BOARD REPORT

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES

FROM: KARIN JOHNS, FINANCE DIRECTOR/TREASURER

SUBJECT: DISCUSSION: TRANSFERRING FUND BALANCES FY2026

AGENDA: 9/15/2026

DATE: 9/9/2026

ISSUE

Shall the Village Board discuss transferring 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 based on the current fiscal year General Fund operating expenses.

General Fund

The Village has received the preliminary FY26 Audited Financials, which shows a General Fund surplus for the year of $827,406. While nonspendable and restricted fund balances decreased, unassigned fund balance increased by $896,578.

The FY26 General Fund budgeted surplus was $59,889. The FY26 preliminary audited General Fund surplus of unrestricted funds brings the total unrestricted Fund Balance as of April 30, 2026 to $2,827,641. For FY27, 25% of operating expenses for the General Fund Reserve Policy require $1,984,520, in fund balance on total budgeted expenses of $7,938,081 leaving an excess of $843,121 or a fund balance reserve of 35.62%, 10.62% above the reserve policy.

The Board should consider, with Staff recommendation, leaving a cushion in the General Fund and transferring $700,000 above the General Fund reserve policy, leaving roughly $143,121 above the fund balance reserve. If this transfer is made for FY26, the General Fund will still show a surplus for the year and not negatively affect the General Fund bottom line. Staff is recommending:

- **Leave $143,121 excess unrestricted fund balance in the General Fund.** FY27 expenses are somewhat uncertain due the change of Engineering Firm and higher that anticipated legal costs.
- **Transfer $50,000 to the Police Pension Fund.** Based on preliminary actuarial reports, the Pension Fund will be 62.09% funded. In recent years, bond raters have been looking carefully at pension funding. Showing a commitment to fund the police pension above and beyond the recommended level is looked upon favorably.
- **Transfer $106,000 to Capital Projects – Vehicle and Equipment.** This $106,000 would be used for a police squad replacement. This was removed from the FY27 Budget and was to be reviewed at the 6-month mark. This transfer would allow for this vehicle to be purchased in FY27.
- **Transfer $544,000 to Capital Projects Fund**. This additional fund balance will be able to be calculated into the FY28 budget and beyond. The Police Department Remodel had diminished previous reserves.

After the General Fund transfer is complete, the estimated FY26 General Fund unrestricted fund balance would total $2,127,641, a 26.80% General Fund reserve balance per the FY27 General Fund operating expenses.

COST

There is no cost to discussing the excess unrestricted General Fund surplus for FY26.

RECOMMENDATION

The Village Board discuss how they would like to proceed with transferring General Fund balance, and direct staff to draft the necessary resolution for approval.