

## **Operational Services**

### **Fiscal and Business Management** <sup>1</sup>

The Superintendent is responsible for the School District's fiscal and business management.<sup>2</sup> This responsibility includes annually preparing and presenting the District's statement of affairs to the School Board and publishing it before December 1 as required by State law.<sup>3</sup>

The Superintendent shall ensure the efficient and cost-effective operation of the District's business management using computers, computer software, data management, communication systems, and electronic networks, including electronic mail, the Internet, and security systems. Each person using the District's electronic network shall complete an *Authorization for Access to the District's Electronic Network*.<sup>4</sup>

### **Budget Planning**

The District's fiscal year is from July 1 until June 30.<sup>5</sup> The Superintendent shall present to the Board, no later than the first regular meeting in August, a tentative budget with appropriate explanation.<sup>6</sup> This budget shall represent the culmination of an ongoing process of planning for the fiscal support needed for the District's educational program. The District's budget shall be entered upon the Ill. State Board of Education's (ISBE) *School District Budget Form*.<sup>7</sup> To the extent possible, the tentative budget shall be balanced as defined by ISBE guidelines. The Superintendent shall complete a tentative deficit reduction plan if one is required by ISBE guidelines.<sup>8</sup>

### **Preliminary Adoption Procedures**

After receiving the Superintendent's proposed budget, the Board sets the date, place, and time for:

1. A public hearing on the proposed budget,<sup>9</sup> and
2. The proposed budget to be available to the public for inspection.<sup>10</sup>

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<sup>1</sup> State or federal law controls this policy's content. Article 17 of the School Code controls budgeting, tax levies, and tax warrants.

<sup>2</sup> Boards are authorized to hire a chief school business official. 105 ILCS 5/10-22.23a. Districts having a chief school business official may want to replace "Superintendent" with "Chief School Business Official" throughout this policy.

<sup>3</sup> 105 ILCS 5/10-17.

<sup>4</sup> See sample exhibits 6:235-AP1, E1, *Student Authorization for Access to the District's Electronic Networks*, and 6:235-AP1, E2, *Staff Authorization for Access to the District's Electronic Networks*. Use of electronic networks in the curriculum is covered in sample policy 6:235, *Access to Electronic Networks*.

<sup>5</sup> The board sets the fiscal year (105 ILCS 5/17-1) and this sentence should reflect that local decision. If the board sets an alternative fiscal year, State law provides, "If the beginning of the fiscal year of a district is subsequent to the time that the tax levy due to be made in such fiscal year shall be made, then such annual budget shall be adopted prior to the time such tax levy shall be made." *Id.* Consult the board attorney for guidance on the impact of an alternative fiscal year on the deadlines in this policy.

<sup>6</sup> The board must designate a person(s) to prepare a tentative budget. 105 ILCS 5/17-1. The purpose of this policy's directive for the superintendent to present a tentative budget "no later than the first regular meeting in August" is to ensure that the budget can be adopted by September 30 (see f/n 14). A board may amend this directive to give the superintendent additional flexibility by requiring him or her to present a tentative budget "during a regular Board meeting in August."

<sup>7</sup> Required by 105 ILCS 5/17-1. See [www.isbe.net/Pages/School-District-Joint-Agreement.aspx](http://www.isbe.net/Pages/School-District-Joint-Agreement.aspx).

<sup>8</sup> *Id.* The budget instructions from ISBE detail when a deficit reduction plan must be completed. State law requires the budget to be balanced and, if not, a three-year deficit reduction plan must be developed.

<sup>9</sup> At least one public hearing must be held before final action is taken on the budget. 105 ILCS 5/17-1.

<sup>10</sup> The tentative budget must be conveniently available for public inspection for at least 30 days before final action on the budget. 105 ILCS 5/17-1.

The Board Secretary shall arrange to publish a notice in a local newspaper stating the date, place, and time of the proposed budget's availability for public inspection and the public hearing.<sup>11</sup> The proposed budget shall be available for public inspection at least 30 days before the time of the budget hearing.

At the public hearing, the proposed budget shall be reviewed, including the cash reserve balance of all funds held by the District related to its operational levy and, if applicable, any obligations secured by those funds,<sup>12</sup> and the public shall be invited to comment, question, or advise the Board.<sup>13</sup>

#### Final Adoption Procedures

The Board adopts a budget before the end of the first quarter of each fiscal year, September 30, or by such alternative procedure as State law may define.<sup>14</sup> To the extent possible, the budget shall be balanced as defined by ISBE; if not balanced, the Board will adopt a deficit reduction plan to balance the District's budget within three years according to ISBE requirements.<sup>15</sup>

The Board adopts the budget by roll call vote. The budget resolution shall be incorporated into the meeting's official minutes. Board members' names voting *yea* and *nay* shall be recorded in the minutes.<sup>16</sup>

The Superintendent or designee shall perform each of the following:

1. Post the District's final annual budget, itemized by receipts and expenditures, on the District's Internet website; notify parents/guardians that it is posted and provide the website's address.<sup>17</sup>
2. File a certified copy of the budget resolution and an estimate of revenues by source anticipated to be received in the following fiscal year, certified by the District's Chief Fiscal Officer, with the County Clerk within 30 days of the budget's adoption.<sup>18</sup>
3. Ensure disclosure to the public of the cash reserve balance of all funds held by the district related to its operational levy and, if applicable, any obligations secured by those funds, at the public hearing<sup>19</sup> at which the Board certifies its operational levy.
4. Present a written report that includes the annual average expenditures of the District's operational funds for the previous three fiscal years at or before the board meeting at which the Board adopts its levy. In the event the District's combined cash reserve balance of its operational funds is more

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<sup>11</sup> 105 ILCS 5/17-1 makes the board secretary responsible for this public notice at least 30 days before the hearing. If there is no newspaper published in the district, notice must be given by posting notices in five of the most public places in the district. 105 ILCS 5/17-1.

<sup>12</sup> 105 ILCS 5/17-1.3, added by P.A. 102-895, requires districts to disclose this cash reserve balance information "at the public hearing at which the district certifies its budget and levy for the taxable year." The statute does not specify the manner in which the disclosure must be made; for ease of administration, this sample policy manages disclosure at the budget hearing by including it in the budget review. To provide evidence of compliance, consider as a best practice recording this disclosure in the board meeting minutes and/or presenting it in writing. The term *operational levy* is not defined in the statute, but the definition of *operational funds* in 105 ILCS 5/17-1.10, added by P.A. 103-394, references 105 ILCS 5/17-1.3 and supports that it includes the educational, transportation, and operation and maintenance funds. Consult the board attorney for guidance.

<sup>13</sup> State law does not address what transpires during the budget hearing. See f/n 12, above, regarding disclosure of cash reserves at the budget hearing as a means to comply with 105 ILCS 5/17-1.3, added by P.A. 102-895.

<sup>14</sup> Required by 105 ILCS 5/17-1 and 5/17-3.2. See f/n 5.

<sup>15</sup> Required by 105 ILCS 5/17-1. See f/n 8.

<sup>16</sup> Required by 105 ILCS 5/10-7.

<sup>17</sup> Required by 105 ILCS 5/17-1.2, *only if* the district has a website. Delete this sentence unless the district has a website.

<sup>18</sup> Required by 35 ILCS 200/18-50, which refers to "appropriation and budget ordinances or resolutions." School districts adopt budgets by board resolution. The budget serves as the district's appropriation.

<sup>19</sup> Required by 105 ILCS 5/17-1.3, added by P.A. 102-895. Consult the board attorney about the meaning of the *public hearing* for the levy and if the disclosure must always be made at the board meeting at which the board certifies the district's levy, or only in those instances where notice and a *public hearing* are required by the Truth in Taxation Law. 35 ILCS 200/18-70. Similar to the disclosure of cash reserves made at the budget hearing, a district may want to manage compliance for the levy hearing by incorporating the information into the presentation of the levy at the board meeting. See f/n 12, above.

than 2.5 times the annual average expenditures of those funds for the previous three fiscal years, the Board will adopt and file with ISBE a reserve reduction plan by December 31.<sup>20</sup>

5. Make all preparations necessary for the Board to timely file its Certificate of Tax Levy, including preparations to comply with the Truth in Taxation Act;<sup>21</sup> file the Certificate of Tax Levy with the County Clerk on or before the last Tuesday in December. The Certificate lists the amount of property tax money to be provided for the various funds in the budget.
6. Submit the annual budget, a deficit reduction plan if one is required by ISBE guidelines, and other financial information to ISBE according to its requirements.<sup>22</sup>

Any amendments to the budget or Certificate of Tax Levy shall be made as provided in the School Code and Truth in Taxation Act.<sup>23</sup>

#### Budget Amendments

The Board may amend the budget by the same procedure as provided for in the original adoption.<sup>24</sup>

#### Implementation

The Superintendent or designee shall implement the District's budget and provide the Board with a monthly financial report that includes all deficit fund balances. The amount budgeted as the expenditure in each fund is the maximum amount that may be expended for that category, except when a transfer of funds is authorized by the Board.

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<sup>20</sup> Delete this paragraph if a district receives federal impact funding. 105 ILCS 5/17-1.10(a), added by P.A. 103-394. Federal impact aid is designed to assist local school districts that have lost a portion of their local tax base because of federal ownership of property (e.g., military bases, low-rent housing properties, or concentrations of students that have parents/guardians in the uniformed services). For more information about federal impact aid, see [www.impactaid.ed.gov/resources/](http://www.impactaid.ed.gov/resources/) and [www.nafisd.org/impact-aid-resources/impact-aid-payments/](http://www.nafisd.org/impact-aid-resources/impact-aid-payments/). 105 ILCS 5/17-1.10(a), added by P.A. 103-394, requires a board to present "at a board meeting" a written report that includes the annual average expenditures of its *operational funds*, which include the educational, transportation, and operation and maintenance funds. *Id.* The average expenditures are calculated based on the district's most recently audited annual financial report (AFR). *Id.* For ease of administration, this sample policy manages presentation of the report in conjunction with the meeting at which a board adopts its levy, or earlier, if a district's AFR is available. Consult the board attorney if a district's AFR is not available before December 31 (the date by which a reserve reduction plan must be filed, if applicable); the board may need to rely upon estimated numbers in that scenario. If a district's ratio of its combined cash reserves of its operational funds to its average annual expenditures of those funds over the past three fiscal years exceeds 2.5, then the board must adopt and file a plan with ISBE to reduce its cash reserves to expenditures ratio to at or below 2.5 within three years. *Id.* at (b), added by P.A. 103-394.

<sup>21</sup> 35 ILCS 200/18-55 *et seq.* The Truth in Taxation Law contains several notice, publication, and hearing requirements. A district that fails to strictly comply with the notice and publication requirements of the Truth in Taxation Act risks invalidation of its levy. *In re County Collector*, 229 Ill.App.3d 641 (3rd Dist. 1992). However, failure to post a Truth in Taxation notice on a district's website will not invalidate the notice or action taken on a tax levy. 35 ILCS 200/18-75, amended by P.A. 103-1018. See sample exhibit 2:250, *Immediately Available District Public Records and Web-Posted Reports and Records*.

<sup>22</sup> Required by 105 ILCS 5/17-1.

<sup>23</sup> 105 ILCS 5/17-11 and 35 ILCS 200/18-55 *et seq.*

<sup>24</sup> 105 ILCS 5/17-1; 23 Ill.Admin.Code Part 100.

The Board shall act on all interfund loans<sup>25</sup>, interfund transfers<sup>26</sup>, transfers within funds<sup>27</sup>, and transfers from the working cash fund or abatements of it, if one exists. <sup>28</sup>

LEGAL REF.: 105 ILCS 5/10-17, 5/10-22.33, 5/17-1, 5/17-1.2, 5/17-1.3, 5/17-1.10, 5/17-2A, 5/17-3.2, 5/17-11, 5/20-5, 5/20-8, and 5/20-10.  
35 ILCS 200/18-55 et seq., Truth in Taxation Law.  
23 Ill.Admin.Code Part 100.

CROSS REF.: 4:20 (Fund Balances), 4:40 (Incurring Debt), 4:60 (Purchases and Contracts), 6:235 (Access to Electronic Networks)

ADMIN. PROC.: 6:235-API, E1 (Student Authorization for Access to the District's Electronic Networks), 6:235-API, E2 (Staff Authorization for Access to the District's Electronic Networks)

APPROVED:

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<sup>25</sup> 105 ILCS 5/10-22.33, 5/20-4, 5/20-5, 5/20-8, and 5/20-10 and 23 Ill.Admin.Code §100.50. If the district loans money from the working cash fund to another fund, Section 5/20-10 requires the district to maintain a credit to the working cash fund (meaning that borrowing fund must repay the working cash fund).

<sup>26</sup> 105 ILCS 5/17-2A, amended by P.A.s 102-671, 102-895, and 103-601, contains the requirements for a permanent transfer. P.A.s 102-895 and 103-601 extended the time period during which a district may transfer money from specified funds for any purpose through June 30, 2026.

<sup>27</sup> Transfers between the various items in any fund may not exceed in the aggregate ten percent of the total of such fund as set forth in the budget. If the aggregate exceeds 10%, the board must amend the budget. 105 ILCS 5/17-1.

<sup>28</sup> The purpose of the working cash fund is to enable the school district "to have in its treasury at all times sufficient money to meet demands for expenses." 105 ILCS 5/20-1. School officials, including board members, are liable "for any sum that may be unlawfully diverted from the working cash fund ...." 105 ILCS 5/20-6.

105 ILCS 5/20-10 codified a long-held practice and understanding of Ill. school districts. A district may abate (reduce the funds) money from the working cash fund at any time and transfer it to any district fund or funds most in need of the money, provided that the district maintains an amount to the credit of the working cash fund. This was a legislative overturn of a case concluding that any permanent transfer, including abatements, of the working cash fund should be transferred only to the education fund. See *G.I.S. Venture v. Novak*, 388 Ill.App.3d 184 (2nd Dist. 2009); *G.I.S. Venture v. Novak*, 385 Ill.Dec. 430 (2nd Dist. 2014). Abolishments (deplete all funds) of the working cash fund must still be transferred to the education fund only.