



Expenses

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Ohio Environmental Protection Agency

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“Our terms are net 30 days. If you don’t pay after 30 days, we come after you with a net!”

COURSE OBJECTIVES

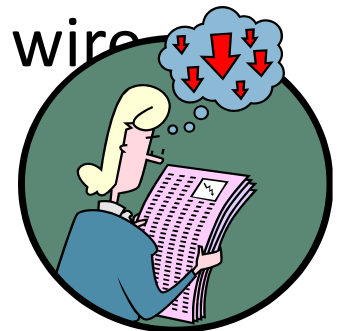
Participants will learn the following:

- Definition of expenditures
- Expenditure cycle
- Expenditure classifications



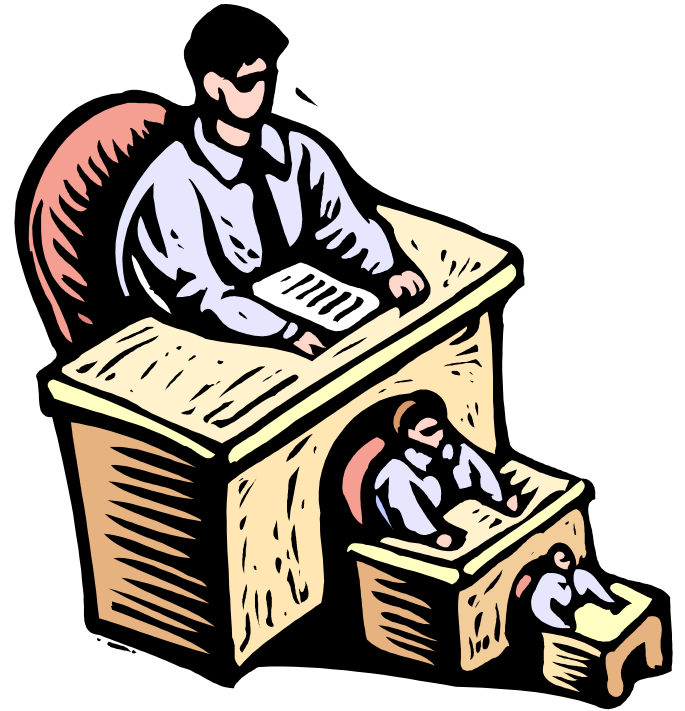
WHAT IS AN EXPENDITURE?

- A payment or disbursement
- Decrease in equity that results from operations
- Cost of assets consumed or services used in the process of earning revenue
- If expenditures exceeds revenue, result is a decrease to fund balance
- May be in form of cash, checks, credit card, wire transfer, or electronic means



Expenditures Examples

- Payroll
- Materials and Supplies
- Services
 - Public, Legal, Banking
- Capital outlay



EXPENDITURE CYCLE

Expenditure Cycle starts with a request to purchase that may include:

- Purchase requisition
- Purchase order (Certification)
- Invoice
- Voucher
- Check (warrant?)

PURCHASE REQUISITION

- Request to purchase
- Not required by law
- Submit to department head
 - Approved-to Clerk/Treasurer
 - Denied-back to requestor
- Bidding requirements may apply



PURCHASE ORDER

- Required by law for various types of local governments
- Typically includes:
 - Description of item or service, price, terms
- Used for Certification
 - Amount needed to meet obligation is appropriated and available
- Posted to Budget to encumber funds



CERTIFICATION METHODS

- **Regular**

- Used for normal purchases with:

- Single vendor with specific items, quantities, and unit costs
- Expires when contract or order is filled or cancelled
- No dollar limit, but limited to amount certified for the PO
- Single or multiple funds and accounts

- **Blanket**

- Used for purchase variety of items with:

- Single or multiple vendors, no specific items, quantities or prices
- Maximum amount: not exceeding amount established by governing body
- Period not beyond end of fiscal year
- Single fund and account

- **Super Blanket**

- Used for recurring and “reasonably predictable” operating expenses with:

- Single or multiple vendors, limited to specific goods and/or services
- \$ limit is amount appropriated to that line item
- Period cannot extend current fiscal year
- Multiple SBPO may exist per account code, one per expenditure code

Examples include: Gas, utilities, consultants, and accountants



CERTIFICATION METHODS

- Then and Now Certificate
 - (2008 Ohio Compliance Supplement, section 1-9)
 - Used in situations where certification was not made prior to the time the contract was made or order was placed
 - Fiscal Officer certifies that funds were available and properly appropriated **both at the time the contract or order was made and executed(now)**
 - Fiscal officer may approve payment if less than \$3,000 (or \$100 for Counties)



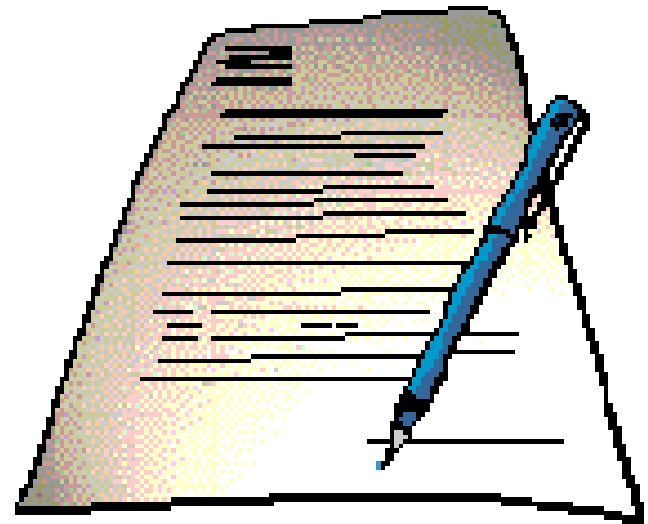
CERTIFICATION (Encumbrance)

- “No orders or contracts involving the expenditure of money are to be made unless there is a *certificate of the fiscal officer* that the amount required for the order or contract has been *lawfully appropriated* and *is in the treasury or in the process of collection* to the credit of the appropriate fund...”

(2008 Ohio Compliance Supplement, Section 1-9)

VOUCHER

- Written order
- Basis for payment
- Required for Townships





QUIZ



True or False

- 1) A blanket certificate can be for any amount.
- 2) A purchase requisition is required by law.
- 3) A voucher is part of the expenditure cycle

Proper “Public Purpose”

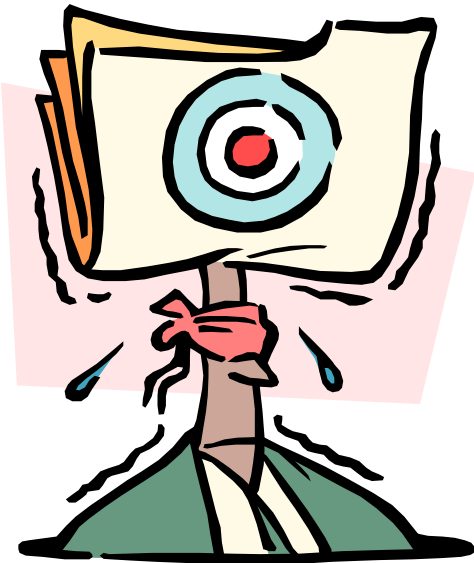
- Expenditures must be for a valid public purpose
 - Generally, the objective is for the promotion of public health, safety, morals, general welfare, security, prosperity and contentment of all the inhabitants
 - Primary objective is to further a public purpose, even if an incidental private end is advanced.



“Public Purpose” (continued)

- Two common questions:
 - When can coffee, meals, refreshments or other amenities be purchased?
 - Can refreshments include the expenditure of public funds for alcohol?
- Auditor of State Bulletin 2003-005
 - Included as handout

“Public Purpose” (continued)



- Food: as a fringe benefit
 - Cafeteria lunch for teachers
 - With prior authorization
- Alcohol: NO
 - AOS will issue findings for recovery
 - Manifestly arbitrary and incorrect (unreasonable)

Prohibited Expenditures for Political Activity

- Supports or Opposes
 - Candidate for public office
 - Recall of public official
 - Passage of a levy or bond issue
- Exempt are ADAMHS Boards
- Allowed expenditures:
 - Publish information about finances, activities, & actions NOT designed to influence the outcome of an election or passage of levy or bond issue



Political Activity (continued)

- Other prohibited activity:
 - O.R.C. 124.57 Restrictions for classified employees
 - O.R.C. 124.59 Prohibition of payment for position or promotion
 - O.R.C. 124.61 Abuse of political influence
 - O.R.C. 3315.07 Support of School Ballots

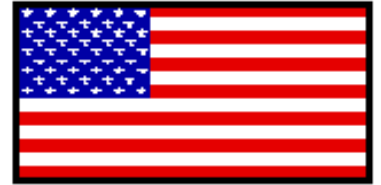
Quiz - True or False?

- Public funds may not be used to influence the outcome of an election.
- Refreshments are never considered a proper public expenditure.
- Public employees cannot be compensated for attending public meetings to present ballot information.



**“Leadership experience? I have
13 people following me on Twitter!”**

PAYROLL SYSTEMS



- Government is a service industry
 - payroll is large segment of budget
- Very important to maintain system of payroll reporting to ensure accuracy of payroll and compliance with payroll reporting

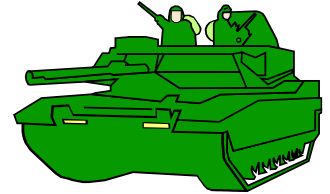
CRITICAL DOCUMENTS

- **Documents must be obtained and retained on each employee**
 - Report of first hire
 - Immigration (I-9) forms
 - W-2's, W-4's
 - State withholding forms
 - Retirement Systems forms
 - Employee enrollment forms
 - Some records are permanent: Payroll personnel must be aware of record retention schedules



COMPUTING PAYROLL

- Time records
- Computing payroll
 - Entering time records into payroll system (if computerized)
 - Calculating payroll
 - ACH (direct deposit) net pay to banks
 - Printing of checks and registers
 - Checks should not be released before payroll issuance date
 - E-mail Payroll vouchers!



Governing Regulations

- FLSA
 - Fair Labor Standards Act
 - Administered by the Department of Labor
 - Set overtime rules
- Wages
 - Union contracts
 - Pay classifications
 - Exempt or contract employees

PAYROLL REPORTING

- **Per pay period**
- **Monthly**
- **Quarterly**
- **Annual**



PAYROLL REPORTING

Monthly or Quarterly as required:

Local Withholding

State

Pension

Withholding

Job and Family Services

Federal (on form 941)

Medicare

Social Security (elected officials option)

Withholding



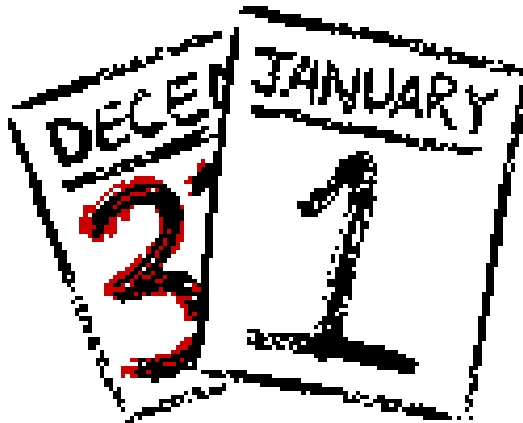
PAYROLL REPORTING

Required reporting

Annual

W-2's

Workers' Compensation



QUIZ

True or False?

- Once an employee leaves employment with you, it is safe to destroy their personnel file.



Payroll Miscellaneous

- 27 pays happen every 11 years if paid Bi-weekly
- Know your union contracts
- Know your administrative code
- Be cautious of 3rd pay in a month
- Pay taxes and withholdings on time!



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"You can name your own salary. I call mine Tiny Tim."

PROGRAM CODES

- General Government
- Public Safety
- Health Services
- Leisure Time Activities
- Community Environment
- Basic Utility Services
- Public Works
- Capital Outlay
- Debt Service
- Other Financing Uses



GENERAL GOVERNMENT

- Mayor's and Administrative Office
- Legislative Activities
- Mayor's Court
- Clerk-Treasurer
- Lands and Buildings
- Boards and Commissions
- County Auditor's and Treasurer's Fees
- Tax Delinquent Land Advertising
- Other

PUBLIC SAFETY

- Police and Fire protection
- Street lighting
- Civil defense
- Traffic signals, signs, and markings
- Other



HEALTH SERVICES

- Health and Human Services
- Cemetery
- Payment to County Health District
- Payment to County Welfare Program
- Other Assistance to the Needy
- Other

LEISURE TIME ACTIVITIES

- Recreational Services
- Provide and maintain parks
- Cultural facilities
- Swimming pools
- Concessions
- Other



COMMUNITY ENVIRONMENT

- Community Planning and Zoning
- Public Housing Projects
- Other



BASIC UTILITY SERVICES

- Electric
- Gas
- Waterworks
- Sanitary sewers and sewage disposal
- Storm sewers and drains
- Garbage collections and disposal
- Other



PUBLIC WORKS

- Transportation Services
- Street construction and reconstruction
- Street maintenance and repair
- Street cleaning, snow, and ice removal
- Traffic signals, signs, and markings
- Storm sewers and drains
- Parking facilities
- Sidewalks
- Other



CAPITAL OUTLAY

- Provide for the acquisition of or addition to capital assets
 - Land
 - Building
 - Improvement
 - Machine, Equipment, Furniture
 - Vehicle
 - Infrastructure



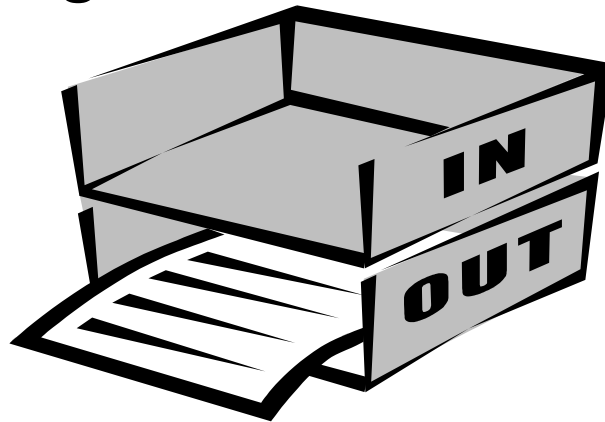
DEBT SERVICE

- Principal payments
- Interest and fiscal charges
- Other Charges
 - Legal
 - Reporting



OTHER FINANCING USES

- Operating Transfers Out
- Advances Out
- Other Financing Uses



QUIZ



True or False

- 1) Police protection is best classified as a general government function.
- 2) Interest payments are classified as debt service.
- 3) Infrastructure would best be classified as a public works function.

Questions ?