

## HOW TO UNDERSTAND THE REVENUE AND EXPENDITURE REPORT

Looking at a government financial report can be a challenge. To help you along, here is an explanation of the columns in this report, along with some of the terms used.

The township starts the fiscal (financial) year on April 1. At that time a budget must be approved. This budget may have changes (amendments) made to it over the year, so it is called an **amended budget**.

A budget is a plan for how money is to be taken in and spent. Most money coming and going goes through the general fund, which is the main “checkbook” for township operations. Revenues (money coming in) can come from the approximately 0.85 mills the township gets in property taxes, from revenue sharing (money from the state) as well as various fees and other small items. Expenditures (money going out) are generally budgeted for administrative expenses, township road maintenance, the township’s portion of funds to run the South County Fire Department, maintenance of township cemeteries, and the holding of elections, which is a township responsibility for all elections, as well as improvements to township facilities and other various items.

One myth about budgets is that, once a budget is created, all of the money must be spent. This is not true.

**Budgets are estimates** on how much will come in from taxes and from the state, as well as estimates on how much will be spent on each expenditure item. The township may budget more money for expenditures than it has budgeted for revenues, which shows a budget deficit. When this happens, it is because the township has money in its fund balance (cash reserves) from unspent money from previous years, much like a family has a savings account for when it is needed. Deficit budgets are legal and not unusual. Sometimes, even though the money is budgeted it is not actually all spent. Budgets are very flexible and can change from month to month.

**What cannot change is the amounts already spent and the amounts that have already come in, which you can see on the “Revenue and Expenditure” report.**

### What Each Column Of The Report Means

**GL Number** - GL means “General Ledger”. This 12-digit universal code number is a way the state makes all local governments describe each item in their budget. The number will tell a person who knows the system about the account it is coming from, if it is a revenue or expenditure, and where specifically is that money coming from or going to. Most folks skip this number and look at the description instead.

**Description** - This is just that; a description of where the money came from or went to. The first group of descriptions is for revenues, while all of the other groupings are for expenditures.

**Amended Budget** - This is the amount for each item that the township board has budgeted (and possibly amended) for the fiscal year starting April 1.

**YTD Balance** - YTD means “Year To Date” and is the amount that has been either collected in revenue or spent in expenditures for that item since April 1.

**Available Balance** - This is the amount that is left between the budgeted amount and the YTD amount. If the balance is negative, that means that the township has spent more than it has budgeted. This is legal and not unusual. It means that the township will have to amend the budget so that all of the expenditures are included and there is no negative. This usually happens in March, near the end of the fiscal year.