

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: September 10, 2024

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: FY 2023-2024 Village of Homewood Audit

PURPOSE

Presentation and acceptance of the Fiscal Year 2023-2024 Annual Financial Report (audit).

PROCESS

Following the end of the Village's fiscal year on April 30, 2024 the Village contracted with an independent accounting firm to audit the Village's financial records and controls. The audit is conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. The Village contracted with Lauterbach & Amen to complete the Fiscal Year 2023-2024 annual audit.

OUTCOME

The Village of Homewood Fiscal Year 2023-2024 audit results are positive. Overall, the Village's net position increased by 17.5%. Net position is a useful indicator of whether the financial position of the Village is improving, deteriorating, or remaining constant. The Village is in a good place financially.

General Fund

The Village's General Fund is a major fund and the general operating fund of the Village. The majority of the Village's revenues, such as State taxes, property taxes, and fines and fees are deposited into the General Fund. Most of the Village operating expenses, such as salaries, benefits, and services are paid out of the General Fund.

After all obligations are met at the end of the fiscal year, the remaining money goes into the Village's General Fund fund balance or reserves. For Fiscal Year 2023-2024, a net increase of \$599,539 was added to reserves. 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.

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The addition of \$599k to reserves came mostly from the following:

- The Ground Emergency Transport (GEMT) State subsidized program for ambulance fees which began in fiscal year 2022-2023. The budgeted amount during fiscal year 2023-2024 was too conservative. A more accurate budget figure will be used going forward.
- Sales tax performed better than expected during the budgeting process, which took into account the loss of a major retailer.
- Interest rates have continued to provide a good return on the Village's investments.
- General Fund expenses came in at 93% of what was budgeted mainly due to open/unfilled budgeted positions.

The Village's total General Fund reserves is \$17.9M.

- \$1.82M is considered to be Non-Spendable. These funds are not available to be spent, neither in the short-term or long-term, nor through legal restrictions. They account for reserves that the Village is mandated to maintain on hand with the Intergovernmental Personnel Benefit Cooperative (IPBC - health insurance pool) and the Intergovernmental Risk Management (IRMA - risk management pool).
- \$981k is categorized as Assigned. These funds are earmarked for a specific use, such as non-TIF incentives.
- The remaining \$15M is categorized as Unassigned, which equates to approximately seven (7) months of operating expenses. Current fund balance policy requires a minimum of five (5) months.
- Village staff will provide a recommendation to the Board at an upcoming meeting on the best way to use unrestricted funds available, above the minimum fund balance policy, based on the priorities listed in the Fund Balance Policy. The number one priority is Capital Funding.

Water & Sewer Fund

The Water & Sewer Fund saw a small 1.3% increase in net position from FY 2023 to FY 2024. The Village is currently working on a water rate study with Burns & McDonnell to ensure rates will be sufficient to cover ongoing operating expenses in the Water & Sewer Fund as well as current and future capital needs.

Pension Funds

Under the State Pension code, the Village is required to fund the Police and Fire Pension Funds at the required statutory minimum. The required statutory minimum is based on the State of Illinois' mandate that our Police and Fire Pension Funds be 90% funded by 2040.

As of April 30, 2024, the Fire Pension Fund was funded at 66.1% and the Police Pension Fund was at 50.5%.

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Management Letter

The Management Letter is a document prepared by the auditors to discuss findings and recommendations for internal control and procedure improvements. Village staff will work with our auditors on the new Governmental Accounting Standards Board (GASB) statements when required and will bring an updated Capital Asset Policy to the Board of Trustees for approval. We are focusing our efforts on ensuring that our Capital Program can be used as a guide for years to come.

Summary

The Village is fortunate to have positive audit results and continues to be a financially stable community. Staff monitors the financial data closely and watches for trends in both revenues and expenses. That information is used during the next budget process as well as in making recommendations to the Village Board as needed throughout the fiscal year.

FINANCIAL IMPACT

- **Funding Source:** N/A
- **Budgeted Amount:** N/A
- **Cost:** N/A

LEGAL REVIEW

Not Required

RECOMMENDED BOARD ACTION

Acceptance of the Fiscal Year 2023-2024 Village of Homewood Annual Financial Report.

ATTACHMENT(S)

Annual Financial Report
Management Letter