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BONDS - ILLINOIS

[Barrett v. Henry](#)

Appellate Court of Illinois, Second District - April 17, 2013 - N.E.2d - 2013 IL App (2d) 120829

Appeals court upholds the financing system in which bond proceeds are deposited into a working cash fund to enable the district to finance operations during the period before the property taxes levied for that purpose have been collected; legitimate alternative to the issuance of tax anticipation warrants.

Taxpayers filed tax objection complaints against county, seeking refunds for portions of their 2009 and 2010 property taxes that were collected to make payments on bonds issued by the school district. Taxpayers argued that the district abused its discretion in issuing the bonds.

Taxpayers objected to the deposit of bond proceeds into the school district's working cash fund, arguing that the district must first demonstrate that there has been a need for tax anticipation warrants in the most recent past or that there will be a continual need for tax anticipation warrants into the foreseeable future prior to 1) establishing a working cash fund and 2) increasing a working cash fund.

The court noted that the working cash arrangement is designed to enable the district to finance operations during the period before the property taxes levied for that purpose have been collected and serves as an alternative to the issuance of tax anticipation warrants.

The appeals court quoted from a prior Illinois Supreme Court case, stating that, "the working cash fund constitutes a revolving fund from which money may be transferred to other funds in anticipation of taxes to be collected for the purposes of such other funds, to be re-paid later out of the taxes levied for such other funds when collected, and a method is provided enabling the municipality to do business on a cash basis by transferring money from the working cash fund to other funds during the time between the levy of taxes for such other funds and the collection of the taxes so levied."