenue include, but are not limited to, reimbursements for food stamp/welfare payments, homestead exemption, state aid roads, emergency management funds (civil defense, disasters, etc.), distribution of commodities, gasoline tax distributions, truck and bus privilege tax distributions, oil, gas, and timber severance tax, liquor privilege tax, national forest distributions, grand gulf distributions, payments in lieu of taxes, insurance rebate distributions, and gaming contract fees.

Federal Sources

Federal sources of revenue include, but are not limited to, national forest distributions, payments in lieu of ad valorem taxes, and loans or grants.

BUDGETING⁵²⁸

A budget is a plan of action for a fiscal year. It represents the choices of the board of supervisors as to how the county's limited resources are allocated among various competing demands. The budget becomes a detailed plan of operations and capital outlay for a fiscal year. It includes the activities and services which the county plans to provide for its citizens during the fiscal year, physical improvements such as roads and buildings which the county plans to construct during

⁵²⁸ Code, §§ 19-11-1 through 19-11-19 and 27-39-203 and 27-39-205.

the fiscal year, expenditures required to support these operations and capital projections, and the resources available for meeting the planned expenditures. The budget also addresses such policy issues as debt service need, cash management, taxation and other revenue levels, and rates placed upon local taxpayers.

The Budgetary Process

The budgetary process encompasses a number of different activities and decisions over a period of several months, the end result of which is the annual budget.

Budgetary process stages occur over the entire fiscal year because the budgetary process is ongoing. The budget is under review throughout the year, may be amended when necessary, and culminates with the final amended budget. The stages of the budgetary process may be described as follows:

1. Identifying needs and forecasting requirements for such needs;
2. Preparing departmental budget requests;
3. Reviewing departmental budget requests;
4. Preparing the recommended annual budget;
5. Adopting and implementing the budget; and,
6. Adopting the final amended budget.

Budgeting is only one of many policy control mechanisms; but it is the most fundamental and, therefore, the most important. How the services provided by county governments are financed must be properly planned and controlled in order to achieve maximum efficiency in the use of resources, so as to minimize the tax burden upon the citizens, comply with state law and contractual obligations, and assure that a sound financial position is maintained.

Organization of the Budget

The budgetary process should take a “building blocks” approach to the development of a budget. A set of basic budget documents, estimating revenues and departmental requests for expenditures, is the foundation of the budget.

Initial steps in the budgetary process involve formulating budget policy; estimating the amount of revenues which can be expected to be available for the upcoming fiscal year; setting budgetary guidelines; and transmitting this financial forecast information, together with the budget forms, to the county departments. This preliminary work sets the stage for later decisions to be made by the county departments, the chancery clerk or county administrator and the board of supervisors.

Departmental budget requests must be submitted to the board of supervisors for approval each year at the July meeting of the board. A proposed budget is then prepared for the individual funds. The chancery clerk or county administrator usually performs this task.

The budget is presented at the August meeting of the board of supervisors. The board must then advertise a public hearing on the budget as well as any tax millage increase or ad valorem

revenue increase not due to new growth. The budget is required to be adopted by September 15 and is required to be published at least one time, no later than September 30, in a newspaper published and/or having general circulation in the county.

The budget is prepared on forms prescribed by the Office of the State Auditor and is required to be prepared by funds. The budget may be revised or amended as allowed by law.

Once the budget is completed, the board must adopt a resolution approving the budget and enter the resolution in detail on the minutes of the board of supervisors. Taxes are then levied in support of the budget.

At each regular monthly meeting of the board of supervisors, the chancery clerk is required to submit a financial report showing the expenditures and liabilities incurred against each separate budget during the preceding month, the unexpended balance of each budget item and the unencumbered balance in each fund. Receipts from taxes and other sources during the preceding month are also required to be reported.

The board of supervisors must keep expenditures within the limits set by the budget. The amount approved to be expended for any particular item in the budget must not be exceeded, except in the case of capital outlay, election expenses, emergency expenditures, and extraordinary court costs. The board may amend the budget by entering an amendment on the minutes using the prescribed budget forms. The budget may not be amended after September 30 of the fiscal year it represents. The clerk of the board is prohibited from issuing any warrant for an expenditure in excess of the budgeted amount.

The board must enter a complete, final amended budget on its minutes no later than October 31, following the close of the fiscal year.

Budget Calendar

Date	Process
May Board Meeting	Formulate budget policy (board of supervisors).
May Board Meeting	Develop financial forecast (may be done by the budget officer).
June Board Meeting	Distribute departmental request forms to the sheriff and tax assessor/collector, and notify them of due date.
July - First Monday	Deadline for returning departmental requests.
July Board Meeting	Review departmental requests.
August Board Meeting	Formulate budget.
August - September	Advertise public hearing and tax increases, hold public hearing
September 15	Deadline for adopting the budget.
September 30	Deadline for publishing the budget.
September Board Meeting	Set tax levy necessary to support the adopted budget.

September 30	Deadline for amending the budget for the fiscal year ending this same day.
October 31	Deadline for entering the final amended budget of all funds on the board minutes.
Monthly Board Meeting	Submit a financial report showing the expenditures, liabilities, unexpended balance and unencumbered balance in each fund, and the receipts for each fund.

Budget Forms and Requirements

The Office of the State Auditor has prescribed the use of certain budget forms and adherence to certain budgeting guidelines, as follows:

- (1) All funds are required to be budgeted individually, except for funds held for a third party or which represent a custodial function of the county. Generally speaking, the exceptions are expendable trust and agency funds.
- (2) The budget must be prepared on forms prescribed by the Office of the State Auditor.
- (3) Amendments to the budget must be prepared on the budget form or forms necessary for the amendments. The amended form(s) must then be entered on the minutes of the board of supervisors. The budget may not be amended after the close of the fiscal year it represents (September 30).
- (4) The final amended budget of all funds for a fiscal year, which may be amended up to the end of the fiscal year, must be entered on the minutes of the board of supervisors no later than October 31, next following the close of the fiscal year.

ACCOUNTING⁵²⁹

The county budget law requires the clerk of the board of supervisors (chancery clerk) of each county to keep a set of books, as prescribed by the State Auditor. (See the *Mississippi County Financial Accounting Manual* issued by the Office of the State Auditor.) The books shall contain accounts under headings which correspond with the various headings of the budget, so that the expenditures under each heading are known. The clerk must enter all receipts and expenditures in the books each month so that the information needed for a comprehensive review of county operations under budgetary limitations may be readily obtainable.

All appropriations of funds made under the provisions of a budget for a fiscal year lapse at the end of that fiscal year, except for appropriations for uncompleted improvements in process of construction; all books close September 30. All disbursements and appropriations made on or after October 1, other than appropriations for uncompleted improvements in process of construction, are charged against the current budget and all funds received on or after October 1 must be credited to the current budget. Some restrictions exist on certain expenditures during the last six (6) months of a term.

⁵²⁹Code, §§ 19-11-1 through 19-11-27.

APPROPRIATIONS⁵³⁰

While budgeting is the process of estimating future receipts and expenditures, appropriating is the act of designating money to a particular function. With respect to county funds, the law provides, “The Board of Supervisors shall direct the appropriation of money that may come into the county treasury, but shall not appropriate the same to an object not authorized by law.” Any member of the board of supervisors that votes for the payment of any unauthorized claim or any appropriation not authorized by law, shall be subject to indictment and, upon conviction, be fined not exceeding double the amount of such unlawful charge, or may be imprisoned in the county jail not more than three (3) months, or be subject to both the fine and imprisonment.

CLAIMS⁵³¹

The method for presenting a claim against a county is prescribed by law. The claim must first be filed with the clerk of the board (chancery clerk). The claim must be sufficiently itemized to show in detail the kind, quantity, price, etc., of items sold to the county or services provided to the county. Each itemized invoice or statement involved in a claim must be properly supported by appropriate evidence of delivery, such as a receiving report or a proper signature on the invoice.

The clerk of the board of supervisors must keep a “Docket of Claims” in which all demands, claims, or accounts against the county presented to him during the month shall be entered (monthly). All demands, claims, and accounts filed against the county shall be preserved by the clerk as a permanent record and numbered to correspond with the warrants (checks) to be issued, if allowed (approved by the board of supervisors). Immediately upon being notified of any judgement being rendered against the county, the clerk must docket it as a claim for allowance and payment, as provided by law. Any claimant who has filed a claim with the clerk in the manner provided by law, whose claim is not allowed because of the failure of the clerk to keep the docket of claims as required, is entitled to recover the amount of the claim from the clerk on his official bond. Failure of the clerk to keep the docket of claims as required shall render the clerk liable to the county in the amount of \$500.00, and the State Auditor, upon information to the effect that a claim docket has not been kept, shall proceed immediately against the clerk for collection of the penalty.

When claims against a county are presented to the clerk of the board of supervisors, the clerk must mark “filed” on the claims and date them as of the date of presentation. The clerk must audit, number, and docket the claims consecutively under the heading of each fund from which it is to be paid. Any claim filed with the clerk on or before the last working day in the month, prior to the next regular meeting of the board of supervisors at which claims are considered, shall be docketed to be considered by the board at that meeting.

Procedures for disposing of claims are stated by law. At each regular meeting of the board, the claims docket must be called and all claims then on file, not previously rejected or allowed, must be acted upon in the order in which they are entered on the docket. All claims found by the board to be illegal, which cannot be made legal by amendment, must be rejected or disallowed. All other claims must be audited, and those found proper upon due proof must be allowed in the order in which they appear on the docket, whether or not there be sufficient money in the funds

⁵³⁰ Code, §§ 19-3-59 and 19-13-35.

⁵³¹ Code, §§ 19-13-25 through 19-13-39.

on which warrants must be drawn for their payment. Those claims to which a continuance is requested by the claimant and those found to be defective, but which might be perfected by amendment, must be continued. When any claim is allowed by the board it must see that the claims docket correctly specifies the name of the claimant, the number of the claim, the amount allowed, and on what account. The president, or the vice president in the absence or disability of the president, of the board of supervisors must check the claims docket at the close of each day's business and must verify the correctness of all docket entries made during the day. He must sign his name at the end of the docket entries covering the day's business, but it is not necessary that he sign the claims docket under each claim allowed or otherwise disposed. The board must enter an order on its minutes approving the demands and accounts allowed and refer to such demands and accounts by the numbers as they appear on the claims docket.

If the board shall reject any claim, in whole or in part, or refuse, when requested at a proper time to pass finally thereon, the claimant may appeal to the circuit court or may bring suit against the county on such claim. In either case, if the claimant recovers judgement and notifies the clerk of the board of supervisors, and if no appeal be taken to the Supreme Court, the board must allow the same and a warrant must be issued.

Notwithstanding provisions to the contrary, the chancery clerk may be authorized by an order of the board of supervisors entered upon its minutes to issue pay certificates against the legal and proper fund for the salaries of officials and employees of the county, or any department, office or official thereof, without prior approval by the board of supervisors as required by this section for other claims. The chancery clerk may take this action provided the amount of the salary has been previously entered upon the minutes by an order of the board of supervisors or by inclusion in the current fiscal year budget. Such payment must be in conformity with law and in the proper amount for a salaried employee; for hourly employees, payment must not exceed the number of hours worked at the hourly rate approved on the minutes.

It is unlawful for the board of supervisors to allow a greater sum for any account, claim, or demand against the county than the amount actually due according to the legal or ordinary cash compensation for such services rendered, or for salaries or fees of officers, or for materials furnished, or to issue county warrants or orders upon such accounts, claims, or demands when allowed for more than the actual amount allowed. Any illegal allowance by such board may be inquired into by the proper tribunal upon legal proceedings for that purpose whenever such matter may come into question in any case.

If any person claims and receives from the board of supervisors any fee or compensation not authorized by law, or if a member of such board knowingly votes for the payment of any such unauthorized claim or any appropriation not authorized by law, he shall be subject to indictment and, upon conviction, be fined not exceeding double the amount of such unlawful charge, or may be imprisoned in the county jail not more than three (3) months, or be subject to both the fine and imprisonment.

Any member of the board of supervisors may have his vote on any question before the board recorded on the minutes of the board at the time of such vote, and a member who voted against any unauthorized appropriation of money shall not be liable therefor.

WARRANTS⁵³²

The board of supervisors of each county must provide printed warrants with proper blanks, bound in book form, with a sufficient blank margin, to be used in drawing money out of the county treasury.

Warrants must be drawn by the clerk of the board (chancery clerk) under his seal of office in favor of the claimants on all demands, claims, and accounts allowed by the board in the order of their allowance against the several funds in the county depository from which allowed claims must be paid. The board of supervisors of any county may, in its discretion, adopt the use of a standard check signing machine to be used in place of the manual signing of warrants by the clerk, under such terms and conditions as the board considers proper for the protection of the county. A warrant cannot be signed, removed from the warrant book, nor delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the warrant and all prior unpaid warrants drawn upon that fund, whether delivered or not.

The owner of any claim so allowed may, either before or after allowance, transfer the claim by assignment, and the holder of such assignment is entitled to receive the warrant at the proper time by presenting assignment to the clerk at any time before delivery of the warrant to the original claimant.

County warrants must be registered in a book to be provided by the board for that purpose and the fact of registration must be noted on the back of the warrant. The county depository must pay warrants in the order of their registration, unless there be sufficient funds in the treasury to pay all registered warrants. Warrants not presented for payment within one (1) year after date of their registration lose their priority.

DEPOSITORIES⁵³³

The amount of money belonging to the several funds in the county treasury which is required to meet the current needs and demands of no more than seven (7) business days must be kept on deposit in qualified financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC). Where there is no financial institution in a county qualified as a depository, some financial institution in an adjoining county may qualify as a depository. All deposits are subject to payment when demanded on warrants issued by the clerk of the board of supervisors on the order of the board or on the allowance of a court authorized to allow the same. Financial institutions qualifying as county depositories are not required to pay interest to the county for the privilege of holding deposits unless federal law permits the payment of interest on the deposits, in which case the maximum permitted interest rate must be paid. Where more than one (1) financial institution in a county offers to qualify as a depository, the board of supervisors may allocate such money to each qualified financial institution as practicable in proportion to their respective net worth, and may adopt the rules for receiving the deposits.

At the regular December meeting each year, the board of supervisors must give notice by publication that bids will be received from financial institutions at the following January meeting, or some subsequent meeting, for the privilege of keeping county funds. At the January meeting, or a subsequent meeting as may be designated in the notice, the board of supervisors

⁵³² *Code*, §§ 19-13-41 through 19-13-45.

⁵³³ *Code*, §§ 27-105-303, 27-105-305, 27-105-315, and 27-105-349.

must receive bids or proposals (as the financial institutions may make) for the privilege of keeping the county funds. The bids or proposals must designate the kind of security authorized by law which the financial institutions propose to give as security for funds. The board must cause the county funds and all other funds in the hands of the county treasurer to be deposited in the qualified financial institution or institutions proposing the best terms. The terms made with each depository shall remain in force for the current calendar year and until new arrangements are made for the next year. The board may, in its discretion, allow depository contracts for a two (20 year period).

Any financial institution in a county, or in an adjoining county where there is no financial institution in the county qualifying, whose accounts are insured by the Federal Deposit Insurance Corporation or any successors to that insurance corporation may qualify as a county depository, if the institution qualifies as a public funds depository or a public funds guaranty pool member with the State Treasurer. The qualified financial institution shall secure those deposits by placing qualified securities on deposit with the State Treasurer as provided in § 27-105-5 of the Mississippi Code. Any financial institution not meeting the prescribed ratio requirement with the State Treasurer whose accounts are insured by the Federal Deposit Insurance Corporation or any successors to that insurance corporation, may receive county funds in an amount not exceeding the amount that is insured by that insurance corporation and may qualify as a county depository to the extent of that insurance.

TRANSFER OF SURPLUS FUNDS⁵³⁴

The board of supervisors may order the transfer of any balance remaining in a special fund to the county general fund to be used for general purposes during the next fiscal year, if the purpose for which the special fund was created has been fully carried out. Taxes for the next year must be reduced by the amount transferred.

Surplus money in a special fund may be transferred to other special funds. When the amount is \$2,500 or more certain newspaper publications are required. A smaller amount does not require publication.

Surplus money which represents the remaining proceeds of a bond issue must be transferred to the proper bond and interest fund to be used to retire the bonds and interest. This can be done without any publication.

Surplus money in a bond and interest fund may be transferred to the general fund or to other funds provided a sufficient balance remains in the fund to fully retire the bonds and interest and the tax levy for that purpose has been discontinued. Certain procedures prescribed by law must be followed.

AUDITS⁵³⁵

The clerk of the board of supervisors (chancery clerk) is, by law, the county auditor. Duties of the county auditor include (1) maintaining certain ledger book accounts with county offices; (2) maintaining a “depository funds ledger” to record receipts and disbursements of county funds; (3) maintaining accounts with county officers that collect or receive money for the county; (4)

⁵³⁴ Code, § 27-105-367.

⁵³⁵ Code, § 19-17-1 through 19-17-19 and 7-7-211.

issuing receipt warrants for money paid into the county treasury; (5) examining accounts of all officers receiving funds payable into the county treasury; (6) charging and crediting the tax collector with county taxes; (7) charging fines, penalties, forfeitures and jury tax imposed by the courts; (8) examining books of county officers; and (9) reporting any defaulting officers to the grand jury.

The State Department of Audit has the authority and responsibility to (1) post-audit, and when considered necessary, to pre-audit and investigate the financial affairs of the various offices, boards, and commissions of county government; (2) make written demand, when necessary, for the recovery of any amount representing public funds improperly withheld, misappropriated and/or otherwise illegally expended by an officer, employee, or administrative body of a county, and for the recovery of the value of any public property disposed of in an unlawful manner and institute a suit if the demand is not satisfied within thirty (30) days; and (3) investigate any alleged or suspected violation of the laws of the state by any office or employee of the county in the purchase, sale, or use of any surplus, services, equipment, or other property belonging to the county, and to do any and all things necessary to procure evidence sufficient to either prove or dispose the existence of any alleged or suspected violations. The State Auditor has the authority to contract with qualified public accounting firms to perform selected county audits if funds are available.