

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: October 13, 2026

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: FY 2025-2026 Village of Homewood Audit

PURPOSE

Staff is requesting that the Village Board accept the Fiscal Year 2025-2026 Annual Financial Report (audit).

PROCESS

Following the end of the Village's fiscal year on April 30, 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 2025-2026 annual audit.

OUTCOME

The auditor's opinion contained in the Fiscal Year 2025-2026 audit is an unqualified opinion, often called a "clean opinion" and is the most favorable type of opinion. All of the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Overall, the audit results are positive. The Village's net position increased by 5.0%. Net position is a useful indicator of whether the financial position of the Village is improving, deteriorating, or remaining constant and accounts for all municipal funds, not only the General Fund. 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.

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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 2025-2026, a net increase of \$2.5M 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.

The addition of \$2.5M to reserves came primarily from the following:

- Gaming Tax from Wind Creek Casino - The budgeted amount during fiscal year 2025-2026 was conservative as the Village had only received a few months of gaming tax revenue during budget discussions and preparation. A more accurate budget figure was used for Fiscal Year 2026-2027.
- Interest rates have continued to provide a good return on the Village's investments. The Village has increased the budgeted amount for Fiscal Year 2026-2027.
- Non-Home Rule Sales tax was a new tax that went into effect January 1, 2026. The tax was approved after the fiscal year budget was approved.
- Sales tax performed better than projected in the budget.

The Village's total General Fund reserves is \$19.6M.

- \$3.5M is considered to be 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). In addition, approximately \$900k of this amount is land that was acquired at no cost to the Village and is presently held-for-sale (17701 Bretz Drive).
- \$2.4M is categorized as Assigned. These funds represent *earmarked* funding for a specific use such as non-TIF incentives and pension fund contributions:
 - \$505k is allocated for incentives.
 - \$1M is allocated to be distributed to the Police & Fire Pension Funds over the next two (2) years, which was approved by ordinance in December 2025.
 - \$865k in Non-Home Rule Sales tax. This new tax was approved by ordinance and went into effect January 1, 2026. The purpose of the tax is to be used to fund capital and pensions. These funds will remain in assigned until transferred to capital.
- The remaining \$13.3M is categorized as Unassigned, which equates to approximately 5.7 months of operating expenses. Current fund balance policy requires a minimum of five (5) months.

Water and Sewer Fund

The net position within the Water and Sewer Fund remained flat from FY 2025 to FY 2026. The Water and Sewer Fund Reserves have been impacted by the increase in water/sewer capital needs over the last several years. The current operating reserve is \$900k with \$3.6M reserved

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for capital projects. A water rate study was completed in 2025 and the Village Board adopted increased water rates for 2026 and 2027 to ensure our rates will be sufficient to cover ongoing operating expenses in the Water and Sewer Fund as well as current and future capital needs. Staff will continue to monitor the fund closely.

Capital Funds

The audit reflects approximately \$1.9M available in Bond-funded Capital and \$5.5M available in General Capital. It is expected that these full amounts will be expended on capital projects during the Fiscal Year 2026-2027. As Staff looks ahead, a funding source, such as an Alternative Bond Issuance, will need to be considered to fund future capital projects.

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 the auditors on the new Governmental Accounting Standards Board (GASB) statements when required. The staff is focusing efforts on creating a Capital Program that may be used as a guide for years to come. With the development of a full Capital Program, staff will update the Capital Policy for Board consideration and approval.

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

Accept the Fiscal Year 2025-2026 Village of Homewood Annual Financial Report.

ATTACHMENT(S)

- Annual Financial Report
- Management Letter