



Title: 4th Quarter 2021 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 from January 1, 2021 to December 31, 2021. Please note: this report provides a comprehensive representation of the 2021 revenue and expenditures, however it is marked as “preliminary” and will remain as such until the 2021 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 \$9,562,845, representing 98.8% of the District’s levy. Since the drafting of this report, final county disbursements were received in January 2022 bringing total levy dollars received for 2021 to 99.7% of budget.

Miscellaneous revenue is up significantly over budget projection due to the \$340,000 payoff of the mortgaged property the District owned. Outside of this payment, miscellaneous revenue is slightly lower than budgeted, which is most often attributed to the timing of permitting reimbursables. Loans, grants and awards received is higher than projected due to the timing of project implementation and reimbursements across these multi-year projects being different than what was assumed within the budget.

Revenue from interest earned is down significantly from the budget projection. We saw a downward trend in interest earned throughout 2020 and this carried forward into 2021. With the continued pandemic impacts on the economy and interest return rates exceedingly low, this reduced level of interest income was not unexpected and additionally, for this reason interest income budgeted in 2022 was adjusted downward accordingly.

Expenditures

Overall expenditures for the year show 55.5% of the total 2021 budget expended. However, as noted above these are preliminary and unaudited figures. With several of the District’s vendors billing in arrears we fully expect total expenditures to rise once the January 2022 billing cycle is complete. This will not affect all categories of disbursements and further explanation for each can be found on the variance report attached.

Variiances

Noteworthy positive variances (actuals under year-to-date budget and expected to remain as such) shown on the Management Planning Fund Table (page 5 of the report) include staff expenses, vehicles, lab analysis, and other miscellaneous. Details regarding these items as well as others can be found on the variance report.

Also of note is the construction category, currently at less than 15% of its expected expenditures. The 2021 budget included the Six Mile Marsh Prairie Trail and Blake Road projects, with over three million dollars earmarked for construction. Both projects are in design or bid phase, therefore construction will not achieve the anticipated level in 2021. A large percentage of these budgeted funds will carryover into 2022.

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.

Exceptions where expenditures are higher than annual budget include Arden Park, Wassermann West, and SMCHB-Carp Management. In these instances, the expenditures were incurred with the expectation of reimbursement from partner funds or grants not yet received. Noteworthy is the FEMA Flood Repair project showing a credit balance. This is due to a reversal of retainage accruals which occurred in Q1. It is expected that this project fund will ultimately be in line with budget as work continues or is finalized.

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

Supporting documents (list attachments):

2021 4th Quarter Financial Report



4th Quarter Report

Preliminary

Minnehaha Creek Watershed District

Minnetonka, Minnesota

As of December 31, 2021



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January 19, 2022

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, 2021 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 20, 2022

Dear Board of Managers:

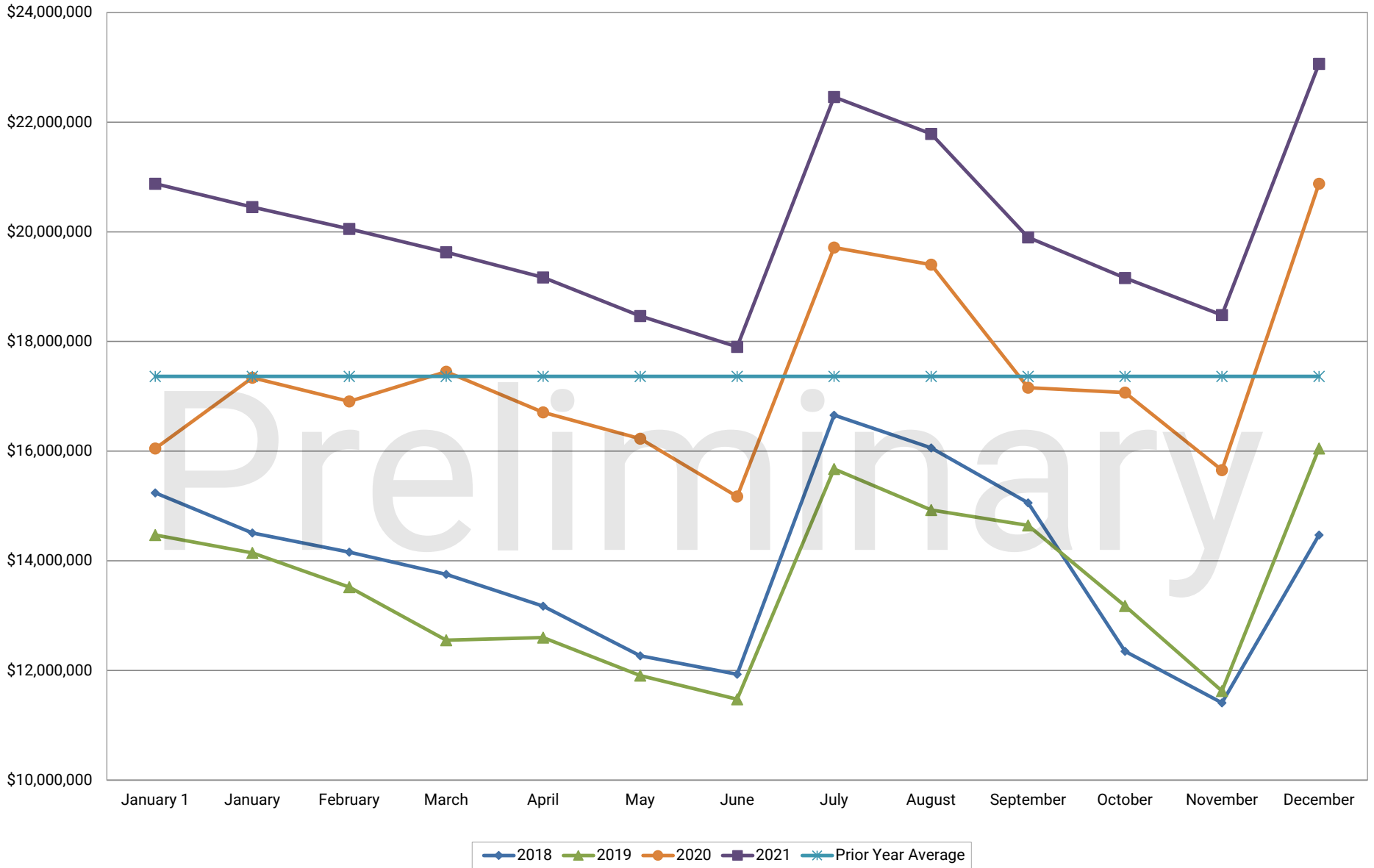
We have reconciled all bank accounts through December 31, 2021, and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

Cash

The District’s cash balances are as follows:

Institution	Description	Type	Market Value 1/1/2021	Deposits - Purchases	Expenditures - Sales	Transfers	Interest	Unadjusted		Unrealized Gain / Loss
								Market Value 12/31/2021	Market Value 12/31/2021	
Bremer Bank	General Checking - 0515	Checking	\$ 387,449	\$ 111	\$ (8,510,366)	\$ 8,436,000	\$ -	\$ 313,195	\$ 313,195	\$ 0
Bremer Bank	General MM - 2755	Money Market	18,959,641	10,723,513	(15)	(8,408,965)	3,867	21,278,041	21,278,041	-
			19,347,090	10,723,624	(8,510,381)	27,035	3,867	21,591,236	21,591,236	0
Bremer Bank	Surety Checking- 6092	Checking	3,870	3,235	(303,195)	305,000	2	8,911	8,911	(0)
Bremer Bank	Surety MM - 2788	Money Market	1,611,949	188,992	-	(332,035)	333	1,469,238	1,469,238	-
			1,615,818	192,227	(303,195)	(27,035)	335	1,478,150	1,478,150	(0)
Total Cash and Investments			\$ 20,962,909	\$ 10,915,851	\$ (8,813,576)	\$ 0	\$ 4,202	\$ 23,069,386	\$ 23,069,386	\$ 0

Management Planning Fund Cash Balances 2018 - 2021



Management Planning Fund

	2020 Actual	2021 Budget	YTD Budget Thru 12/31/2021	YTD Thru 12/31/2021	Percent of YTD Budget		
Receipts							
Taxes	\$ 9,643,911	\$ 9,675,994	\$ 9,675,994	\$ 9,562,845	98.8 %	→	(1)
Miscellaneous revenue	53,036	99,220	99,220	410,289	413.5	↑	(2)
Bond Proceeds	4,881,517	-	-	-	-		
Loans, grants & awards	2,464,304	709,801	709,801	768,554	108.3	→	(3)
Interest earnings	89,736	70,000	70,000	4,202	6.0	↓	(4)
	<u>\$ 17,132,504</u>	<u>\$ 10,555,015</u>	<u>\$ 10,555,015</u>	<u>\$ 10,745,890</u>	<u>101.8 %</u>	<u>→</u>	
Disbursements							
Personnel	\$ 2,203,497	\$ 2,563,423	\$ 2,563,423	\$ 2,167,605	84.6 %	↑	(5)
Staff expenses	7,397	69,000	69,000	5,352	7.8	↑	(6)
Manager expenses	38,907	42,000	42,000	47,230	112.5	↓	(7)
Building & operating expense	94,404	139,500	139,500	92,376	66.2	↑	(8)
Vehicles	10,136	42,000	42,000	3,929	9.4	↑	(9)
Contracted services	550,764	859,127	859,127	467,487	54.4	↑	(10)
Construction	2,771,673	5,090,775	5,090,775	726,846	14.3	↑	(11)
Accounting & auditing	98,435	92,000	92,000	97,105	105.5	→	(12)
Engineering	433,666	1,815,173	1,815,173	916,472	50.5	↑	(13)
Lab analysis	49,325	100,300	100,300	41,740	41.6	↑	(14)
Legal services	255,609	465,200	465,200	406,181	87.3	↑	(15)
Insurance	71,151	85,000	85,000	74,936	88.2	↑	(16)
Debt service	7,419,897	2,936,674	2,936,674	2,936,673	100.0	→	(17)
Other miscellaneous	58,443	201,500	201,500	65,029	32.3	↑	(18)
Property/Easement Acquisition	1,800	1,500	1,500	2,144	-		
Dues & Subscriptions	52,158	105,750	105,750	93,068	88.0	↑	(19)
Strategic IT Plan	18,368	76,000	76,000	-	-	↑	(20)
IT Equipment	16,854	31,500	31,500	21,749	69.0	↑	(21)
Loans, grants & awards given	165,735	-	-	-	-		
Capital Outlay	235,246	-	-	-	-		
	<u>\$ 14,553,465</u>	<u>\$ 14,716,422</u>	<u>\$ 14,716,422</u>	<u>\$ 8,165,922</u>	<u>55.5 %</u>	<u>↑</u>	

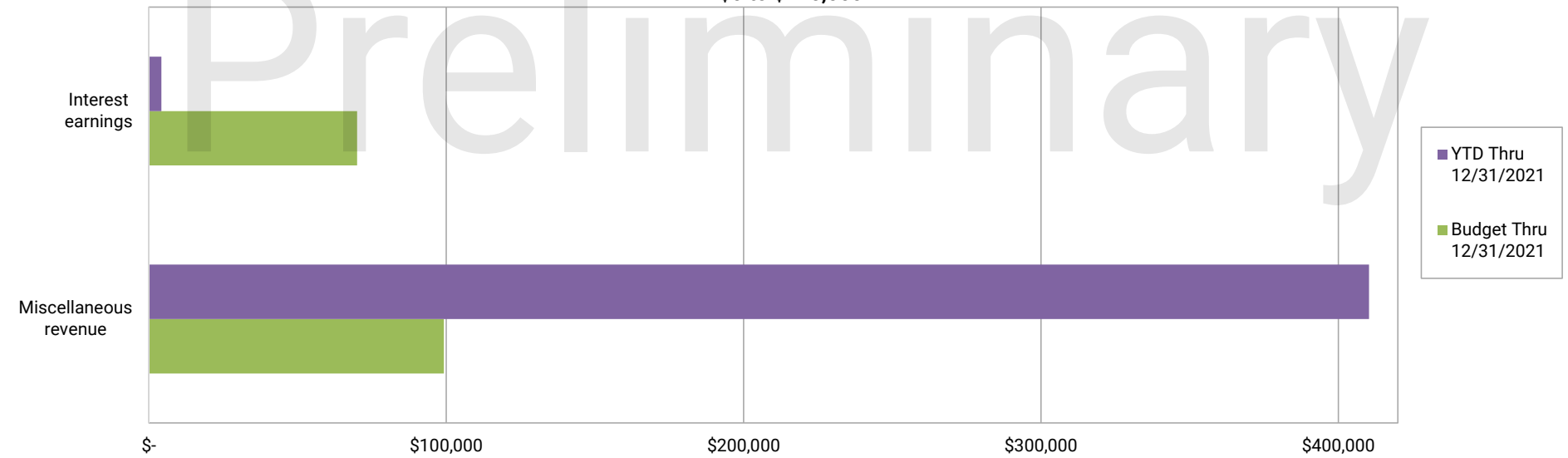
Key

- ↑ 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 \$9,800,000**

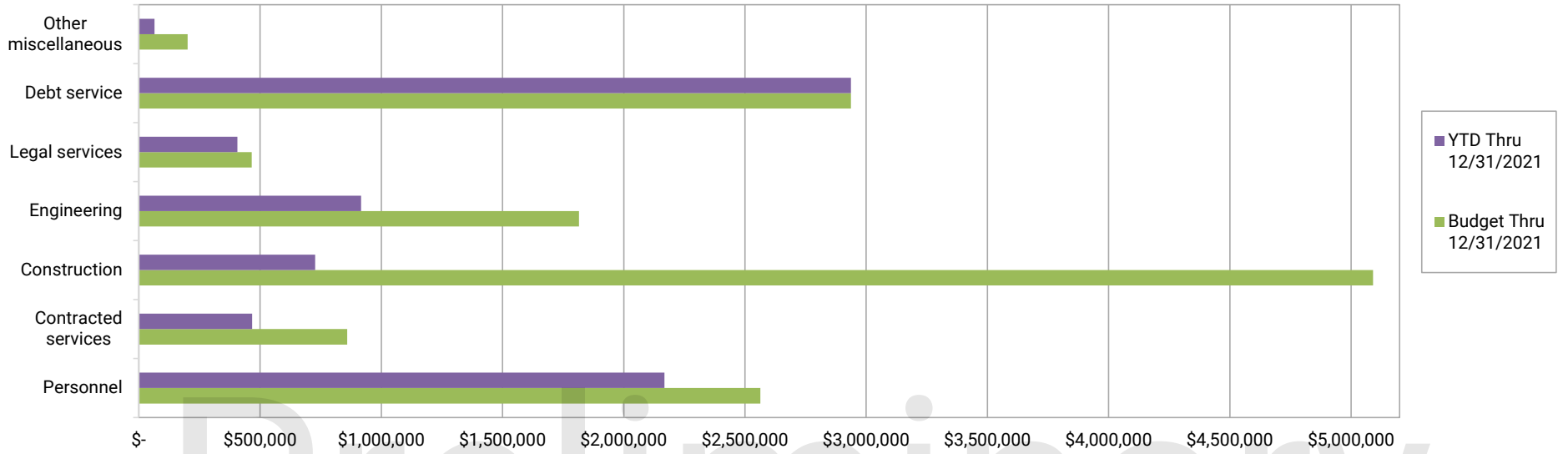


**Receipts Budget to Actual Comparison
\$0 to \$420,000**

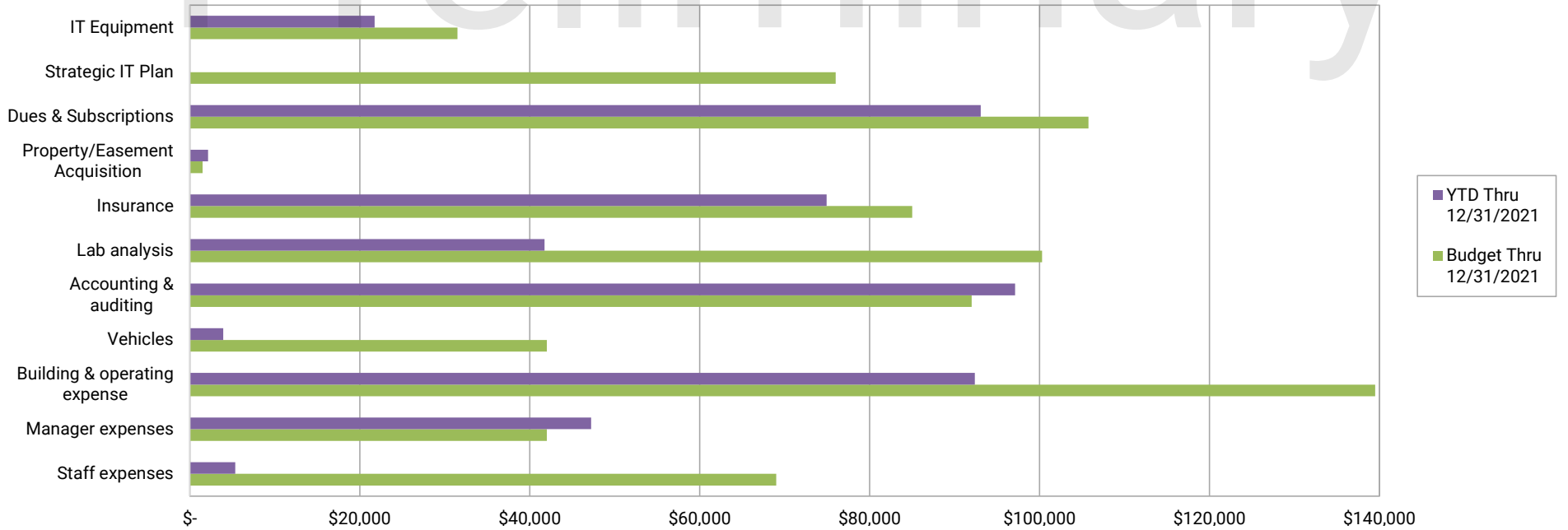


*** Typically, property taxes are received in July and December (with 70% advance in June).

**Disbursements Budget to Actual Comparison
\$0 to \$5,200,000**



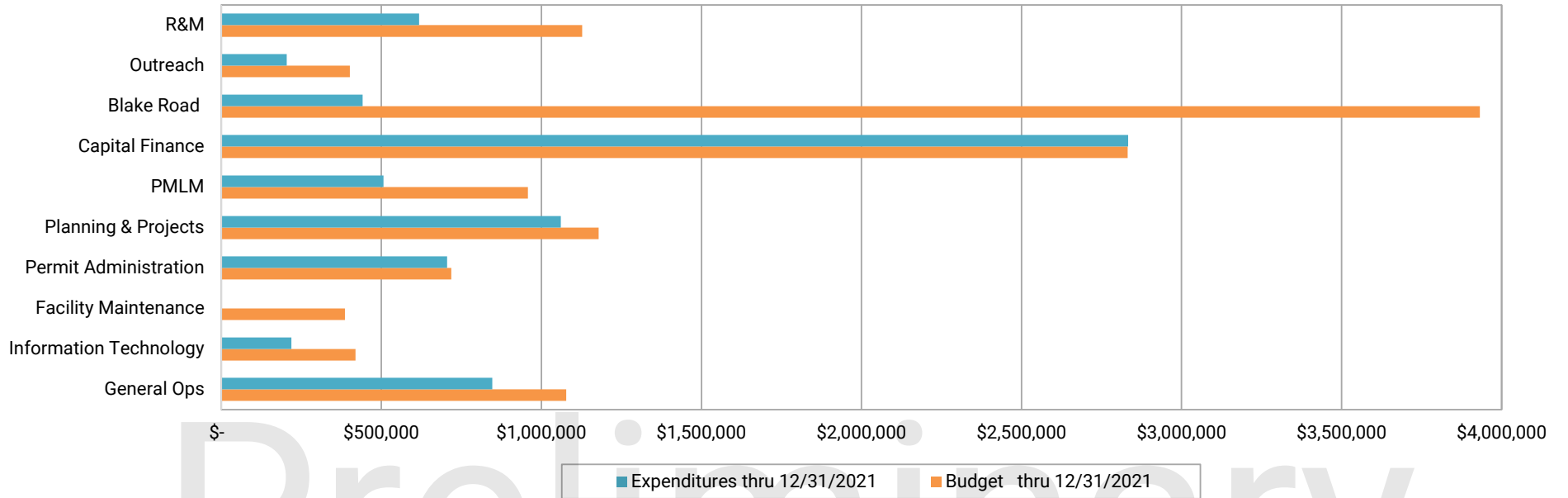
**Disbursements Budget to Actual Comparison
\$0 to \$140,000**



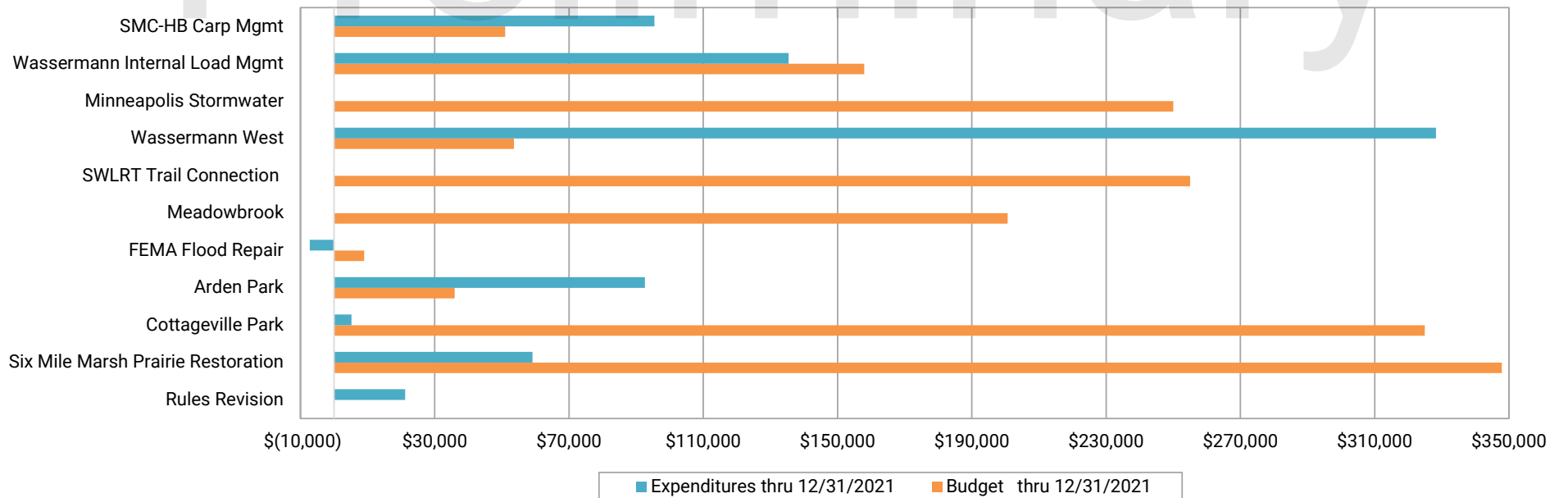
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Twelve Months Ended December 31, 2021

Fund Name	Project #	2020 Actual Expenditures	2021 Annual Budget	YTD Budget thru 12/31/2021	YTD Expenditures thru 12/31/2021	Variance 12/31/2021	Percent Expended Budget thru 12/31/2021
General Ops	1002	\$ 898,180	\$ 1,077,848	\$ 1,077,848	\$ 846,399	\$ 231,449	79%
Information Technology	1003	241,220	419,250	419,250	218,757	200,493	52%
Facility Maintenance	1005	57,615	386,000	386,000	747	385,253	0%
Permit Administration	2001	695,017	718,617	718,617	705,147	13,470	98%
Planning & Projects	2002	836,288	1,178,645	1,178,645	1,061,028	117,617	90%
PMLM	2003	505,099	957,806	957,806	506,651	451,155	53%
Capital Finance	2004	7,167,756	2,831,750	2,831,750	2,833,164	(1,414)	100%
Rules Revision	2007	20,102	-	-	21,167	(21,167)	0%
Six Mile Marsh Prairie Restoration	3106	-	347,851	347,851	59,109	288,742	17%
Taft/Legion	3140	174,155	-	-	-	-	0%
Blake Road	3145	179,342	3,932,070	3,932,070	441,823	3,490,247	11%
Cottageville Park	3146	-	324,954	324,954	5,175	319,779	2%
Arden Park	3147	296,386	35,898	35,898	92,614	(56,716)	258%
FEMA Flood Repair	3148	38,253	9,000	9,000	(7,222)	16,222	-80%
Highway 101 Causeway	3149	9,206	-	-	-	-	0%
Meadowbrook	3150	-	200,673	200,673	-	200,673	0%
SWLRT Trail Connection	3152	335	255,000	255,000	-	255,000	0%
Wassermann West	3153	2,277,055	53,603	53,603	328,240	(274,637)	612%
Minneapolis Stormwater	3155	-	250,000	250,000	-	250,000	0%
Wassermann Internal Load Mgmt	3156	21,288	157,950	157,950	135,426	22,524	86%
C. Krieg Stewardship Grant Program	4001	336	-	-	-	-	0%
Outreach	4002	189,609	401,247	401,247	204,620	196,627	51%
Cost Share Grant Program	4005	80,235	-	-	-	-	0%
R&M	5001	698,344	1,127,260	1,127,260	617,639	509,621	55%
AIS Program	5005	68,983	-	-	-	-	0%
SMC-HB Carp Mgmt	5007	98,736	51,000	51,000	95,438	(44,438)	187%
Total Expenditures		\$ 14,553,540	\$ 14,716,422	\$ 14,716,422	\$ 8,165,922	\$ 6,550,500	55%

**Budget To Actual Comparison By Project
\$0 to \$4,000,000**



**Budget To Actual Comparison By Project
-\$10,000 to \$350,000**



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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 – Q4 2021

1	Disbursements from Carver and Hennepin Counties came in at 98.8% of budgeted levy dollars; final disbursements received in January brings the total received to 99.7%.
2	The miscellaneous revenue category exceeds what was anticipated due to the sale and payoff of the mortgage the District held on the Minnetrista property. This accounts for approximately \$340,000 of the \$410,289 received in revenue. If not for this payment, miscellaneous revenue would be approximately 70% of budget projection, with payment timing on permitting reimbursables playing a role in overall revenue received.
3	Loans/grants/awards received include monies for Arden Park, FEMA modeling and Blake Road design and is higher than budgeted due to timing of projects and their associated reimbursements.
4	Interest earnings are below projected given current bank rates. Budget for 2022 was also adjusted downward for this reason.
5	Personnel is trending positively to the budget due to the PMLM position vacancy budgeted and not filled, the Outreach Manager position vacant for several months and one open position in R&M that was not backfilled.
6	Staff expenses remain under budget with the driver being staff attendance at conferences (and their related expenses). Conferences for the most part remain virtual which reduces overall costs.
7	Manager expenses exceeded overall budget. This is largely due to per diem payments for Board Manager participation on committees and attendance at meetings and events that were not anticipated when the budget was established.
8	Building & operating expenses are trending positively to the budget. There were certain items budgeted for repair or replacement (i.e. furnace replacement) that were expected for 2021 that did not ultimately require these expenditures.
9	Vehicle budget includes a new vehicle purchase, approved by the Board and ordered in June 2021. Due to supply chain issues the vehicle has not yet been received. Expenditures in this category reflect fuel and maintenance of the District's fleet of vehicles.
10	Contracted services is under budget for all programs. Deferred projects or services accounts for this being under budget.
11	Approximately \$3 million is earmarked in the construction fund for the Blake Road project. Although in process, this will not begin construction phase until 2022.
12	Accounting and auditing exceeded budget for the year. This is due to several unanticipated programming changes or requests that were not in scope and charged outside of the monthly accounting contracted amount.
13	Engineering expenses currently reflect 41.6% of budgeted amount. Engineering is billed in arrears by the District's vendors and therefore not all engineering expenses have been accounted for. That said, we do not anticipate total engineering expenses for the year to be more than 75% of budgeted amount. This is in part due to projects being deferred or delayed.
14	Lab analysis expenditures fell short of the budgeted amount with less sampling taking place due to the overall dry creek conditions in 2021.
15	Legal expenditures are currently at 87% of budget. Like engineering, legal firms bill in arrears therefore total expenditures for the year are estimated to rise slightly but not anticipated to exceed 95% of overall budget.
16	Insurance for property/casualty and worker's compensation is a one-time payment made in Q2 each year. No changes in this category occur after that. The annual rate increase was slightly lower than expected with expenditure at 88% of budget.
17	Debt service payments tracked exactly as budgeted.
18	Other Miscellaneous expense category ended the year having used 32% of budget.
19	The 2021 Dues & Subscriptions expenditures are higher than 2020 as systems acquired through the strategic IT update in 2020 have moved into maintenance and sustainment in 2021. This category ended the year close to expected at 88% of budget.
20	There were no software acquisitions in 2021 as part of the Strategic IT Plan. The District is in the evaluation and selection phase for asset management, project and resource management, and customer management platforms which will result in acquisitions occurring in 2022.
21	IT Equipment expenditures for 2021 include: upgraded firewall, replacement laptops and office wireless updates. These came in under budget with overall expenditures for the year at 69% of budget.