

# Audit/Fund Balance (Reserves)

(Audit for Fiscal Year May 1, 2024 through April 30, 2025)

## FY 2024-2025 Audit Results

Overall, the total net position of the Village increased by 18.9% (a positive trend).

- Net position summary (The net position accounts for all municipal funds, not just general fund)
  - FY 2022 Net Position - \$22,302,796
  - FY 2023 Net Position - \$26,781,671 (+20.0%)
  - FY 2024 Net Position - \$31,468,774 (+17.5%)
  - FY 2025 Net Position - \$37,416,782 (+18.9%)

*The difference between total assets and liabilities are reported as the net position. Over time, increases or decreases in the Village's net position may serve as a useful indicator of whether the financial position of the Village is improving, deteriorating, or remaining constant. Homewood's financial position is doing well.*

## General Fund

- General Fund Revenue and Expense summary

	FY 2023 5/1/2022 to 4/30/2023	FY 2024 5/1/2023 to 4/30/2024	FY 2025 5/1/2024 to 4/30/2025
Revenues	\$27.2M	\$27.9M	\$30.0M
Expenses	\$22.6M	\$27.3M	\$27.5M

1. After all obligations are met at the end of a fiscal year, all remaining money goes into the Village's Reserves.
2. \$2.5M was added to the General Fund's Reserves.

### ***Where did the surplus come from?***

- **\$700k** is related to Gaming Tax from the opening of the casino in November 2024. The budget was very conservative as the revenue and timing of the opening of the casino was unknown during budget preparation.
- **\$780k** in interest income. Interest rates have continued to provide a good return on the Village's investments.
- **\$1.13M** – The Village acquired 2 properties (18155 Dixie Highway and 17701 Bretz Drive) during the fiscal year at no cost; however, accounting rules require the acquisition of property being held for sale be recorded as revenue in the year acquired and then any gain/loss will be recorded during the fiscal year the property is sold.
- Our overall expenses came in at 93% of what was anticipated; or, expenses came in **\$2M under** budget; mainly due to open/unfilled budgeted positions and budgeted business incentives not being paid during the fiscal year due to timing of project completion.
- **\$2.3M** was transferred from the General Fund to Capital Fund.

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## FY 2024-2025 Fund Balance or Reserves (Non-Spendable, Assigned, and Unassigned)

Total General Fund Reserves is currently **\$20.3M**.

1. Fund balance or reserves is the Village's only fiscal insurance policy to protect against internal and external factors that impede the Village's ability to continue providing high-level services to our residents and stakeholders.
2. **\$3.1M** is categorized as Non-spendable. These funds account for reserves we are mandated to maintain on hand with the Intergovernmental Personnel Benefit Cooperative (IPBC - health insurance pool) and the Intergovernmental Risk Management (IRMA - risk management pool). Also, \$1.13M of this amount is land held-for-sale (18155 Dixie Highway and 17701 Bretz Drive).
3. **\$516k** is categorized as Assigned. These funds represent *earmarked* funding for a specific use such as non-TIF incentives:
  - a. The Village typically allocates \$25k for non-TIF incentives. If unused during the fiscal year, the funds are rolled into fund balance (currently \$176k). Funded during the last nine years (since 2015).
  - b. \$340k is assigned for the incentive for Stoney Point Grill.
    - i. \$85k is due each of the next four years.
4. **\$16.5M** in reserves remains and is categorized as Unassigned.

## Unassigned Reserves

1. Fund balance or reserves is the Village's only fiscal insurance policy to protect against internal and external factors that impede the Village's ability to continue providing high-level services to our residents and stakeholders.
2. The Village's fund balance policy (ordinance) requires at least five (5) months of operating expenses, or **\$11.6M**. (*The Village's current monthly operating cost is approximately \$2.3M.*)
3. Village's current fund balance now has approximately seven (7) months of operating expenses (**\$16.5M**).

## Staff recommendation for allocating funds above 5-month minimum reserves

As of April 30, 2025, there is approximately **\$4.9M** of available reserves above the Village's General Fund Policy of maintaining at least five (5) months of operating expenses.

Per the Policy, the Village Board may decide to use unrestricted funds available above the minimum fund balance policy following the spending priorities below:

1. Fund capital projects
2. Fund Non-TIF and Economic Development Incentives
3. Increase unassigned fund balance up to a maximum of six (6) months; Develop a rainy day or contingency fund
4. Contribute funding to pensions

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Staff's recommendation is to use the entirety of the **\$4.9M** remaining reserves to fund the various weighted capital needs and pension funding shortage.

- Current 5-Year Capital Plan is over \$60M.
- The Village currently has no continuous funding source for capital improvements/projects.
- The Village has relied on the Non-Referendum General Obligation Bond every three (3) years to fund capital but the needs are far more than we are able to bond without referendum.
- With no continuous funding source for capital, many projects and purchases have been delayed.
- As projects are delayed, costs continue to rise making it more difficult to fund.
- The injection of cash to capital would provide an opportunity to meet the Village's capital needs.
- The Police & Fire Pension funding deficit needs to be addressed. This will help to potentially reduce the Village's recommended levy amount from the State annually and allow more funds to be allocated to day-to-day operations.

## Pension Funds

1. Under the State Pension code, the Village is required to fund the Police and Fire Pension Funds at 90% by 2040.

### Pension Funding Percentages:

	FY 2023 5/1/2022 to 4/30/2023	FY 2024 5/1/2023 to 4/30/2024	FY 2025 5/1/2024 to 4/30/2025
Police Pension	55.6%	55.9%	55.0%
Fire Pension	72.2%	72.7%	72.2%

2. Each year, approximately 50% of the Village's tax levy goes towards the Police & Fire Pension funds.
3. Unfortunately, because the Village does not collect 100% of the property taxes levied, a pension deficit of approximately \$1.6M exists and needs to be addressed in order to assist with the property tax levy going forward.
4. Whether or not the Village will meet the 90% by 2040 State mandate depends on annual returns on investment, tax collections, economic conditions, cost of living increases, and staffing levels.

## Water/Sewer Fund

1. The Village has recently completed a water rate study with Burns & McDonnell to ensure our rates will be enough to cover ongoing operating expenses in the Water/Sewer Fund, as well as current and future capital needs.

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## 2. Current Water/Sewer Fund Reserves:

	FY 2023 5/1/2022 to 4/30/2023	FY 2024 5/1/2023 to 4/30/2024	FY 2025 5/1/2024 to 4/30/2025
Operating	\$1.5M	\$2.5M	\$2.2M
Capital	\$3.0M	\$2.4M	\$2.8M
<b>Total Reserves</b>	<b>\$4.5M</b>	<b>\$4.9M</b>	<b>\$5.0M</b>

- Annually, \$1.6M is transferred from water revenues to the water capital fund.
- The total available funding available for water/sewer capital projects in the FY 2026 budget is \$4.4M.
- Budgeted water/sewer capital for FY 2026 (excluding Lead Service Line Replacements) is \$3.58M.