



Title: 4th Quarter 2022 Financial Report
Prepared by: Name: Deb Johnson
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Purpose:

Attached, please find the 4th Quarter (Q4) Financial Report from Abdo Financial Solutions showing revenue and expenditures for January 1, 2022 through December 31, 2022. Please note: this report provides a comprehensive representation of the 2022 revenue and expenditures, however it is marked as preliminary and will remain as such until the 2022 financial audit is completed in April.

Summary:

Revenue

Since the Q3 report second half levy disbursements were received, bringing revenue for the year from Hennepin and Carver Counties to 99.1% of budget. Since drafting the Q4 report, the January settlements were received, increasing revenue to 99.8% of budget.

Miscellaneous revenue, which for the most part is Permitting reimburseables, is always a matter of timing, and ended the year over budget projections.

Revenue projections in the mortgage payoff category did not anticipate the early sale of one parcel of the 325 Blake Road property. This sale accounts for the larger than expected revenue in this category.

Loans, grants & awards received is just over half of what was projected. This can be a matter of timing of when received or when reimbursements are requested and provided.

With an upward trend in interest rates, the District's interest earnings increased significantly between Q2 and Q3 and ended the year at a level more in line with pre-pandemic figures.

The transfer in category was added in Q3 to reflect the board approved transfer of funds into fund 2007 – rules revisions. There is an offsetting transfer out category under the expenditures section of the planning fund report.

Expenditures

Overall expenditures for the year as shown in the report sit at 57.1% of budget. As noted above, these are preliminary and unaudited figures. Several of the District's vendors invoice in arrears, and therefore we expect to see the overall expenditures for 2022 to increase slightly.

Variiances

Noteworthy positive variances (actuals under year-to-date budget) shown on the Management Planning Fund Table (page 5 of the report) include staff and miscellaneous expenses. These can be a matter of timing, and in these instances can be tied to deferred hiring and open positions. Details regarding these items as well as others can be found on the variance report at the end of this document.

Also of note is the construction category, currently at 8.7% of anticipated expenditures. Projects budgeted for 2022 included Six Mile Prairie Trail and Blake Road. The Six Mile Prairie Trail construction was completed at the end of Q3 and accounts for the majority of expenses in this category. Given development changes at Blake Road no District construction took place in 2022. All Blake Road budget dollars will be carried over into the 2023 budget.

Within specific funds, shown on the Statement of Expenditures (page 8 of the report), variances are generally tied to the timing of work, the progress of a project/program or funding sources. With limited exceptions, (exceptions being Permit Administration, Wasserman Internal Load Management and SMCHB-Carp Management), expenditures do not exceed budget for the year.

Permit Administration expenditures to revenue is often a matter of timing and therefore it is not unusual to exceed budget. That said, this program's budget was more closely analyzed and adjusted accordingly for the 2023 budget. The Wasserman Internal Load Management and SMCHB-Carp Management projects both wrapped up in 2022. Expenditures were over budget for both projects, however not significantly.

Lastly, of note is the credit balance tied to the FEMA Flood Repair project. This is due to the reversal of an accrual at the end of 2021 due to a pending vendor invoice. This project's warranty will be complete in June 2023, which will result in the final project invoice. At close-out we expect to balance revenue and expenditures.

If you have more specific questions regarding the contents of the report, please contact Deb Johnson at djohnson@minnehahacreek.org

Supporting documents (list attachments):

2022 4th Quarter Financial Report



4th Quarter Report

PRELIMINARY

Minnehaha Creek Watershed District

Minnetonka, Minnesota

As of December 31, 2022

Abdo
Financial
Solutions

Edina Office

5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office

100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office

14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

January 10, 2023

ACCOUNTANT'S COMPILATION REPORT

Board of Managers
Minnehaha Creek Watershed District
Minnetonka, Minnesota

We have compiled the accompanying statement of revenues and expenditures for the notes Management Planning Fund of the Minnehaha Creek Watershed District as of December 31, 2022 for the quarter then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Sincerely,

Abdo Financial Solutions

January 10, 2023

Dear Board of Managers:

We have reconciled all bank accounts through December 31, 2022, and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

Cash

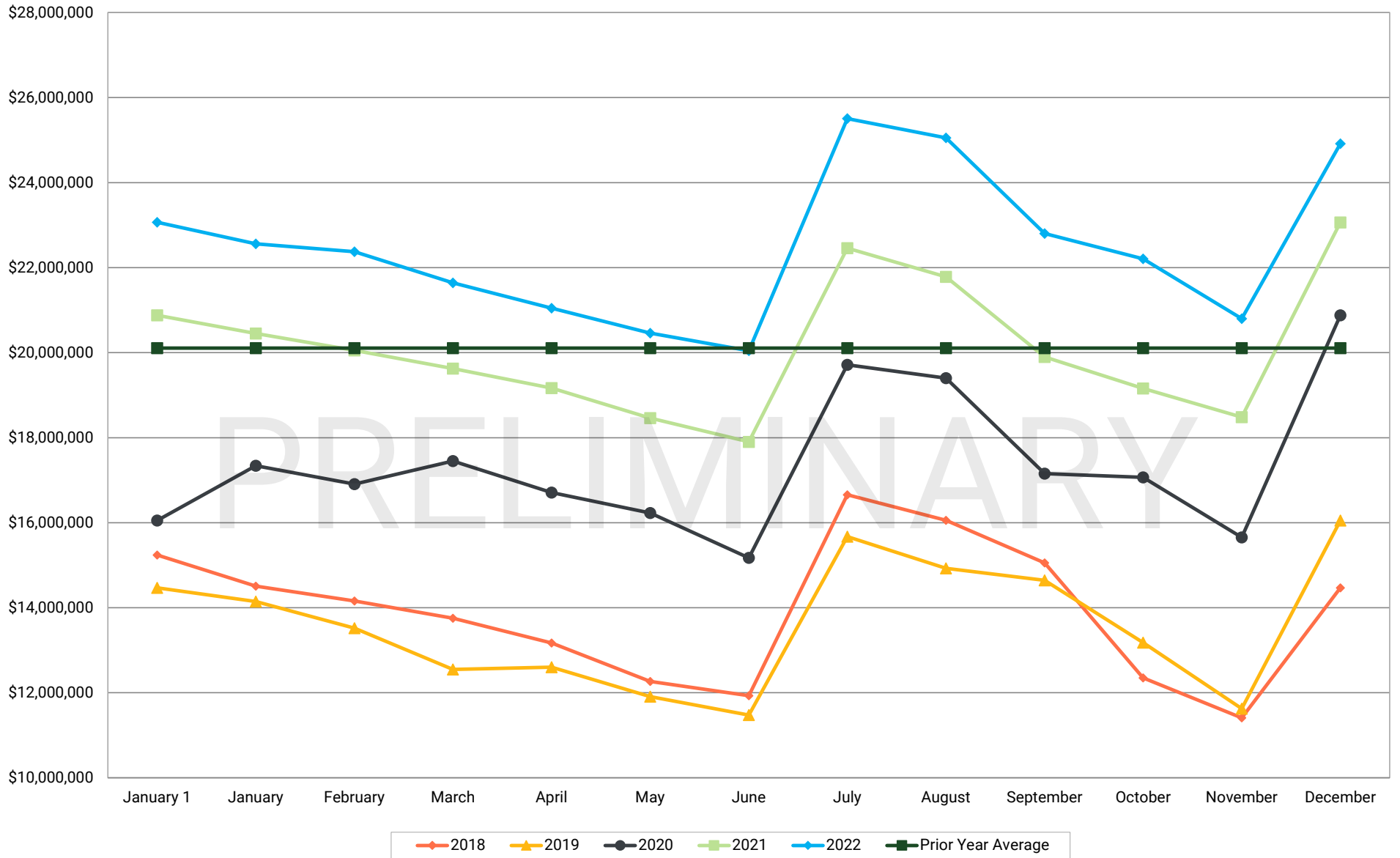
The District's cash balances are as follows:

Institution	Description	Type	Market Value 1/1/2022	Deposits - Purchases	Expenditures - Sales	Transfers	Interest	Unadjusted Market Value 12/31/2022	Market Value 12/31/2022	Unrealized Gain / Loss
Bremer Bank	General Checking - 0515	Checking	\$ 313,194.65	\$ 13,865.00	\$ (9,152,619.27)	\$ 9,040,000.00	\$ -	\$ 214,440.38	\$ 214,440.38	\$ (0.00)
Bremer Bank	General MM - 2755	Money Market	21,278,041.42	11,010,143.60	(1,847.01)	(9,030,584.17)	65,088.95	23,320,842.79	23,320,842.79	-
			21,591,236.07	11,024,008.60	(9,154,466.28)	9,415.83	65,088.95	23,535,283.17	23,535,283.17	(0.00)
Bremer Bank	Surety Checking- 6092	Checking	8,911.24	1.15	(223,850.00)	245,000.00	29.66	30,092.05	30,092.05	-
Bremer Bank	Surety MM - 2788	Money Market	1,469,238.42	152,169.58	-	(254,415.83)	4,122.50	1,371,114.67	1,371,114.67	-
			1,478,149.66	152,170.73	(223,850.00)	(9,415.83)	4,152.16	1,401,206.72	1,401,206.72	-
Total Cash and Investments			\$ 23,069,385.73	\$ 11,176,179.33	\$ (9,378,316.28)	\$ 0.00	\$ 69,241.11	\$ 24,936,489.89	\$ 24,936,489.89	\$ (0.00)

Deposits in Transit	-
Outstanding Checks	(21,878.09)
Timing Difference	
Reconciled Balance	24,914,611.80

PRELIMINARY

Management Planning Fund Cash Balances 2018 - 2022



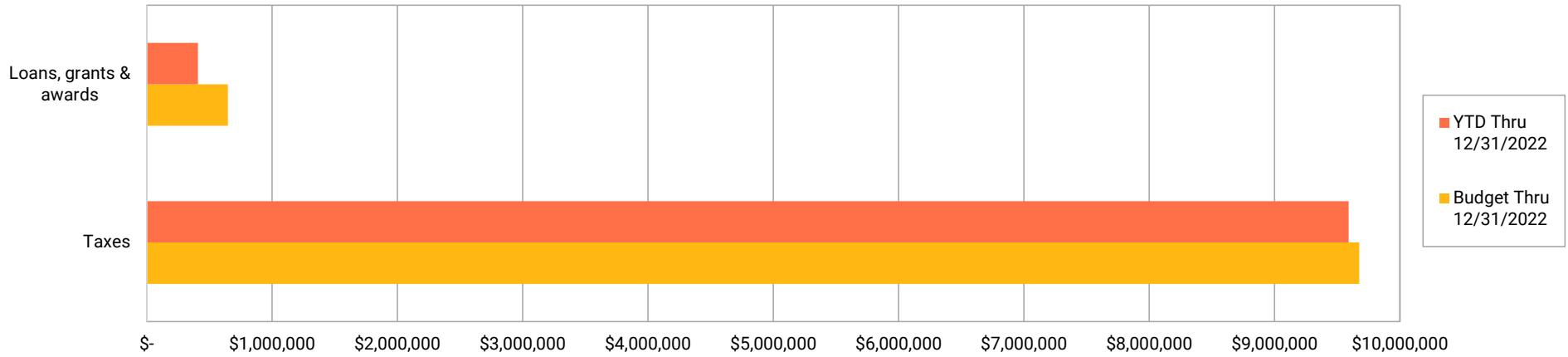
Management Planning Fund

Receipts	2021	2022	YTD	YTD	Percent of YTD Budget		
	Actual	Budget	Budget Thru 12/31/2022	Thru 12/31/2022			
Taxes	\$ 9,648,237	\$ 9,675,994	\$ 9,675,994	\$ 9,591,076	99.1 %	→	(1)
Miscellaneous revenue	74,784	60,000	60,000	89,074	148.5	↑	(2)
Mortgage Payoff	339,890	11,220	11,220	996,345	8,880.1	↑	(3)
Loans, grants & awards	606,111	647,218	647,218	407,169	62.9	↓	(4)
Interest earnings	4,202	10,000	10,000	69,241	692.4	↑	(5)
Transfers In	2,261,008	41,473	41,473	41,473	100.0	→	(6)
	<u>\$ 12,934,232</u>	<u>\$ 10,445,905</u>	<u>\$ 10,445,905</u>	<u>\$ 11,194,378</u>	<u>107.2 %</u>	<u>→</u>	
Disbursements							
Personnel	\$ 2,237,700	\$ 2,722,707	\$ 2,722,707	\$ 2,222,063	81.6 %	↑	(7)
Staff expenses	5,352	73,000	73,000	36,646	50.2	↑	(8)
Manager expenses	47,230	47,500	47,500	44,481	93.6	→	(9)
Building & operating expense	98,193	160,500	160,500	128,488	80.1	↑	(10)
Vehicles	3,929	42,000	42,000	5,170	12.3	↑	(11)
Contracted services	454,644	956,680	956,680	592,899	62.0	↑	(12)
Construction	703,708	6,007,220	6,007,220	522,406	8.7	↑	(13)
Accounting & auditing	97,105	99,500	99,500	108,200	108.7	→	(14)
Engineering	1,015,720	1,515,427	1,515,427	1,382,227	91.2	→	(15)
Lab analysis	41,740	76,100	76,100	41,641	54.7	↑	(16)
Legal services	415,759	424,100	424,100	529,506	124.9	↓	(17)
Insurance	74,563	81,000	81,000	67,614	83.5	↑	(18)
Debt service	2,936,673	2,863,392	2,863,392	2,863,391	100.0	→	(19)
Other miscellaneous	54,126	159,400	159,400	72,438	45.4	↑	(20)
Dues & Subscriptions	93,068	117,000	117,000	109,372	93.5	→	(21)
Strategic IT Plan	-	15,000	15,000	-	-	↑	(22)
IT Equipment	17,878	28,000	28,000	24,676	88.1	↑	(23)
Loans, grants & awards given	-	100,000	100,000	62,503	62.5	↑	(24)
Permit Acquisition	2,144	-	-	170	-	↑	(25)
Capital Outlay	41,060	-	-	17,176	-	↑	(26)
Transfers Out	2,261,008	41,473	41,473	41,473	100.0	→	(27)
	<u>\$ 10,601,600</u>	<u>\$ 15,529,999</u>	<u>\$ 15,529,999</u>	<u>\$ 8,872,540</u>	<u>57.1 %</u>	<u>↑</u>	

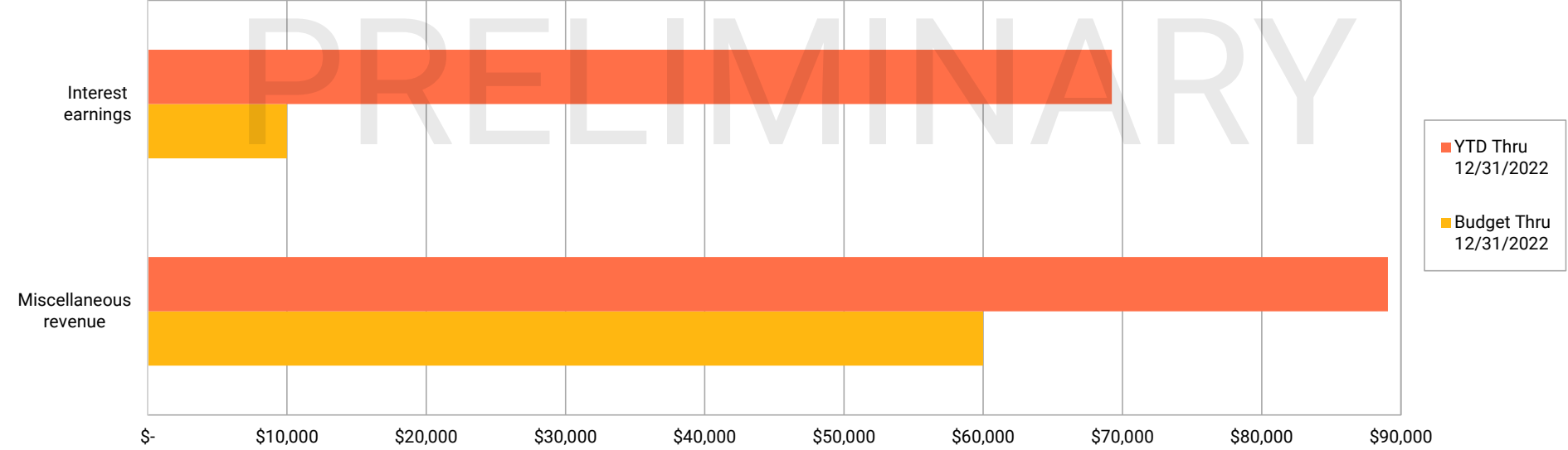
Key

- ↑ Varies more than 10% than budget positively
- ↓ Varies more than 10% than budget negatively
- Within 10% of budget

**Receipts Budget to Actual Comparison
\$0 to \$10,000,000**

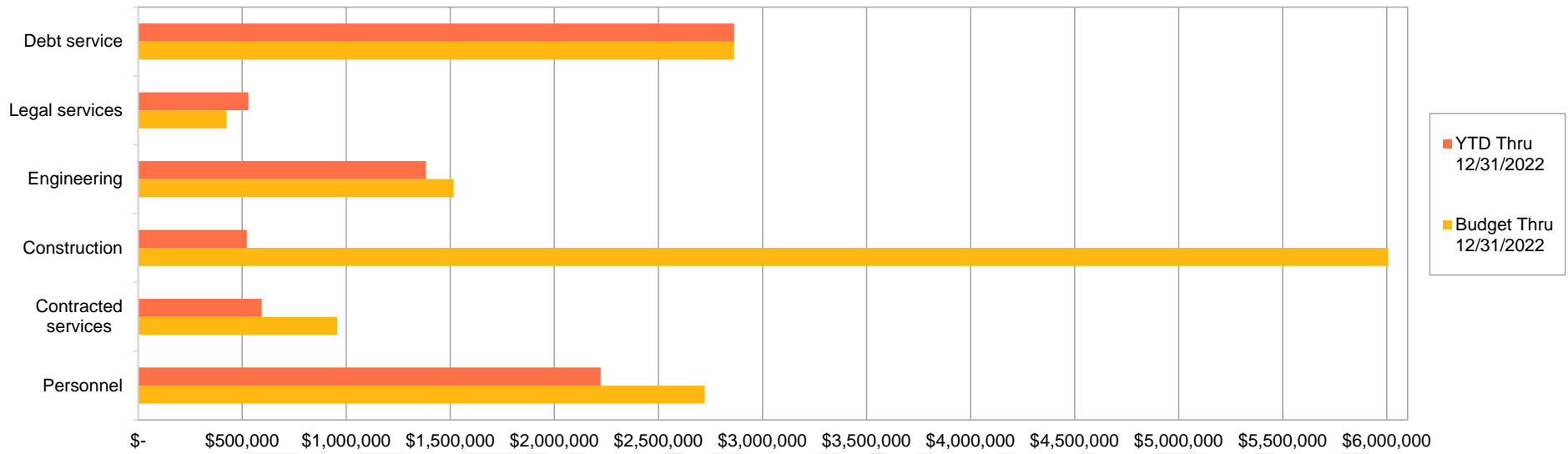


**Receipts Budget to Actual Comparison
\$0 to \$90,000**

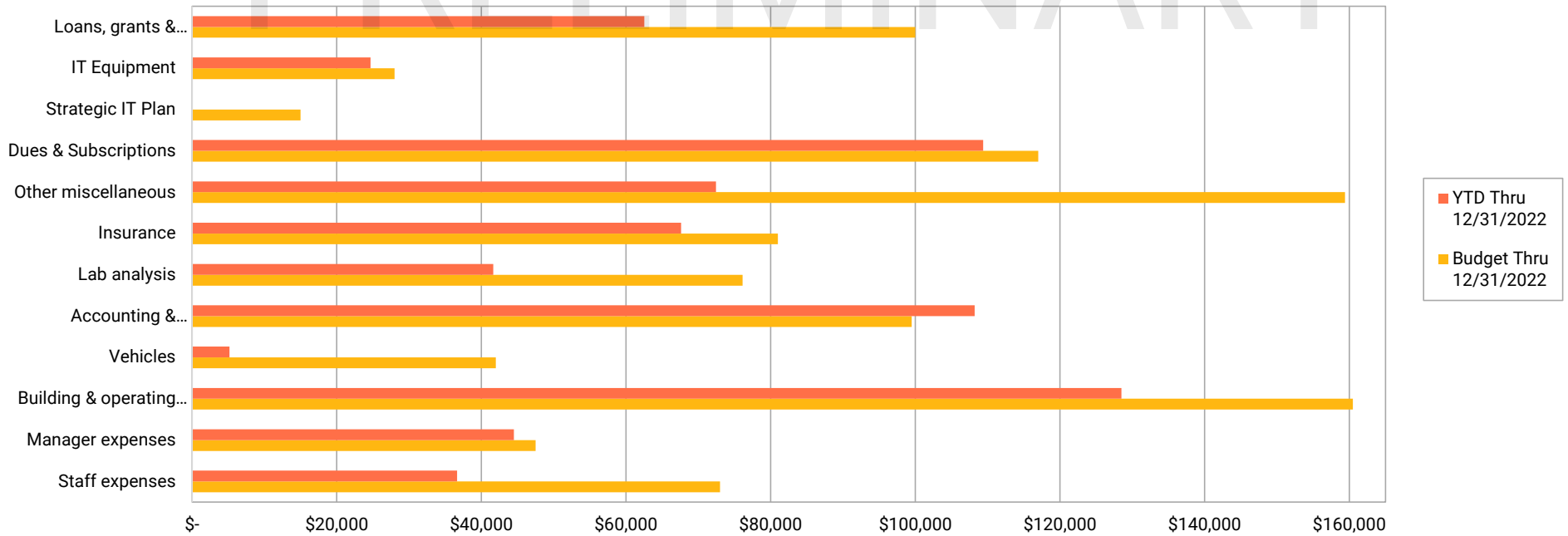


*** Typically, property taxes are received in July and December (with 70% advance in June).

**Disbursements Budget to Actual Comparison
\$0 to \$6,100,000**



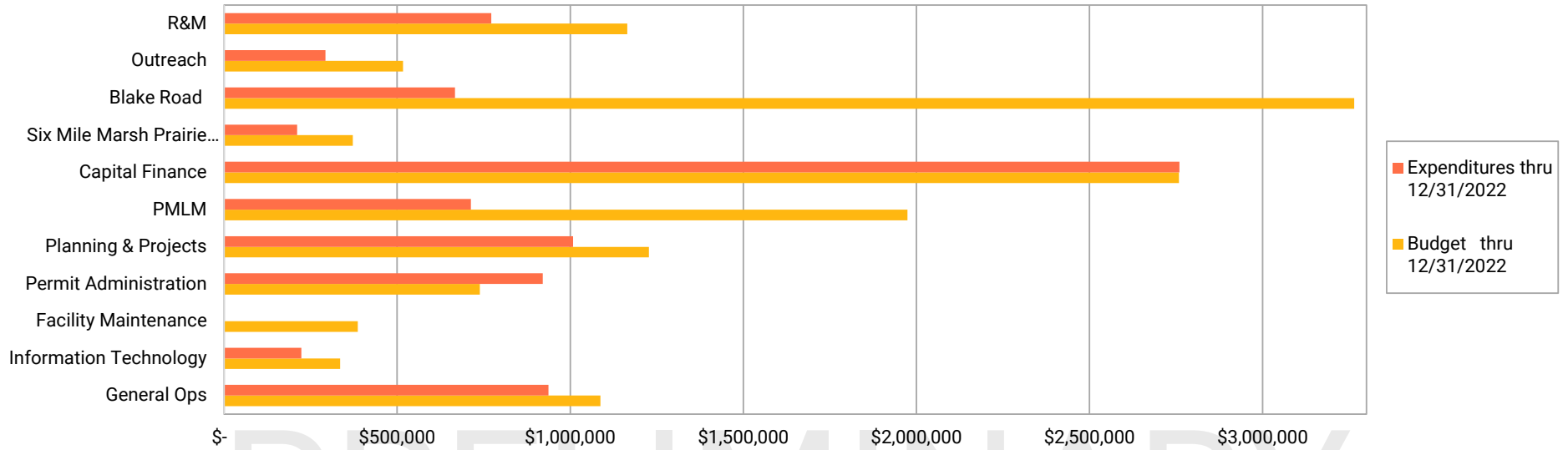
**Disbursements Budget to Actual Comparison
\$0 to \$165,000**



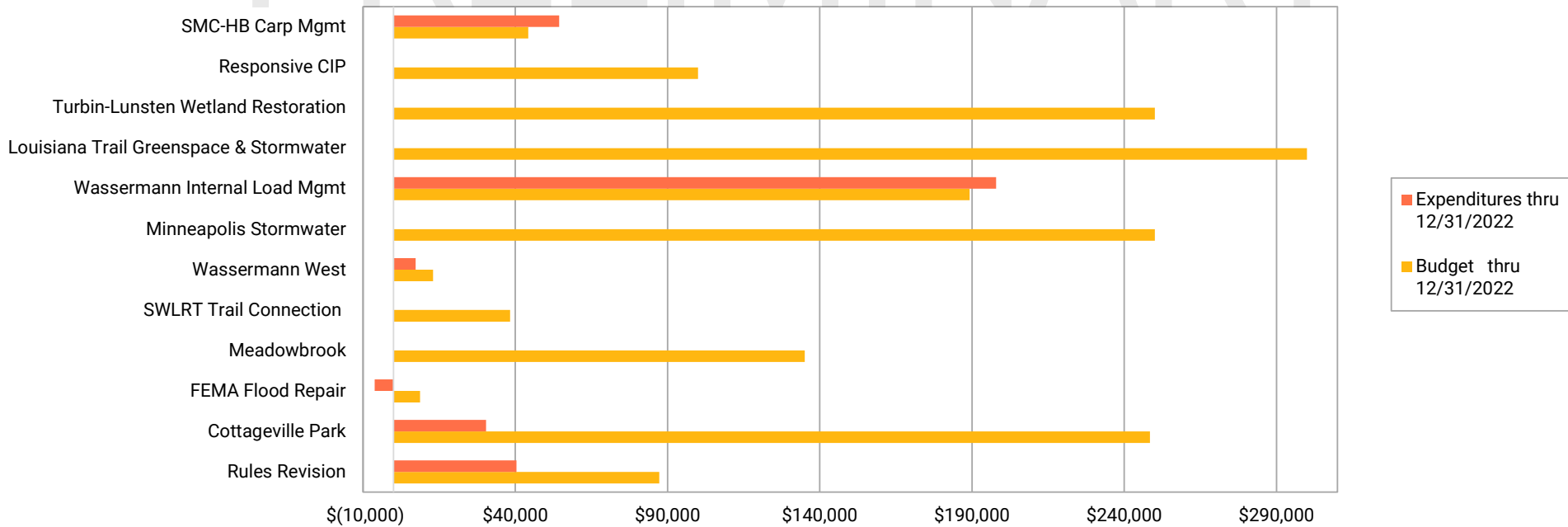
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Twelve Months Ended December 31, 2022

Fund Name	Project #	2021 Actual Expenditures	2022 Annual Budget	YTD Budget thru 12/31/2022	YTD Expenditures thru 12/31/2022	Variance 12/31/2022	Percent Expended Budget thru 12/31/2022
General Ops	1002	\$ 866,141	\$ 1,087,491	\$ 1,087,491	\$ 936,801	\$ 150,690	86%
Information Technology	1003	203,994	335,000	335,000	222,852	112,148	67%
Facility Maintenance	1005	747	386,000	386,000	-	386,000	0%
Permit Administration	2001	741,954	738,644	738,644	920,182	(181,538)	125%
Planning & Projects	2002	1,090,007	1,226,937	1,226,937	1,008,412	218,525	82%
PMLM	2003	524,990	1,974,212	1,974,212	713,125	1,261,087	36%
Capital Finance	2004	2,833,163	2,758,468	2,758,468	2,759,839	(1,371)	100%
Rules Revision	2007	21,167	87,251	87,251	40,380	46,871	46%
Six Mile Marsh Prairie Restoration	3106	59,109	371,889	371,889	210,916	160,973	57%
Taft/Legion	3140	-	-	-	-	-	0%
Blake Road	3145	510,275	3,264,570	3,264,570	667,272	2,597,298	20%
Cottageville Park	3146	5,175	248,400	248,400	30,402	217,998	12%
Arden Park	3147	92,614	-	-	-	-	0%
FEMA Flood Repair	3148	1,523	8,745	8,745	(6,195)	14,940	-71%
Meadowbrook	3150	-	135,026	135,026	-	135,026	0%
SWLRT Trail Connection	3152	-	38,250	38,250	-	38,250	0%
Wassermann West	3153	328,239	13,000	13,000	7,265	5,735	56%
Minneapolis Stormwater	3155	-	250,000	250,000	-	250,000	0%
Wassermann Internal Load Mgmt	3156	135,426	189,186	189,186	197,894	(8,708)	105%
Louisiana Trail Greenspace & Stormwater	3157	-	300,000	300,000	-	300,000	0%
Turbin-Lunsten Wetland Restoration	3158	-	250,000	250,000	-	250,000	0%
Responsive CIP	3500	-	100,000	100,000	-	100,000	0%
Outreach	4002	208,678	516,665	516,665	292,595	224,070	57%
R&M	5001	622,477	1,164,580	1,164,580	771,787	392,793	66%
AIS Program	5005	-	-	-	3,166	(3,166)	0%
SMC-HB Carp Mgmt	5007	94,911	44,212	44,212	54,374	(10,162)	123%
Transfers out		2,261,008	41,473	41,473	41,473	-	100%
Total Expenditures		\$ 10,601,598	\$ 15,529,999	\$ 15,529,999	\$ 8,872,540	\$ 6,657,459	57%

**Budget To Actual Comparison By Project
\$0 to \$3,300,000**



**Budget To Actual Comparison By Project
-\$10,000 to \$310,000**



* * * * *

This information is unaudited and is intended solely for the information and use of management and is not intended and should not be used by anyone other than these specified parties.

If you have any questions or wish to discuss any of the items contained in this letter or the attachments, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Sincerely,

Abdo Financial Solutions

PRELIMINARY



Addendum: Variance Explanations

1	Disbursements from Carver and Hennepin Counties are presently shown at 99.1% of budgeted levy dollars. January settlements have since been received bringing total revenue to 99.8% of budget.
2	Majority of the miscellaneous revenue is permit receivables which exceeded budget for the year. This variance to budget is largely based on timing – when the expense is incurred versus when reimbursement is received by the District.
3	Mortgage payoff reflects the earlier than anticipated sale of one of the 325 Blake Road parcels.
4	Loans, grants and awards received is earned projections for projects including Minnehaha Greenway, Wassermann Internal Load and FEMA repair projects. This category includes carryover from 2021 and ended the year at 62.9% of what was anticipated to be received.
5	Budgeted interest revenue was adjusted downward for 2022, however the upward trend in interest rates has provided increased earnings and exceed budget.
6	Transfers in reflects the Q3 board approved budget amendment to fund account 2007-Rules Revision.
7	Personnel ended the year at 81.6% of budget; this is due to open positions and timing of when positions were filled.
8	Staff expenses came in under budget with less attendance at conferences and meetings than were planned.
9	Manager expenses are on target with budget for the year.
10	Building & operating expenses ended the year at 80.1% of budget. There were several items budgeted for in this category that ultimately did not require repair or replacement.
11	Vehicle budget for 2022 included dollars for a new vehicle purchase. Decision was made to postpone until a reduction in supply chain/inventory issues. Expenditures in this category include fuel and maintenance on existing fleet. Note: the vehicle purchased in 2021, because of delivery date, was paid in 2022 and is reflected under the capital outlay category.
12	Due to deferred projects and/or services, most programs are under budget for contracted services.
13	Construction expenditures are down significantly from budget for 2022 based on the change in the Blake Road agreement. The completion of Six Mile Trail accounts for the majority of the construction expenditures.
14	Accounting and auditing expenditures are over budget by approximately \$9k due to not anticipating and adequately budgeting for the new accounting services contracted increase.
15	Engineering expenditures are just slightly below budget projections for the year.
16	Lab analysis expenditures are approximately half of what was budgeted. Dry conditions reduced overall testing thus lowering expenditures.
17	Legal expenditures exceeded budget for the year by approximately 25%. Much of this is attributed to the Minnehaha Preserve Boardwalk litigation expense.
18	Insurance (property casualty and workers' compensation) is less than budget with a smaller increase in rates than expected.
19	Debt service is even with budget.
20	Other Miscellaneous ended the year with expenditures at approximately half of what was projected. This can be due to timing or deferral of services and purchases.
21	Dues and subscriptions are just slightly below what was budgeted for the year across all programs.
22	No purchases were made in 2022 as part of the Strategic IT Plan.
23	IT Equipment expenditures ended the year not significantly off budgeted amount.
24	Loans, grants & awards given shows a final payment to the City of Victoria for matching grant funds received by the District. Other expenditures did not come to fruition.
25	Permit acquisition category was eliminated for 2022; the small expenditure shown in this category is in error and will be reclassified.
26	Capital outlay does not reflect a budgeted amount for 2022, however the vehicle purchased in 2021 and paid in 2022 meets capital purchase requirements therefore is reflected in this category.
27	Transfers-out offsets the transfer-in category under revenue (for program 2007, rule revisions).