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**VILLAGE OF SUGAR GROVE  
BOARD REPORT**

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**TO:** VILLAGE PRESIDENT & BOARD OF TRUSTEES  
**FROM:** MATT ANASTASIA, FINANCE DIRECTOR  
**SUBJECT:** DISCUSSION: RESOLUTION - TRANSFERRING FUND BALANCES FY22-23  
**AGENDA:** AUGUST 15, 2023  
**DATE:** AUGUST 11, 2023

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**ISSUE**

Shall the Board transfer excess General Fund and Water Fund Reserve Balances to other Funds for future uses.

**DISCUSSION**

Each year the Village completes an annual audit to determine the financial status of the previous fiscal year. The audit determines if the Village had a surplus, revenues exceeded expenditures, or a deficit, expenditures exceeded revenues, for the fiscal year. The Village has a financial policy in place for the Fund Balance Reserve. The policy states the Village is to keep a 25% unrestricted Fund Balance Reserve in the General Fund and Water Fund based on the current fiscal year General Fund and Water Fund operating expenses.

Each year, the Village will review the General Fund and Water Fund Surplus/Deficit, respectively, of the prior fiscal year prior to the audit being finalized. The current fund balance reserve estimates as of FY22-23 was anticipated to be at 25.14% and budgeted to be 27.25% for fiscal year ending April 30, 2024. At the end of each year, during the audit process, the Village Board will determine, if there is any surplus, what they would like to do with it. This process must be complete prior to finalize the audit for each year.

The Village has received the preliminary FY22-23 Audit Financials, which shows a General Fund surplus for the year of \$837,488, of which \$794,807 is unrestricted fund balance and a Water Fund unrestricted surplus of \$429,865 for the year.

The FY22-23 General Fund projected surplus at the FY23-24 Budget Workshops was \$256,775. The FY22-23 audited General Fund surplus of unrestricted funds brings the total unrestricted Fund Balance as of April 30, 2023 to \$2,410,066, or 34.16% Fund Reserve. For the current fiscal

year 2023-2024, 25% of operating expenses for the General Fund Balance Reserve Policy total \$1,763,830, leaving an excess of \$696,757, 9.16%, above the 25% Fund Balance Reserve policy.

The FY22-23 Water Fund projected surplus at the FY23-24 Budget Workshops was \$240,245. The FY22-23 audited Water Fund unrestricted surplus brings the total unrestricted Fund Balance as of April 30, 2023 to \$2,691,549, or 66.20% Fund Reserve. For the current fiscal year 2023-2024, 25% of operating expenses for the Water Fund Balance Reserve Policy total \$1,016,505, leaving an excess of \$1,864,315, 41.20%, above the 25% Water Fund Balance Reserve policy. The reason the Water Fund has this much surplus above fund balance policy is due to being below the reserve 3 years ago and working towards building it back up. Annually, the Village Board has transferred fund from the General Fund, but not the Water Fund for Capital Projects. These Capital Projects are now in a separate fund, whereas presented in the Capital Improvement Program, additional funds are needed to complete necessary projects.

The Board should consider, with Staff recommendation, leaving a little cushion and transferring the excess above the General Fund reserve policy, \$600,000, leaving roughly \$96,957 above the 25% reserve policy balance. If this transfer is made for FY22-23, the General Fund would still show a surplus for the year of \$237,488, and \$194,807 of unrestricted fund balance, and not negatively affecting the General Fund bottom line. This transfer would be made to the General Capital Projects Fund for future Village Hall/Police Department uses. At this time, with this additional transfer of Fund Balance, FY22-23 \$700,000 budgeted transfer, and the sale of the 140/160 Municipal Drive property, it is anticipated the Village has roughly \$3.8-\$3.9 million set aside for Future Village Hall/Police Department uses. In FY23-24 \$2,000,000 is budgeted for Police Department Improvements/Upgrades, as well as the lease for 160 S. Municipal Dr. Administration/Finance Offices. The estimated ending fund balance for the future Village Hall/Police Department uses for fiscal year 2023-2024 is slightly over \$2m.

As for the Water Fund, staff recommends to approve a transfer of \$1,700,000 of the excess unrestricted fund balance above reserve policy, and transfer to the Water Capital Fund for future Capital Improvement Program uses. This transfer would result in the Water Fund showing a deficit for the current fiscal year in the Water Operating Fund, but overall would be a net zero effect for the Water Fund as a whole. This would leave an excess roughly of \$164,315 above the reserve policy.

After these transfers are completed, the estimated FY23-24 General Fund unrestricted fund balance would total \$1,860,786, a 26.37% General Fund balance reserve per FY23-24 General Fund Operating Expenses. The FY23-24 Water Fund unrestricted fund balance would total \$1,180,820, a 29.04% Water Fund balance reserve per FY23-24 Water Fund Expenses.

## **COST**

There is no cost to complete the Resolution.

**RECOMMENDATION**

The Board discuss how they would like to proceed with the transferring fund balances, and direct staff to draft the necessary resolution for approval.