

**UNDERSTANDING THE TOWNSHIP  
BUDGET PROCESS**  
BRYAN E. SMITH  
TOI EXECUTIVE DIRECTOR

Township Officials of Illinois  
3217 Northfield Drive, Springfield, Illinois 62702  
866.897.4688

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**DEFINITIONS OF SOME COMMON TERMS**

- **Budget/ Appropriation** – Spending and revenue plan. Identifies the amount of revenue that is available and authorizes the township (road district) to spend money up to the amounts stated in the budget.
- **Fund-** Accounting terminology. A "pocket" in which property taxes earmarked for particular purposes are placed so that they will be spend for only a special purpose. (This is not a bank account). The budget document is divided up into seperate funds.

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**BUDGET AND APPROPRIATION  
ORDINANCE – WHAT IS IT?**

- **BUDGET / Appropriation** - provides **legal authority to spend** and establishes current years **financial plan**
- A) Equipment or other items cannot be purchased unless they are in the budget. Must anticipate all expenditures.
- B) Bills must be **paid from the correct line item** in the budget.

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• C) Budget Procedure – Follow provisions of 50 ILCS 330/3 to 330/5, for both townships and road districts and MTAD's. Also review 605 ILCS 5/6-501. Adopt before or during the first quarter of the fiscal year. **Six steps** must be followed (**TINHAF**)

- 1. Prepare **T**entative combined budget / appropriation
  - i. **By township trustees**
  - ii. **By the highway commissioner of the township**
- 2. **M**ake tentative budget available for public **I**nspection at least 30 days before final action (Town Clerk)
- 3. Publish a **N**otice in the newspaper at least 30 days before the hearing (Town Clerk)

Paper must be published in the township – If no newspaper, then the notice must be published in a county newspaper having general circulation in the township (only when no newspaper is published in the county).

Notice **MUST** state:

- Time and place where tentative budget can be inspected
- Time and place of hearing

Conduct **H**earing – entire township board of trustees

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• **A**dopt budget

Township budget can be adopted another day

- Road District budget must be adopted at the hearing
- Budgets should **not be adopted at annual township meeting** – this is the meeting of electors
- Board of trustees can make changes to road district budget
  - As an elected officer, commissioner should be given the resources to carry out his responsibilities
  - If budget cuts are made to road district budget when resources are available, the board may face a law suit.
  - Same is true with Assessors

Within 30 days of adoption, **F**ile budget and estimated revenues with county clerk (35 ILCS 200/18-50) If not filed, county clerk may refuse to extend property taxes

Budget certified by Town Clerk

Estimated Revenues certified by Supervisor

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**EXPENDITURE AND REVENUE PROJECTIONS FOR THE BUDGET**

- A. Start with last year's **actual** expenditures. What changes will occur in the budget year?
- B. **Trend Analysis** Determine the percentage rate that expenditure has been increasing over the last several years
- C. Is it a re-occurring expenditure or it is a "one time" expenditure? (Purchase of Equipment)
- D. Has anything happened that will increase or decrease this item
- E. Will the rate of inflation also affect this particular line item?
- F. Is the amount reasonable ?
- G. What new programs will be started?
- H. What old programs are ending
- I. What are the priorities of the township or road district?
- J. Revenue projections are similar

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BUDGET FORMAT HELPS PREVENT DEFICITS

Start With	Cash on Hand (Beginning of FY)	100
Add New	Estimated Revenue	500
Equals	Total Available	600
Less	Expenditures	500
Equals	Estimated Cash on hand at end of FY	100

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CHANGING THE BUDGET

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TWO WAYS TO CHANGE THE BUDGET AFTER ADOPTION

- A. **Transfers between existing line items** in same fund. But cannot exceed 10 percent of the amount budgeted for that fund. Example: May transfer no more than \$10,000 in \$100,000 fund to other line items in the same fund
- B. **Amend budget** – Same procedure to adopt original budget; on file for inspection; notice published in a newspaper 30 days before the scheduled hearing; conduct the hearing ; and board adopts budget.
- C. Can be done anytime. Even the last day of the fiscal year

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- D. Regardless of the amount of time spent developing a sound budget, changes in equalized assessed valuation, tax delinquencies, tax obligations and General Assistance caseload changes, equipment breakdowns, weather conditions and unforeseen problems will occur during the year that will require spending adjustments to be made.
- 1. Line-item transfers can be made in an amount not to exceed 10% of the amount of that fund. For example, if total Town Fund budget is \$100,000 – then the maximum amount of all line-item transfers within that fund cannot exceed a total of \$10,000. All transfers should be recorded in the minutes by the clerk.
- 2. DON'T hesitate to seek a budget amendment if you have exhausted the 10% line-item transfer limitation for the fund. The budget is amended in the same fashion that it was originally adopted. (Proposed budget amendment available for inspection, 30 day notice in newspaper, budget amendment hearing, and adoption).
- 3. With the exception of the highway commissioner's salary and direct benefits, the township cannot spend money for the road purposes.
- 4. A transfer of money can only be made from the General Town Fund to the Road and Bridget Fund if the following occurs:
  1. Board declares a surplus in the General Fund
  2. Written resolution is submitted by electors at the annual towns meeting calling for the transfer of surplus funds
  3. The resolution is passed by a majority vote.

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- 5. DON'T transfer money out of one property tax fund to another fund
- A. Money levied for a particular purpose can only be used for that purpose.  
Example: Money levied for insurance can only be used for insurance
- B. The authority to transfer "surplus money" from the General Assistance Fund to the Town Fund has expired. Such a transfer now is not proper.
- 6. DON'T spend money from a fund for a purpose the law does not allow.  
Example: Money in the Permanent Road Fund can only be used for construction and maintenance of roads. It cannot be used for the purchase of equipment.

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DO YOU **SALT** YOUR FINANCES

SAME AS LAST TIME

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**BUDGET MANAGEMENT**

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• The adoption of a balanced budget is only a first step to sound financial management. Once adopted, the budget should be followed closely and adjustments should be made to it when necessary. Monthly reports can help the board keep its financial affairs in order.

• 1. Law allows the budget to be adopted anytime during the first three months of the fiscal year, but adopt it before the fiscal year begins or shortly after it begins. It is your spending plan.

• 2. Prepare a Monthly Budgetary Report – Financial speedometer that shows: how fast revenues are coming in and going out.

- Amount collected or paid out during the month
- Total amount collected or paid out since the start of the fiscal year
- Amount budgeted for that item
- How much remains for that item
- The percent so far received or spent since the start of the fiscal year

**SEE ATTACHED BUDGET REPORT**

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• 3. Investment Report – Financial Fuel gauge that shows the amount of money in the check book and investments. Indicates cash position.

• 4. DON'T misappropriate funds.

- A. The budget gives the authority to spend
- B. Equipment or other items should not be purchased unless they are authorized in the budget.
- C. The line-items in the budget sets the maximum amount that can be spent for those items

5. Payment of bills from the wrong budget line –items. It is the board of trustees responsibility to “audit” the bills and to make sure that they are paid properly from the correct line item.

6. DON'T spend all of the money in your operating funds leaving a zero balance at the end of the year.

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- A. This may happen if the budget is unbalanced or if property taxes are less than projected.
  - B. Sufficient money must be left at the end of the fiscal year, to allow for normal spending during the months before the property taxes are available.
  - C. If the fiscal year begins April 1, then enough cash should be left over from the previous year to meet the operating expenses for 5 to 6 months. (Assuming property taxes will be received in August – They are often late).
7. Avoid issuing **tax anticipation warrants** or borrowing money from the bank to meet operation expenses.
- A. Tax anticipation warrants is a formal procedure to borrow against property taxes not yet received.
  - B. Tax anticipation warrants must be paid-off with interest, as soon as the property taxes are collected.
  - C. If future tax revenue is used for current expenses, the township will be digging itself into a deeper financial hole.
8. The budget is only valid for the fiscal year that it was adopted – all appropriations lapse at the end of the fiscal year.
- A. Equipment budgeted in one year but not purchased until the next, must be again included in the current budget.
  - B. The township does not have "lapse period" spending authority like state and county governments.
  - C. There is no such thing as "off budget spending" for townships and road districts.

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- The preparation of the budget is a team effort. State statutes indicated state that the board of trustees shall prepare the tentative budget. However, if the board shows no interest in the exercising its responsibility, the supervisor, as chief executive officer of the township, should see that the budget is prepared.
- DON'T rush through the preparation of the budget. The budget is a legal document giving the township the authority to spend. Therefore, equipment or other items cannot be purchased unless they are in the budget. The budget also sets the maximum amount that can be spent for items.
- DON'T pattern your spending program after the Federal government. Except for unusual circumstances, do not spend more money in your operating funds than you receive in current revenues. Expenditures greater than current revenues reduces your cash balance. DON'T get into a position where you must issue tax anticipation warrants.
- The budget is valid for only the fiscal year for which it is adopted and all appropriations lapse at the end of the year. Equipment budgeted on one year but not purchased until next year, must be again included in the current fiscal year budget.

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**REAL BUDGETS  
VS.  
INFLATED BUDGETS**

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- Often, a governing board will adopt a budget that the current expenditures exceed the revenue to be collected during the year. In most cases, all of the authorized expenditures are not actually made – so the financial stability of the township is not threatened. However, such action results in the negative image that the township cannot manage its affair.
- I. Expenditures are often inflated to cover all possible spending to reduce the need to make line-item transfers.
  - A. Results in meaningless budget if expenditures are unrealistically high.
  - B. Out- of-balance budget reflects on management skills of officials.

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- The budget for the operating funds should be "balanced" – Current expenses should not be greater than current revenues.
  - A. If spending is more than revenues, then an operating deficit exists in the budget.
  - B. Cash on Hand for the start of the next year will be reduced.
  - C. Two consecutive years of an operating deficit is a serious financial warning signal.
  - D. Use last year's actual revenue collections and spending as a guide for preparing new budget. (Adjust for changes)

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- Before approving expenditures to add new services, the township will ensure that existing services are adequately funded.
- The board will not enter into a lease purchase contract for equipment for a period of time greater than the useful life of the equipment.
- In considering new or expanded services, the township will calculate the impact the service will have on property taxes.
- Except under unusual circumstances, the township board will not pass a budget that the general town fund revenues are less than expenditures.
- The township Supervisor will invest all money within two working days which is not immediately needed for disposal.
- The township will invest all money only in accordance with law and be sure that all investments are fully collateralized. It recognizes that the rate of return is secondary to safety.
- All long-term labor contracts, health insurance, vacation/holiday leave, sick leave, and other fringe benefits will be thoroughly costed out before they are adopted.
- The township will maintain all physical assets at a level adequate to protect its capital investment and to minimize future maintenance and replacement costs.
- When preparing the budget, the board will project revenues conservatively and expenditures liberally – but realistically
- The board will establish a multi-year capital improvement plan identifying equipment, land, and building improvements that it will purchase and update the plan every year.

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HB 1896 / Public Act 100-0474

Public Act 100-0474

[Bill Status](#) [Printer-Friendly Version](#) [PDF](#)

Public Act 100-0474  
 HB1896 Enrolled LRB100 04428 AMZ 14434 B

AN ACT concerning local government.

**Be it enacted by the People of the State of Illinois, represented in the General Assembly:**

Section 1. The Township code is amended by adding Section 85-45 as follows:

(60 ILCS 1/85-45 new)

Sec. 85-45. Accumulation of funds. Township funds, excluding the township's capital fund, shall not exceed an amount equal to or greater than 2.5 times the annual average expenditures of the previous 3 fiscal years.

Section 99. Effective date. This Act takes effect upon becoming law.

Effective Date: 08/2017

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**STRUGGLE FOR CONTROL OF ROAD DISTRICT**

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- The board of trustees may make changes to the road district budget. However, the roads are not under the jurisdiction of the board of trustees, but are under the jurisdiction of the highway commissioner. The board should not try to run the road district.
- 1. Statutory authority for the board to make adjustments to the road district budget comes from a single phrase found at 605 ILCS 5/6-501. It says that the township board "... at the public hearing shall adopt the tentative budget and appropriation ordinance, or any part as the board of trustees deem necessary."
- 2. Highway Commissioner's authority to run the road district and establish policies as he sees fit goes on for almost 3 pages in the law. Se 605 ILCS 5/6-201 – 201.20.

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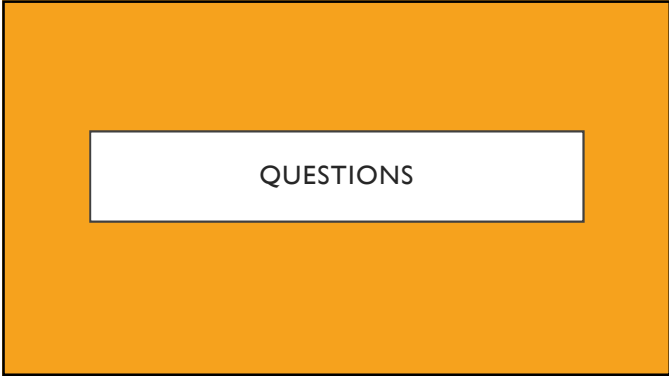
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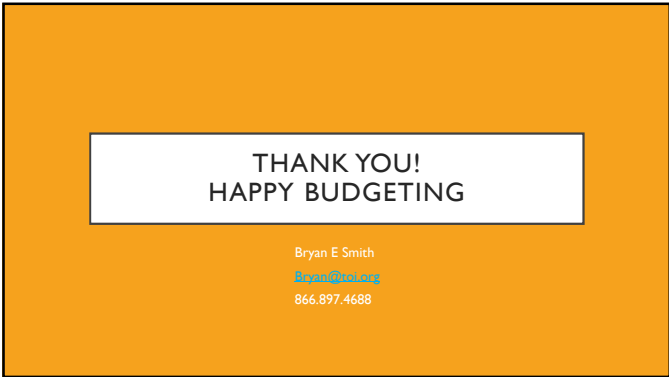
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