



**Village of Lindenhurst
FY 2010/2011 Year-End
Financial Report**

September 27, 2011

Executive Summary

After one of the worst financial years in the Village's 55-year history, the fiscal year beginning May 1, 2010 and ending April 30, 2011 saw slight improvements in the Village's overall financial position. Major revenues in the General Fund and Water & Sewer fund were up and, for the third consecutive year, operating spending was down.

History

Chart 1 attached is a comparison of major fund performance from fiscal year 2007/2008 through fiscal year 2010/2011. As you can see from the chart, since FY 07/08, General Fund revenues are down \$604,360 and expenses are down \$936,079.

Chart 2 attached shows actual spending in the major funds for the past three years (FY 08/09 through FY 10/11). As you can see from the chart, through process reengineering, privatization and cost cutting measures, the Village has been able to reduce annual operating spending by \$1,740,500. Had the Village not taken those cost cutting measures, adjusting for inflation, in FY 11/12 the Village would be spending \$2.3 million more in operating expenses.

Fiscal Year 2010/2011

In fiscal year 2010/2011, major revenues in the General Fund and Water & Sewer Fund were up \$685,994 from previous year actual. In addition, operating spending in these funds was down \$625,688 from the previous year actual.

The initial budget projection called for an \$11,000 deficit in the General Fund. Continued cost cutting measures and revenues that exceeded budget projections resulted in a surplus of \$198,243.

The Village's overall cash position has improved by \$595,673, a 7.6% increase.

As you can see from Chart 3 attached, from 2006 to 2010 the General Fund cash balance continued to decline. For the first year since 2005, we have seen an increase in the General Fund cash balance. In the future, we will need to continually monitor the cash balance in this fund as, for the most part, revenues are economically sensitive and expenses are fairly fixed.

The Water & Sewer Fund continues to struggle as expenses continue to outpace revenues, however, significant cost cutting in recent years and modest rate adjustments have improved the fund's overall condition. Lindenhurst's water rates are the lowest of any community in the area and are over 200% below the average. Revenues in this fund were slightly higher than expenses by roughly \$33,000. The cash balance for this fund is depicted in Chart 4 attached.

I. General Fund

The General Fund receives revenue from various sources including the Village’s portion of property tax, sales tax, income tax, telecommunications tax, and traffic fines. Those revenues are used to pay for basic municipal operations including police protection, street maintenance, building construction safety regulations and inspections, general administration and buildings and grounds maintenance. In addition to operating expenses, historically the dollars from the General Fund have been used for certain community improvement projects, equipment and facility construction as determined by the Village Board.

SUMMARY OF PERFORMANCE

TOTAL REVENUES	\$3,813,230
TOTAL OPERATING EXPENSES	<u>\$3,340,019</u>
<i>OPERATING PROFIT/(LOSS)</i>	<i>\$473,211</i>
TOTAL CAPITAL EXPENSES	\$274,968
TOTAL ALL EXPENSES	\$3,614,988
<i>OVERALL FUND PROFIT/(LOSS)</i>	<i>\$198,242</i>

- General Fund revenues were up \$324,805 from the previous year and \$185,098 over budget.
- General Fund operating expenses were down \$247,896 from the previous year and down \$299,513 from budget.

REVENUES

The General Fund received recurring revenues of \$3,651,036 and non-recurring revenues of \$162,193, for total General Fund revenue of \$3,813,230. Budget projections called for total revenue of \$3,628,132. Actual revenue received was higher than anticipated because of an increase in income tax distributed to municipalities and the number of payments received. You will recall during FY 2009/2010, we only received eight payments. A full 12 payments were received in FY 2010/2011.

Other General Fund Revenue highlights include:

- Income tax higher than projected by \$130,561
- Sales tax higher than projected by \$94,129
- Telecommunications tax slightly lower than budget projection.
- Cable television franchise fees down and could potentially continue to decline based upon declines in gross revenues for cable providers.

Chart 5 attached provides a summary and comparison of the major revenue sources in the General Fund.

EXPENSES

The General Fund consists of five operating accounts; Administration, Engineering and Building, Building and Grounds, Police and Streets. In addition to the operating accounts, certain miscellaneous capital expenses as approved by the Village Board have historically been paid out from the General Fund.

Total operating expenses in the General Fund were \$3,340,019, down \$247,897 from last year. Compared to revenues received for the year, this resulted in an operating surplus of \$473,210. Chart 6 attached shows the financial performance of each operating area in the General Fund.

Administration

- Administration was under budget by \$55,786 or 10% and \$52,234 less than last year. Legal expense in the General Fund continues to decline as a result of a new Village Attorney and better utilization of resources. Since FY 08/09, General Administration legal expenses have declined 47%.

Law Firm	Year	Expense	%Change From Previous Year
Ancel, Glink	FY 2010/2011	\$27,386	(31%)
Ancel, Glink	FY 2009/2010	\$39,564	(24%)
Soffetti, Johnson	FY 2008/2009	\$51,907	4%
Soffetti, Johnson	FY 2007/2008	\$50,037	(12%)
Soffetti, Johnson	FY 2006/2007	\$56,924	1%
Soffetti, Johnson	FY 2005/2006	\$56,457	-

Engineering and Building

- Engineering and Building was \$30,683 under budget. This was due to the underutilization of miscellaneous engineering assistance.

Buildings and Grounds

- Buildings and Grounds was \$27,056 under budget due to not performing the start-up and shut-down activities for the memorial water feature.

Police

- Police was \$108,172 under budget and down \$49,364 from last year. This is primarily due to the position vacancy created as a result of Chief McKeever's retirement and lower overtime and court costs.

Streets

- Streets was \$77,817 under budget due to reduced expenses from the consolidation of operating functions and not executing certain maintenance projects. Overtime was over due to the large snow event in February.

Miscellaneous Capital Projects – General Fund

As has been past practice, certain one-time capital expenses as approved by the Village Board were paid from the General Fund utilizing fund balance. Capital expenses totaled \$274,968.

GENERAL FUND CASH BALANCE

May 1, 2010 Starting Balance	\$2,179,696
FY 10/11 Revenues	\$3,813,230
FY 10/11 Operating Expenses	<u>\$3,340,020</u>
Operating Profit/ (Loss)	\$473,210
Board Authorized Transfers	\$0
One-time Capital Expenses	\$274,968
May 1, 2011 Ending Balance	\$2,377,939
Target Balance as of May 1, 2011	\$2,672,474

II. Water & Sewer Fund

The Water & Sewer fund is one of the Village's enterprise funds. An enterprise fund acts as an independent business where the rates and fees collected pay for the costs of providing the service. No other revenue streams, taxes or charges should be used to subsidize this fund.

The Water & Sewer fund receives revenues from the monthly charges for water and sanitary sewer service. Expenses in this fund are based upon the operational costs of providing these services.

SUMMARY OF PERFORMANCE

TOTAL REVENUES	\$2,975,846
TOTAL OPERATING EXPENSES	<u>\$2,840,314</u>
OPERATING PROFIT/LOSS	\$135,532
ONE-TIME CAPITAL EXPENSES	\$102,386
PROFIT/LOSS	\$33,146

REVENUES

Revenues received in the Water and Sewer Fund totaled \$2,975,846. This was \$94,616 higher than budget projections. This was due to one-time revenues received from loan money associated with the Grand Avenue Phase II water main replacement project. Expenses associated with the project were spent in FY 09/10, but the loan dollars were not received until FY 10/11, inflating the FY 10/11 revenue number.

Chart 5 attached shows a summary and comparison of the major revenues of the Water and Sewer fund.

EXPENSES

The Water and Sewer enterprise fund is composed of three operating accounts; water/sewer administration, water expenses and sewer expenses. The total operating expenses for all operating accounts was \$2,840,314. One-time capital spending in this fund was \$102,386, making total operating and capital spending at \$2,942,700. Compared to budget, actual spending was down \$326,120 and down \$377,791 from the previous year's actual expenses.

Water/Sewer Administration

- Water/Sewer administration account was \$192,840 under budget and \$48,870 lower than previous year’s actual. Many contractual services were under budget including equipment maintenance, computer services, utility locating and legal services. Debt payments accounted for 48% of this account’s total expense.

Sewer

- The Sewer account was \$39,548 under budget and \$70,649 below previous year’s actual. Budgeted dollars in the collection system maintenance line for preventative sanitary sewer cleaning and televising were below projections.

Water

- The Water account was \$93,732 under budget and \$155,886 below previous year’s actual. This was due to aggressive cost cutting resulting in under utilization of various accounts.

WATER & SEWER FUND CASH BALANCE

May 1, 2010 Starting Balance	\$3,469,497
FY 10/11 Revenues	\$2,975,846
FY 10/11 Expenses	\$2,942,700
Board Authorized Transfers ¹	(\$50,000)
	\$176,732
	(\$12,944)
Other Unrecorded Income ²	\$7,501
May 1, 2011 Ending Balance	\$3,623,933

¹ \$50,000 was transferred from the Water & Sewer Fund to the Truck Replacement Fund, \$176,732 from the Public Facility Fund to the Water & Sewer Fund due to a previous accounting error, and \$12,944 from the Water & Sewer Fund to the Insurance Fund due to an accounting error.

² Due to our current accounting procedures, for an unknown reason Renter’s Refunds, Voided Checks and Security Deposits are not recorded as revenues but are recorded on the monthly Treasurer’s Report.

III. Garbage Fund

The Garbage fund was established in the FY09/10 year. This account was previously the Recycling Proceeds fund. This fund was created when the Village took over billing for residential refuse and recycling services.

Revenues are generated through the monthly refuse and recycling charge. Expenses are based upon the contract cost with Groot and miscellaneous administrative costs associated with the provision of this service.

SUMMARY OF PERFORMANCE

TOTAL REVENUES	\$1,002,523
TOTAL OPERATING EXPENSES	<u>\$1,019,157</u>
OPERATING PROFIT/LOSS	(\$16,634)

Revenues in this fund were over budget \$14,391 due to increased recycling proceeds.

Expenses were under budget by \$8,900.

IV. Capital Funds

The Equipment Capital fund has historically been used for the purchase of new equipment and the replacement of existing equipment for various Village operating groups. In FY 10/11, the Village established two new equipment-specific funds for the replacement of Public Works trucks and Police squad cars. As a result, beginning in FY 11/12, this fund will be called the Community Capital Fund and in the future can be used for community improvements/new equipment as determined by the Board.

This fund receives revenue from the vehicle sticker fees charged to each household in the Village. Total revenues were \$165,532.

Expenses included finance software upgrades, various computer replacements, system connection of the Police Station and Village Hall, and repair of the Police Station stairwell. Total expenses were \$47,535.

The Public Facility fund has historically been used to pay the annual debt payments associated with the borrowing for the construction of the new police station and the remodeling of the Village Hall/former Streets Department garage.

This fund receives revenues from cell tower antenna lease agreements and public facility donation fees paid by new development. Cell tower lease fees were \$185,447, up \$54,144 from previous year's actual as a result of additional lease arrangements

approved by the Board. Public facility donation fees totaled \$7,805, slightly over budget but significantly down from previous year's actual due to declines in building activity.

Expenses in this fund included the annual debt obligation payment associated with the project borrowing. Mid-year, we realized the calculation being performed for the spreading of debt payments amongst the various funds was incorrect. Hence, the actual debt payments in this fund exceed the budget amount. Corrections will be made in future budgets. Total expenses in this fund were \$153,899.

V. Debt Service

Chart 7 attached shows the Village's total debt service as of April 30, 2011. As you can see from the Chart, total outstanding debt is \$5,651,607. This does not include the \$900,000 General Obligation Promissory note recently issued for payment of the Schiessle settlement nor the approximate \$100,000 annual commitment the Village has made with the Sanitary District for plant improvements currently underway.

Chart 1
Major Fund Performance Comparison
FY 07/08 - FY 10/11

Fund	Actual Year-End FY 07/08	Actual Year-End FY 08/09	Actual Year-End FY 09/10	Actual Year-End FY 10/11	Change From FY 07/08
REVENUES					
General Fund	\$ 4,417,590	\$ 3,773,843	\$ 3,488,425	\$ 3,813,230	\$ (604,360)
Water & Sewer Fund	\$ 2,662,137	\$ 2,788,798	\$ 2,614,657	\$ 2,975,846	\$ 313,709
Total Revenues	\$ 7,079,727	\$ 6,562,641	\$ 6,103,082	\$ 6,789,076	\$ (290,651)
EXPENSES					
General Fund	\$ 4,276,098	\$ 4,150,045	\$ 3,587,916	\$ 3,340,019	\$ (936,079)
Water & Sewer Fund	\$ 2,910,868	\$ 3,770,789	\$ 3,218,105	\$ 2,840,314	\$ (70,554)
Totals Water & Sewer	\$ 7,186,966	\$ 7,920,834	\$ 6,806,021	\$ 6,180,333	\$ (1,006,633)

Chart 2
3-Year Actual Spending Comparison

Fund	Actual Year-End FY 10/11	Actual Year-End FY 08/09	Change From FY 08/09
GENERAL FUND			
Administration	\$ 525,390	\$ 582,876	\$ (57,487)
Engineering & Bldg	\$ 124,547	\$ 209,176	\$ (84,629)
Building & Grounds	\$ 14,019	\$ 51,449	\$ (37,430)
Police	\$ 2,069,941	\$ 1,967,569	\$ 102,372
Streets	\$ 606,123	\$ 1,338,975	\$ (732,852)
Totals General Fund	\$ 3,340,019	\$ 4,150,045	\$ (810,026)
WATER & SEWER FUND			
Waterworks Admin	\$ 1,567,222	\$ 1,436,772	\$ 130,450
Sewer	\$ 803,300	\$ 850,665	\$ (47,365)
Water	\$ 469,793	\$ 1,483,352	\$ (1,013,559)
Totals Water & Sewer	\$ 2,840,314	\$ 3,770,789	\$ (930,475)
Totals	\$ 6,180,334	\$ 7,920,834	\$ (1,740,500)

Chart 3

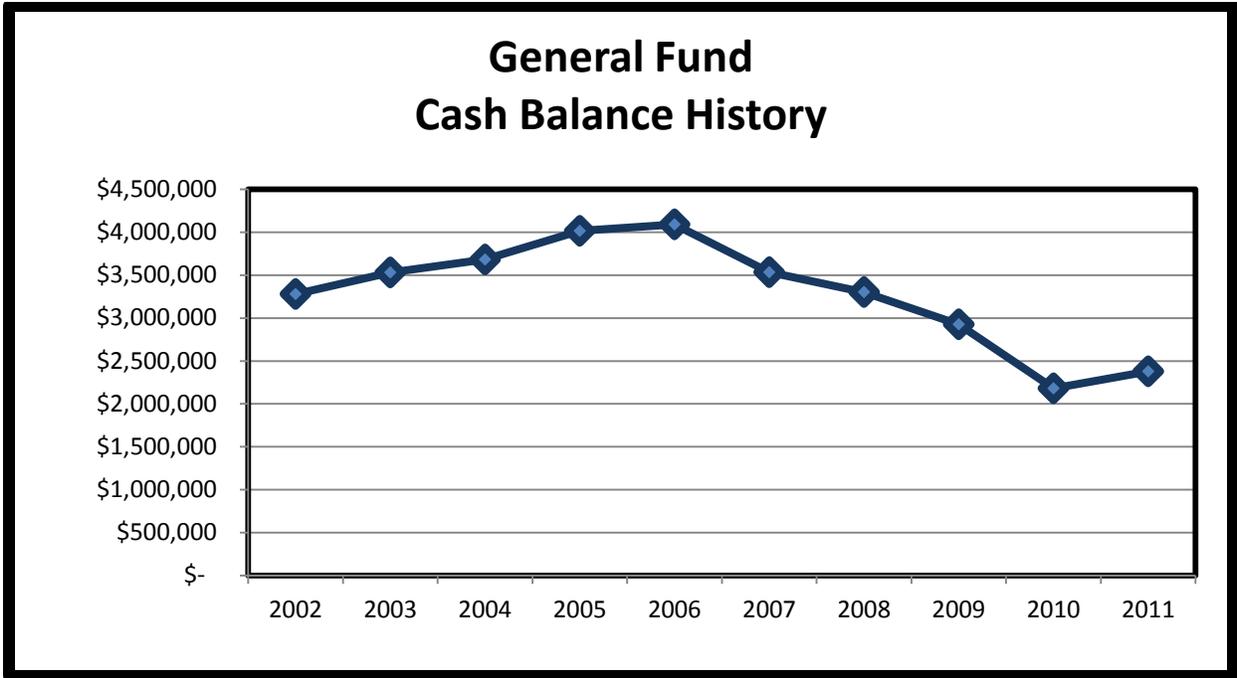


Chart 4

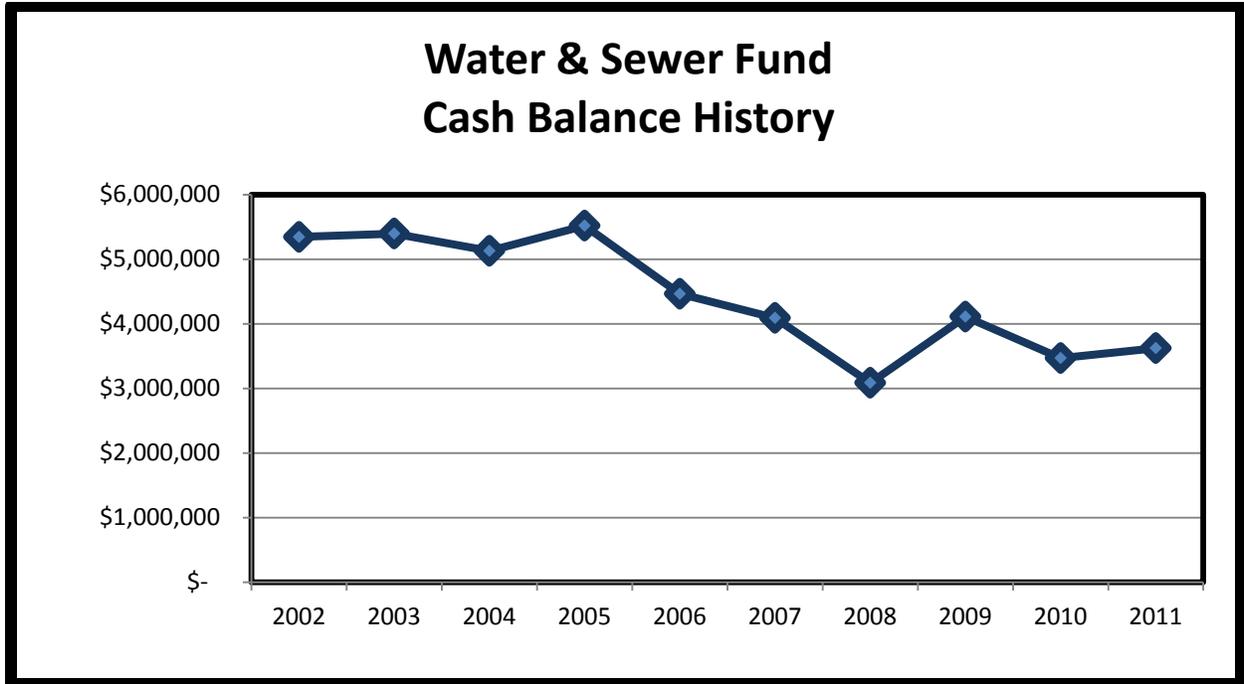


Chart 5
 FY 2010/2011 Year-End Financial Summary Report
 Major Revenue Comparison

Fund	Actual Year-End FY 10/11	Actual Year-End FY 09/10	Change From Previous Year	FY 10/11 Budget	Actual Year-End Change From Budget
GENERAL FUND					
Real Estate Tax	\$ 464,140	\$ 427,050	\$ 37,090	\$ 449,707	\$ 14,433
Telecom Tax	\$ 472,121	\$ 536,329	\$ (64,208)	\$ 550,000	\$ (77,879)
Building Permits	\$ 94,315	\$ 96,167	\$ (1,852)	\$ 96,125	\$ (1,810)
Income Tax	\$ 1,303,561	\$ 969,767	\$ 333,794	\$ 1,173,000	\$ 130,561
Sales Tax	\$ 834,128	\$ 734,973	\$ 99,155	\$ 740,000	\$ 94,128
Other Revenue	\$ 644,965	\$ 724,139	\$ (79,174)	\$ 619,300	\$ 25,665
Totals General Fund	\$ 3,813,230	\$ 3,488,425	\$ 324,805	\$ 3,628,132	\$ 185,098
WATER & SEWER FUND					
Sewer Usage	\$ 1,929,646	\$ 1,771,282	\$ 158,364	\$ 1,976,306	\$ (46,660)
Water Usage	\$ 670,195	\$ 620,167	\$ 50,028	\$ 696,199	\$ (26,004)
Sewer Penalty	\$ 85,635	\$ 83,348	\$ 2,287	\$ 85,000	\$ 635
Water Penalty	\$ 10,065	\$ 8,445	\$ 1,620	\$ 10,000	\$ 65
Interest	\$ 75,654	\$ 107,118	\$ (31,464)	\$ 90,000	\$ (14,346)
Other Revenue	\$ 204,651	\$ 24,297	\$ 180,354	\$ 23,725	\$ 180,926
Totals Water & Sewer	\$ 2,975,846	\$ 2,614,657	\$ 361,189	\$ 2,881,230	\$ 94,616

Chart 6
 FY 10/11 Year-End Financial Summary Report
 Major Expense Comparison

Fund	Actual Year-End FY 10/11	Actual Year-End FY 09/10	Change From Previous Year	FY 10/11 Budget	Actual Year-End Change From Budget
GENERAL FUND					
Administration	\$ 525,390	\$ 577,623	\$ (52,234)	\$ 581,175	\$ (55,786)
Engineering & Bldg	\$ 124,547	\$ 174,017	\$ (49,471)	\$ 155,230	\$ (30,683)
Building & Grounds	\$ 14,019	\$ 18,953	\$ (4,934)	\$ 41,075	\$ (27,056)
Police	\$ 2,069,941	\$ 2,119,305	\$ (49,364)	\$ 2,178,113	\$ (108,172)
Streets	\$ 606,123	\$ 698,019	\$ (91,896)	\$ 683,940	\$ (77,817)
Totals General Fund	\$ 3,340,019	\$ 3,587,916	\$ (247,897)	\$ 3,639,533	\$ (299,514)
WATER & SEWER FUND					
Waterworks Admin	\$ 1,567,222	\$ 1,616,092	\$ (48,870)	\$ 1,760,062	\$ (192,840)
Sewer	\$ 803,300	\$ 873,949	\$ (70,649)	\$ 842,848	\$ (39,548)
Water	\$ 469,792	\$ 728,064	\$ (258,272)	\$ 563,524	\$ (93,732)
Totals Water & Sewer	\$ 2,840,314	\$ 3,218,105	\$ (377,791)	\$ 3,166,434	\$ (326,120)