

**MINUTES OF A COMMITTEE OF THE WHOLE MEETING
OSWEGO VILLAGE PRESIDENT AND BOARD OF TRUSTEES
OSWEGO VILLAGE HALL
100 PARKERS MILL, OSWEGO, ILLINOIS
June 13, 2023**

CALL TO ORDER

President Ryan Kauffman called the meeting to order at 6:01 p.m.

ROLL CALL

Board Members Physically Present: President Ryan Kauffman; Trustees Tom Guist, Kit Kuhrt, Karin McCarthy-Lange, Jennifer Jones Sinnott, and Andrew Torres.

Staff Physically Present: Dan Di Santo, Village Administrator; Christina Burns, Asst. Village Administrator; Tina Touchette, Village Clerk; Jennifer Hughes, Public Works Director; Andrea Lamberg, Finance Director; Rod Zenner, Community Development Services Director; Bridget Bittman, Community Engagement Manager-Marketing; Joe Renzetti, IT/GIS Director; and Dave Silverman, Village Attorney.

PUBLIC FORUM

Public Forum was opened at 6:02 p.m. There was no one who requested to speak. The public forum was closed at 6:02 p.m.

OLD BUSINESS

There was no old business.

NEW BUSINESS

G.1 Fund Classification, Fund Balance, and Cash Reserve Policy Review

Director Lamberg addressed the Board regarding fund balances and policy.

The Governmental Accounting Standards Board (**GASB**), is the independent, private sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (**GAAP**).

GASB GOVERNMENTAL
ACCOUNTING
STANDARDS BOARD.

In 2012 GASB issued Statement No 54



Statement No 54 established terminology for reporting fund balance in financial statements for Governmental Funds.



Best Practice is for the Board to adopt a policy acknowledging adherence the Statement and establishing a Fund Balance and Cash Reserve Policy.



To Comply with the Statement and follow best practice, on April 3, 2012, the Village Board adopted a Fund Balance and Cash Reserve Policy.

Statement of Purpose

The purpose of this policy is to establish fund balance classifications that establish a hierarchy based on the extent to which the Village of Oswego (Village) must observe constraints imposed upon use of the resources that are reported by the governmental funds. More detailed fund balance financial reporting and the increased disclosures will aid the user of the financial statements in understanding the availability of resources.

A government is often viewed as a collection of smaller, separate entities known as Funds.

- Funds are classified into three categories and have a designated numbering structure.
 - Governmental Funds
 - Proprietary Funds
 - Fiduciary Funds

Fund Classification Definitions

Governmental Funds – Funds used to account for all or most of the Village’s general activities including the collection and disbursement of earmarked monies

Proprietary Funds – Funds used to account for activities similar to those found in the private sector, where determination of net income is necessary or useful for sound financial administration.

Fiduciary Funds – Funds used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

- Proprietary Funds- fees for services

Governmental Funds

100 – General Fund

200 – Special Revenue Funds

300 – Capital Project Funds

400 – Debt Service Funds

Village Budgeted Governmental Funds

100 – General Fund (1)

200 – Special Service Funds (2)

- 200 – Motor Fuel Tax Fund
- 210 – TIF Fund

300 – Capital Project Fund (1)

400 – Debt Service Fund (1)

Proprietary Funds

500 – Enterprise Funds

600 – Internal Service Funds

- Enterprise Funds- charge fees to users
- Internal Service Funds- charge fees to other funds in government

Village Budgeted Proprietary Funds

500 – Enterprise Funds (3)

- 500 – Water & Sewer Fund
- 510 – Water & Sewer Capital Fund
- 560 – Garbage Collection Fund

600 – Internal Service Funds (2)

- 600 – Municipal Fleet Fund
- 650 – Municipal Parking Fund

Fiduciary Funds

700 – Permanent Funds

800 – Pension Funds

900 – Custodial Funds

- Permanent Funds- seen in larger governments; only spend the interest
- Custodial Funds- County level; for example: holding property taxes until they get disbursed

Village Budgeted Fiduciary Funds

900 – Pension Funds (1)

- 900 – Police Pension Fund

Fund Balance

The difference between
assets and liabilities in a
Government Fund.



Fund Balance Philosophy

It is the Village's philosophy to support long-term financial strategies, where fiscal sustainability is its priority, while also building funds for future growth. It is essential to maintain adequate levels of fund balance to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. Fund balance levels are also a crucial consideration in long-term financial planning.

- Every government is different

Fund Balance Categories

Nonspendable Fund Balance – The portion of a Governmental Fund’s net assets that are not available to be spent, either short term or long term, in either form or through legal restrictions.

Restricted Fund Balance –The portion of a Governmental Fund’s net assets that are subject to external enforceable legal restrictions.

Unrestricted Fund Balance – Made up of three components.

* Committed Fund Balance – Self imposed by board

*Assigned Fund Balance – Self imposed by staff

*Unassigned Fund Balance – Available expendable resources

- Nonspendable- inventory
- Restricted- MFT Fund
- Committed Fund Balance- specific purpose

Fund Balance & Cash Reserve Policy: General Fund



The Village will strive to maintain assigned fund balance of 30% of the estimated subsequent year’s annual operating expenditures.



In addition, the Village will also strive to maintain a minimum cash reserve balance equal to 25% of the estimated subsequent year’s annual operating expenditures.

Fund Balance – General Fund

Village of Oswego Summary of Fund Balances and Unrestricted Net Assets For the Month Ending March 31, 2023

FUND	FY 2023 Year-To-Date	FY 2023 Budget
GENERAL		
Beginning Fund Balance	21,320,834	
Revenues	25,138,620	22,373,137
Expenditures	18,770,010	22,343,019
Difference	6,368,610	30,118
Ending Fund Balance	27,689,444	
Fund Balance Components		
Non-spendable	637,484	
Unrestricted-assigned	6,702,908	
Unrestricted-unassigned	20,349,054	

Fund Balance & Cash Reserve Policy: Motor Fuel Tax Fund



The Village will strive to maintain a minimum assigned fund balance equal to 50% of the estimated subsequent year's annual operating expenditures.



This level is necessary to provide for the payment and expenditures related to the Village's annual road program, which is paid for almost entirely during the first six months of the fiscal year.

Restricted Fund Balance Motor Fuel Tax Fund

Village of Oswego
 Summary of Fund Balances and Unrestricted Net Assets
 For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
MOTOR FUEL TAX		
Beginning Restricted Fund	2,889,954	
Revenues	1,964,881	2,163,851
Expenditures	1,066,852	2,653,078
Difference	898,030	(489,227)
Ending Restricted Fund	3,787,984	

Cash Reserve Policy: Tax Increment Financing (TIF) Fund



The Village will strive to maintain a cash reserve level to timely meet all expenditures incurred during the fiscal year.

- Typically negative in the early stages of the TIF

Restricted Fund Balance TIF Fund

Village of Oswego

Summary of Fund Balances and Unrestricted Net Assets

For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
TIF FUND		
Beginning Restricted Fund	(9,684,515)	
Revenues	1,057,893	1,941,000
Expenditures	164,413	1,651,750
Difference	893,480	289,250
Ending Restricted Fund	(8,791,035)	

- Cash comes from loans from other funds

Cash Reserve Policy: Debt Service Fund

The Village will strive to maintain a cash reserve level in the Debt Service Fund to timely meet all principal and interest payments for the following fiscal year based on the bond ordinance requirements for pledged revenues and bond coverage requirements.

- Need to make sure you have cash to meet the obligations

Restricted Fund Balance Debt Service Fund

Village of Oswego

Summary of Fund Balances and Unrestricted Net Assets

For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
DEBT SERVICE		
Beginning Restricted Fund Balance	651,857	
Revenues	2,727,481	2,722,051
Expenditures	3,183,120	3,183,122
Difference	(455,639)	(461,071)
Ending Restricted Fund Balance	196,218	

Net Position

The difference between assets and liabilities in a Proprietary Fund.

Fund Balance & Cash Reserve Policy: Water & Sewer Fund



The Village will strive to maintain an unrestricted net asset balance equal to 30% of the estimated subsequent year's annual operating expenditures.



The Village will also strive to maintain an additional reserve to meet all principal and interest payments for the following fiscal year based on the bond ordinance requirements for pledged revenues and bond coverage requirements.



Annual surplus reserves will be transferred to the Water & Sewer Capital Fund to support capital improvements for the water and sewer systems.

- Will come back in October to provide the status of this Fund

Unrestricted Net Assets Water & Sewer Fund

Village of Oswego

Summary of Fund Balances and Unrestricted Net Assets

For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
WATER & SEWER		
Beginning Unrestricted Net Assets	4,137,064	
Revenues	8,196,058	8,002,100
Expenses	7,106,878	7,842,751
Difference	1,089,179	159,349
Ending Unrestricted Net Assets	5,226,243	

Cash Reserve Policy: Water & Sewer Capital Fund



The Village shall plan for future capital improvements to be paid from cash reserves by maintaining a reserve level based on the capital improvements scheduled for the next year.

- Make sure we have cash on hand

Unrestricted Net Assets Water & Sewer Capital Fund

Village of Oswego
Summary of Fund Balances and Unrestricted Net Assets
For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
WATER & SEWER CAPITAL FUND		
Beginning Unrestricted Net Assets	8,738,937	
Revenues	4,939,781	3,285,200
Expenses	<u>2,857,758</u>	<u>5,802,929</u>
Difference	2,082,022	(2,517,729)
Ending Unrestricted Net Assets	<u>10,820,959</u>	

- Plenty to cover budgeted projects

Fund Balance & Cash Reserve Policy: Garbage Collection Fund



The Village will strive to maintain an unrestricted net asset balance equal to 25% of the estimated subsequent year's annual operating expenditures..



This level will provide for three months of operating expenditures.

Unrestricted Net Assets Garbage Collection Fund

Village of Oswego
Summary of Fund Balances and Unrestricted Net Assets
For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
GARBAGE COLLECTION FUND		
Unrestricted Net Assets	701,598	
Revenues	3,034,092	2,777,100
Expenses	<u>2,887,874</u>	<u>3,290,000</u>
Difference	346,418	(512,900)
Unrestricted Net Assets	<u>1,048,015</u>	

Cash Reserve Policy: Municipal Fleet Fund



The Village shall plan for future vehicular equipment replacements to be paid from cash reserves by maintaining a reserve level based on the accumulated depreciation of the current fleet and the scheduled year of replacement.

- Look out 20 years to try and build an adequate reserve
- Smoothed out for consistency

Unrestricted Net Assets Municipal Fleet Fund

Village of Oswego

Summary of Fund Balances and Unrestricted Net Assets

For the Month Ending March 31, 2023

FUND	FY 2023 Year-To-Date	FY 2023 Budget
MUNICIPAL FLEET FUND		
Unrestricted Net Assets	194,184	
Revenues	855,139	1,599,695
Expenses	834,768	1,599,195
Difference	20,372	500
Unrestricted Net Assets	214,556	

Cash Reserve Policy: Municipal Parking Fund



The Village shall plan for future maintenance and improvement costs to be paid from cash reserves by maintaining a reserve level sufficient to complete identified major improvements.

- Parking garage still new

Unrestricted Net Assets Municipal Parking Fund

Village of Oswego

Summary of Fund Balances and Unrestricted Net Assets

For the Month Ending March 31, 2023

FUND	FY 2023	FY 2023
	Year-To-Date	Budget
MUNICIPAL PARKING FUND		
Unrestricted Net Assets	125,070	
Revenues	109,453	115,100
Expenses	<u>50,137</u>	<u>90,490</u>
Difference	59,316	24,610
Unrestricted Net Assets	<u>184,386</u>	

Board and staff discussion focused on Water & Sewer Fund at 35%; RET is in Capital tax and reflected in the numbers. There was no further discussion.

G.2 Fiscal Year 2023 Fourth Quarter Financial Update

Director Lamberg addressed the Board regarding the FY23 4th quarter.

Village Wide

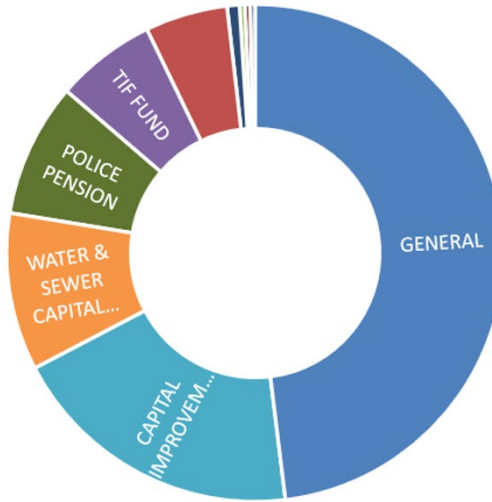
Village Wide Actual

\$63,590,592	Village Wide Revenue
<u>\$51,737,283</u>	<u>Village Wide Expenses</u>
\$11,853,309	Year-to-Date Surplus

Village Wide Budget

\$55,648,859	Village Wide Revenue
<u>\$59,706,910</u>	<u>Village Wide Expenses</u>
(\$4,058,051)	Budgeted Deficit

Village Wide
Surplus –
By Fund



General Fund

Actual

\$27,193,528	General Fund Revenue
<u>\$20,627,919</u>	General Fund Expenses
\$6,565,609	General Fund Surplus

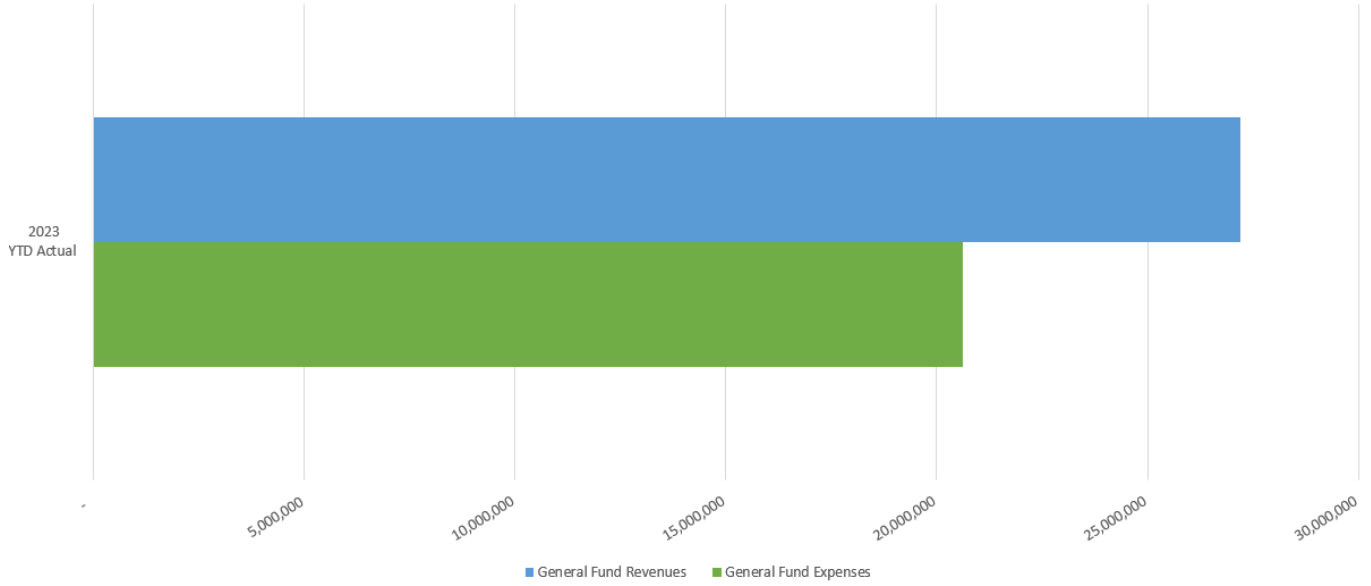
Budget

\$22,373,137	General Fund Revenue
<u>\$22,343,019</u>	General Fund Expenses
\$30,118	Budgeted Surplus

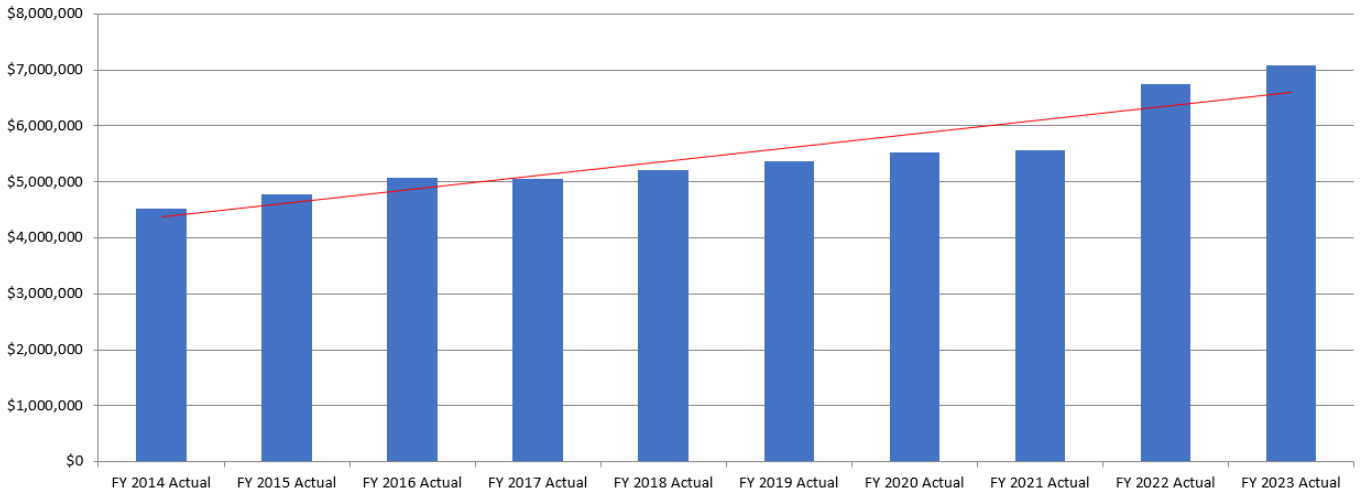
\$22,373,137	General Fund Budgeted Revenue
<u>\$27,193,528</u>	General Fund Actual Revenue
121.5%	Percentage of Budget Collected

\$22,343,019	GF Budgeted Expenditures
<u>\$20,627,919</u>	GF Actual Expenditures
92.3%	Percentage of Budget Spent

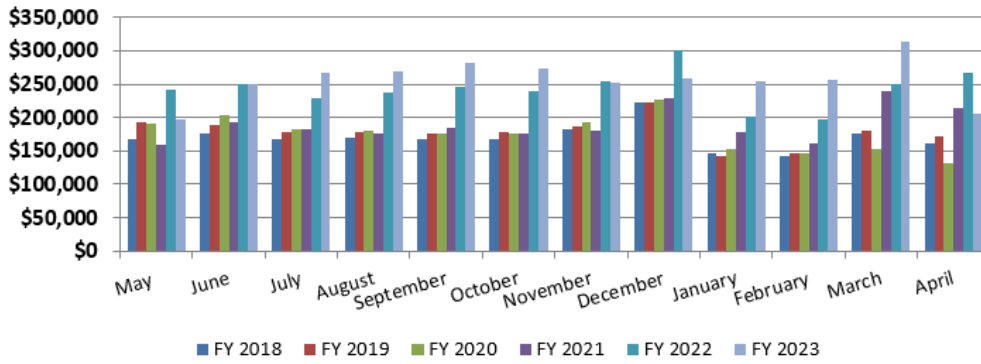
General Fund
Fiscal Year 2023 Year to Date Revenues vs Expenditures



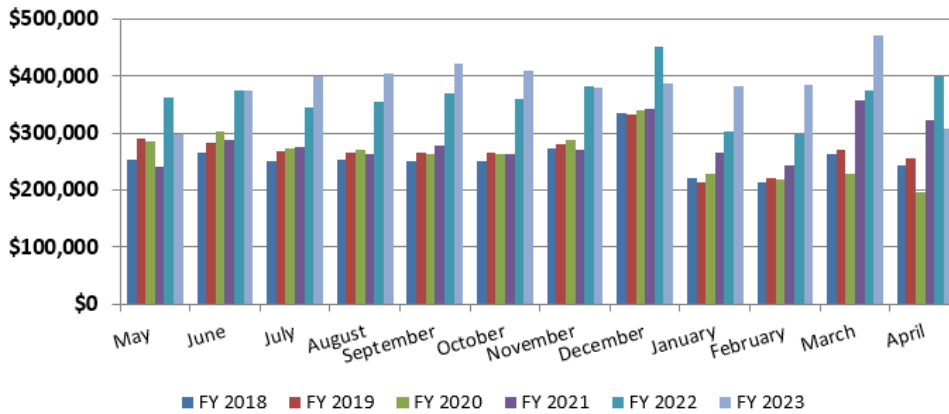
Sales Tax Fiscal Year to Date



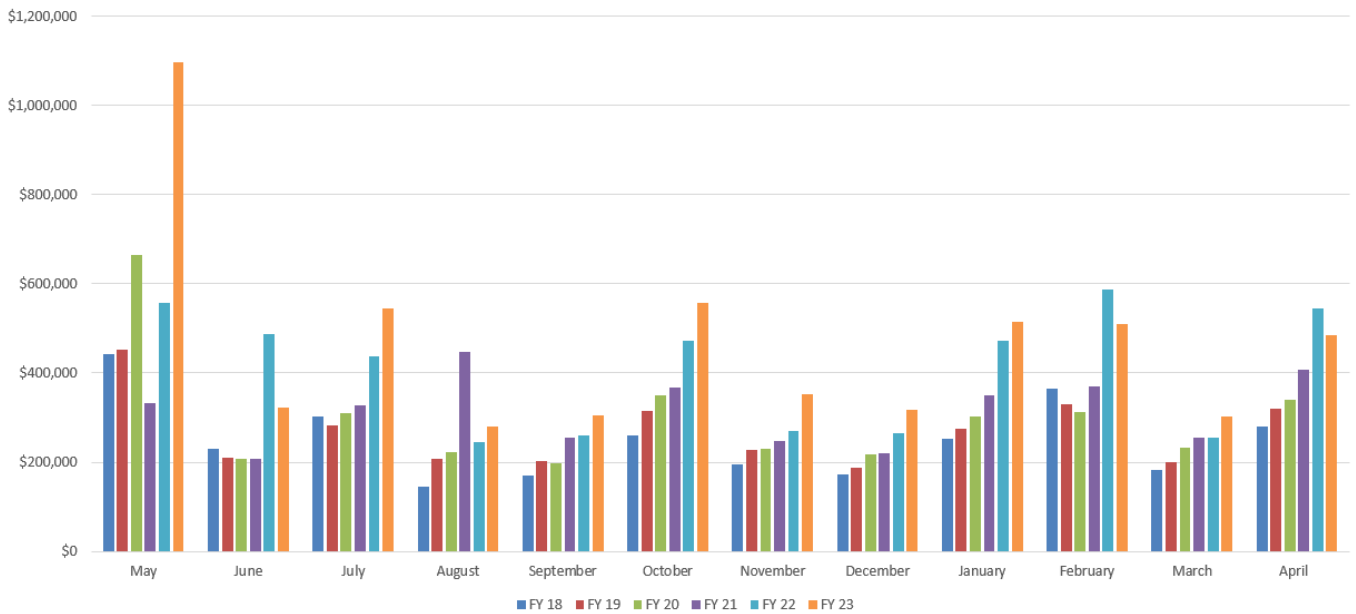
Local Sales Tax - General Fund



Local Sales Tax - Capital Improvement Fund



Income Tax



Water and Sewer Fund

Actual

\$8,264,622	W&S Fund Revenue
<u>\$8,929,109</u>	<u>W&S Fund Expenses</u>
(\$664,487)	W&S Fund Deficit

Budget

\$8,002,100	W&S Fund Revenue
<u>\$7,842,751</u>	<u>W&S Fund Expenses</u>
\$159,349	Budgeted Surplus

\$8,002,100	W&S Budgeted Revenue
<u>\$8,264,622</u>	<u>W&S Actual Revenue</u>
103.3%	Percentage of Budget Collected

\$7,842,751	W&S Budgeted Expenditures
<u>\$8,929,109</u>	<u>W&S Actual Expenditures</u>
113.9%	Percentage of Budget Spent

Early Retirement of Debt

\$168,115	IEPA Loan
\$340,000	Early Retirement of Series 2011
<u>\$1,150,000</u>	<u>Pay down of Series 2013</u>
\$1,658,115	Total Water Debt Paid Early

Excluding the early retirement of debt, actual expenditures are \$7,270,994 on a budget of \$7,842,751.

Board and staff discussion focused on unaudited numbers through April 30, 2023; invoices and revenue still coming in; still need to do yearend entries; most comes from General Fund; timing of projects; revenues over budget; 7th consecutive record year for sales tax; portion goes to the General Fund and to the Capital Improvement Fund of the local sales tax; March was the single highest the Village has seen; May exceeded previous revenue for income tax; it almost doubled; water & sewer at 103% due to the growth in the Village; excess funds paid for the early retirement debt; staff to provide, in the Friday report, how much we saved for the early retiring of debt; April financials went out in Friday's report; reports are available on the Village's website. There was no further discussion.

CLOSED SESSION

There was no closed session.

ADJOURNMENT

The meeting adjourned at 6:29 p.m.

Tina Touchette
Village Clerk