



Title: 3rd Quarter 2022 Financial Report
Prepared by: Name: Deb Johnson
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Purpose:

Attached, please find the 3rd Quarter (Q3) Financial Report from Abdo Financial Solutions showing revenue and expenditures for January 1, 2022 through September 30, 2022.

Summary:

Revenue

In July the District received first half settlements from Carver and Hennepin counties totaling \$4,975,037. Second half disbursements are typically received in December.

Miscellaneous revenue, which for the most part is Permitting reimburseables, is always a matter of timing, and as of Q3 exceeds budget for the year.

The mortgage payoff category far exceeds budget with the unanticipated sale of one parcel of the 325 Blake Road property.

Loans, grants & awards received is not significantly off budget through Q3. This category's funds are largely due to carryover from 2021.

With an upward trend in interest rates, the District's interest earnings increased significantly between Q2 and Q3. Earnings through Q3 already exceed what was budgeted for the year.

The transfer in category was added for Q3 to reflect the recent 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

With the YTD budget simply shown as three-quarters of its total, it is not unexpected to see a wide range of variances when comparing to actual expenditures. That said, overall expenditures are at 53.5% of budget through Q3. This time last year we were at the same level of budget to expenditures at 53.7%.

Variiances

Noteworthy positive variances (actuals under year-to-date budget) shown on the Management Planning Fund Table (page 5 of the report) include staff expenses, construction and lab analysis. These expenditures can be a matter of timing i.e. lab analysis begins late summer into fall or can be reduced overall due to dry conditions. 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 just over 6% of anticipated expenditures. Projects budgeted for 2022 include Six Mile Prairie Trail and Blake Road. Six Mile Prairie Trail was just completing construction at the end of Q3 and those expenditures will be reflected in the Q4 report. Given recent development changes at Blake Road no District construction will take place in 2022. All Blake Road budget dollars will be carried over into the 2023 budget. For this reason expenditures to budget for the construction category will be significantly less than projected for 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. With limited exceptions, (exceptions being Permit Administration, Rules Revisions and SMCHB-Carp Management), expenditures do not exceed Q3 budget.

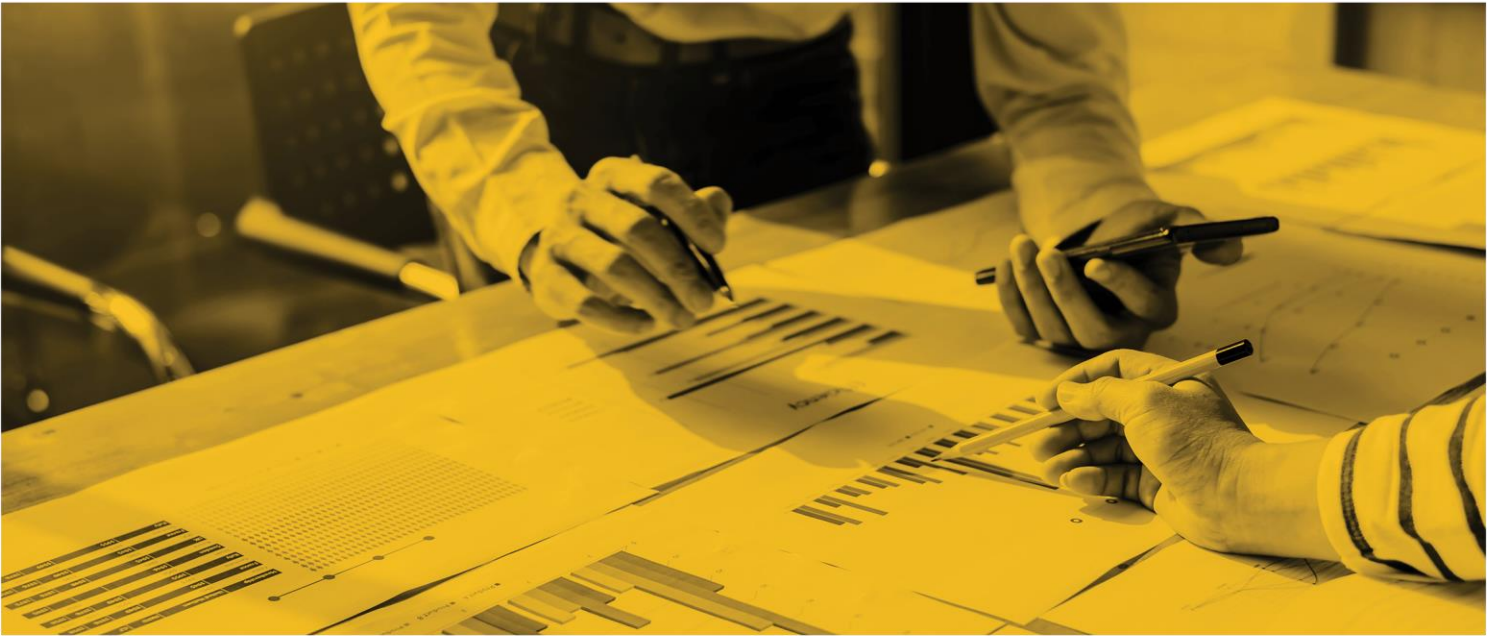
Rule Revisions category should remain within budget for the year with the recent board approval of a funds transfer to this program. Permit Administration expenditures to revenue is often a matter of timing. That said, it is likely that this program will be at or over budget for the year. This program's budget was more closely analyzed and adjusted accordingly for the 2023 budget. The SMCHB-Carp Management program wrapped up in early Q4. Expenditures should align with budget by year end.

Lastly, of note is the credit balance tied to the FEMA Flood Repair project. This is due to a reversal of the retainage accrual at the end of 2021. As the project is in the process of being closed out, expenditures and budget are expected to zero out by end of the year.

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 3rd Quarter Financial Report



3rd Quarter Report

Minnehaha Creek Watershed District

Minnetonka, Minnesota

As of September 30, 2022



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Edina, MN 55436
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October 12, 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 September 30, 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

October 12, 2022

Dear Board of Managers:

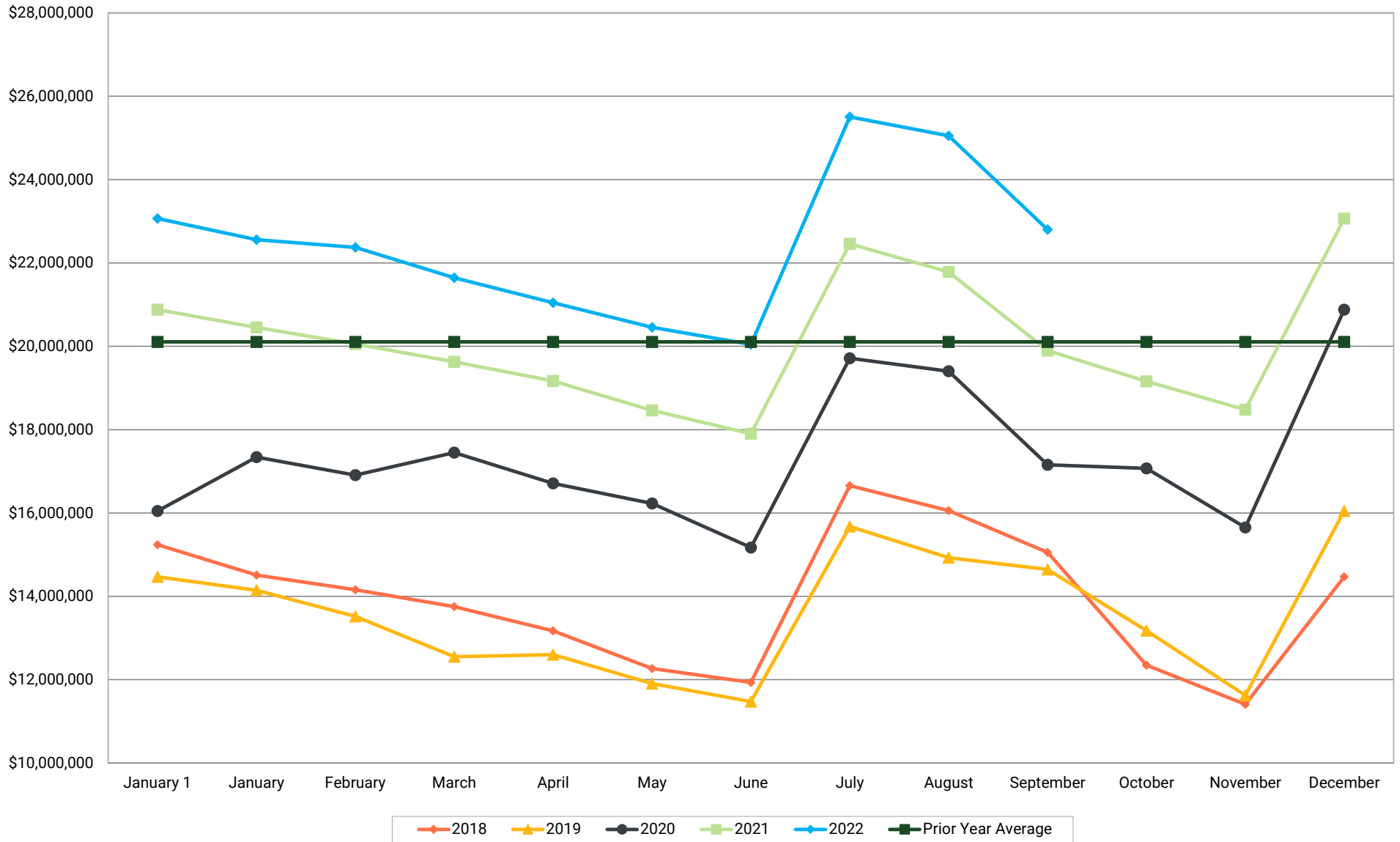
We have reconciled all bank accounts through September 30, 2022, and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

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 9/30/2022	Market Value 9/30/2022
Bremer Bank	General Checking - 0515	Checking	313,194.65	-	(2,204,208.90)	2,200,000.00	-	344,938.07	344,938.07
Bremer Bank	General MM - 2755	Money Market	21,278,041.42	19,254.50	(1,266.58)	(2,199,423.26)	6,477.63	21,072,582.10	21,072,582.10
			21,591,236.07	19,254.50	(2,205,475.48)	576.74	6,477.63	21,417,520.17	21,417,520.17
Bremer Bank	Surety Checking- 6092	Checking	8,911.24	-	(59,812.00)	100,000.00	4.18	74,085.22	74,085.22
Bremer Bank	Surety MM - 2788	Money Market	1,469,238.42	11,827.00	-	(100,576.74)	411.96	1,375,161.28	1,375,161.28
			1,478,149.66	11,827.00	(59,812.00)	(576.74)	416.14	1,449,246.50	1,449,246.50
Total Cash and Investments			\$ 23,069,385.73	\$ 31,081.50	\$ (2,265,287.48)	\$ 0.00	\$ 6,893.77	\$ 22,866,766.67	\$ 22,866,766.67
								Deposits in Transit	\$ -
								Outstanding Checks	\$ (65,465.00)
								Timing Difference	
								Reconciled Balance	\$ 22,801,301.67

Management Planning Fund Cash Balances 2018 - 2022



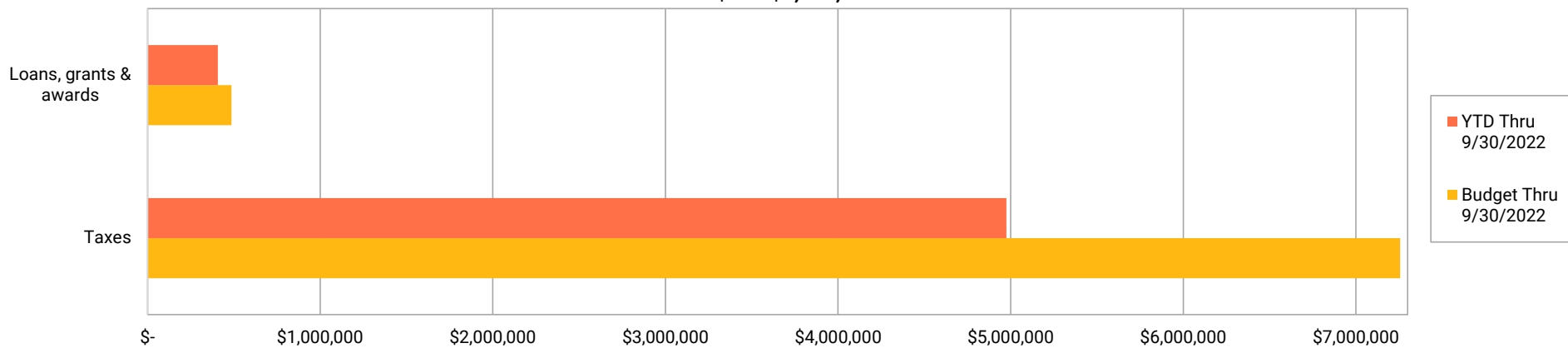
Management Planning Fund

Receipts	2021	2022	YTD	YTD	Percent of YTD Budget		
	Actual	Budget	Budget Thru 9/30/2022	Thru 9/30/2022			
Taxes	\$ 9,648,237	\$ 9,675,994	\$ 7,256,996	\$ 4,975,037	68.6 %	↓	(1)
Miscellaneous revenue	74,784	60,000	45,000	60,168	133.7	↑	(2)
Mortgage Payoff	339,890	11,220	8,415	996,345	11,840.1	↑	(3)
Loans, grants & awards	606,111	647,218	485,414	407,169	83.9	↓	(4)
Interest earnings	4,202	10,000	7,500	19,038	253.8	↑	(5)
Transfers In	2,261,008	41,473	31,105	41,473	133.3	↑	(6)
	<u>\$ 12,934,232</u>	<u>\$ 10,445,905</u>	<u>\$ 7,834,429</u>	<u>\$ 6,499,230</u>	<u>83.0 %</u>	↓	
Disbursements							
Personnel	2,237,700	2,722,707	\$ 2,042,030	1,646,514	80.6 %	↑	(7)
Staff expenses	5,352	73,000	54,750	22,134	40.4	↑	(8)
Manager expenses	47,230	47,500	35,625	26,158	73.4	↑	(9)
Building & operating expense	98,193	160,500	120,375	68,823	57.2	↑	(10)
Vehicles	3,929	42,000	31,500	2,178	6.9	↑	(11)
Contracted services	454,644	956,680	717,510	378,871	52.8	↑	(12)
Construction	703,708	6,007,220	4,505,415	273,266	6.1	↑	(13)
Accounting & auditing	97,105	99,500	74,625	88,100	118.1	↓	(14)
Engineering	1,015,720	1,473,776	1,105,332	1,024,042	92.6	→	(15)
Lab analysis	41,740	76,100	57,075	18,629	32.6	↑	(16)
Legal services	415,759	393,500	295,125	265,459	89.9	↑	(17)
Insurance	74,563	81,000	60,750	67,614	111.3	↓	(18)
Debt service	2,936,673	2,863,392	2,147,544	2,012,810	93.7	→	(19)
Other miscellaneous	54,126	159,400	119,550	59,721	50.0	↑	(20)
Dues & Subscriptions	93,068	117,000	87,750	105,419	120.1	↓	(21)
Strategic IT Plan	-	15,000	11,250	-	-	↑	(22)
IT Equipment	17,878	28,000	21,000	22,677	108.0	→	(23)
Loans, grants & awards given	-	100,000	75,000	62,503	83.3	↑	(24)
Permit Acquisition	2,144	-	-	(330)	-	↑	(25)
Capital Outlay	41,060	-	-	17,176	-	↑	(26)
Transfers Out	2,261,008	41,473	31,105	41,473	133.3	↓	(27)
	<u>\$ 10,601,600</u>	<u>\$ 15,457,748</u>	<u>\$ 11,593,311</u>	<u>\$ 6,203,237</u>	<u>53.5 %</u>	↑	

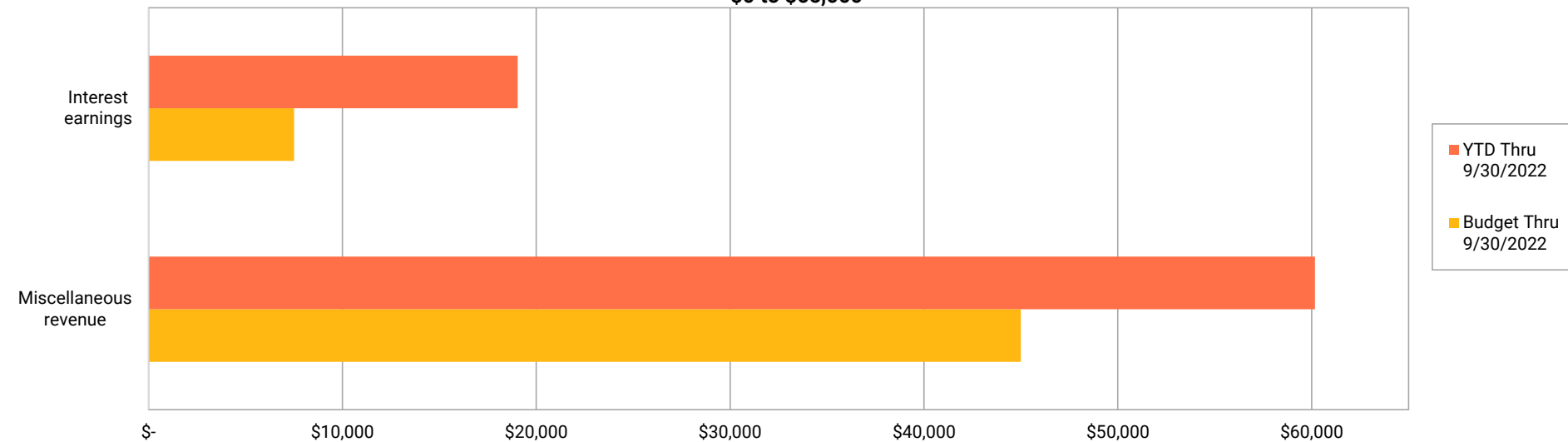
Key

- ↑ 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 \$7,300,000**

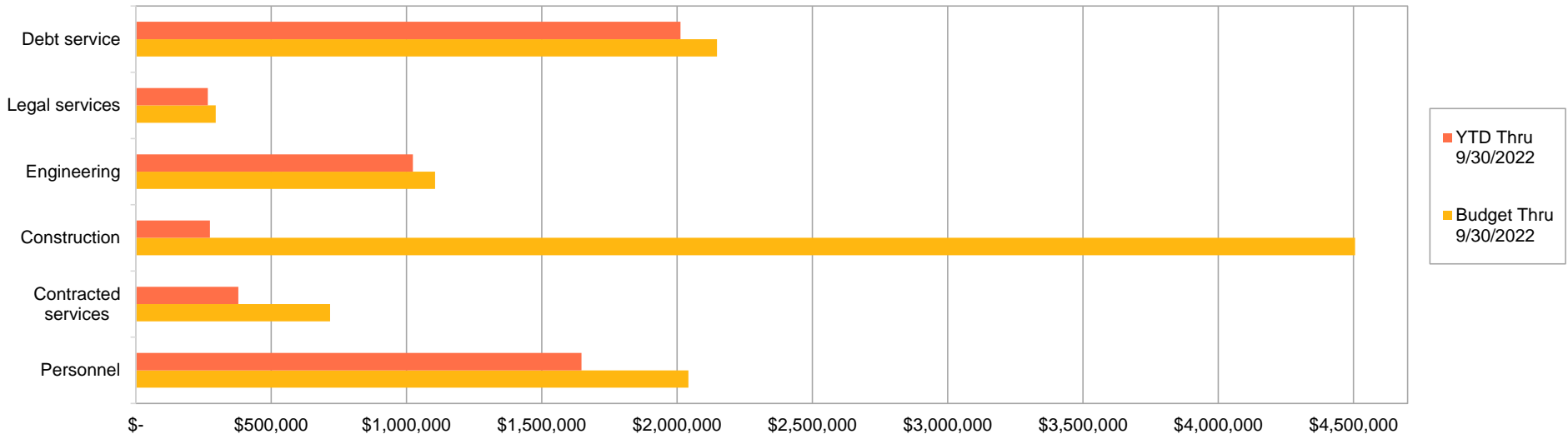


**Receipts Budget to Actual Comparison
\$0 to \$65,000**

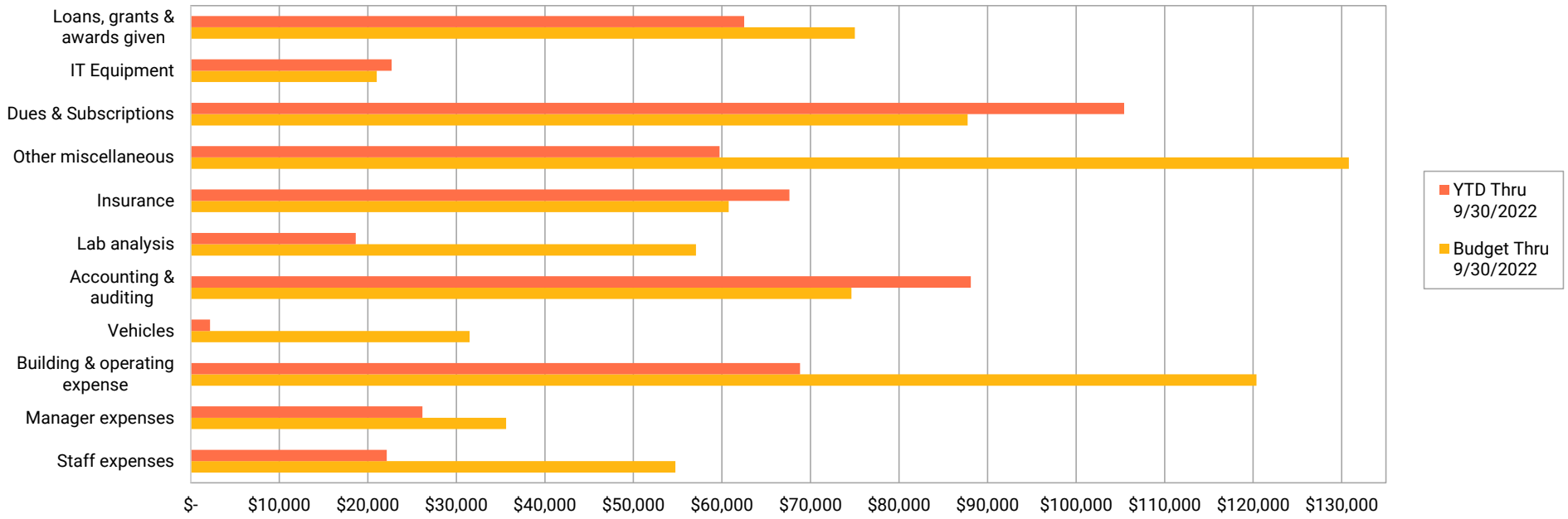


*** Typically, property taxes are received in July and December (with 70% advance in June).

**Disbursements Budget to Actual Comparison
\$0 to \$4,700,000**



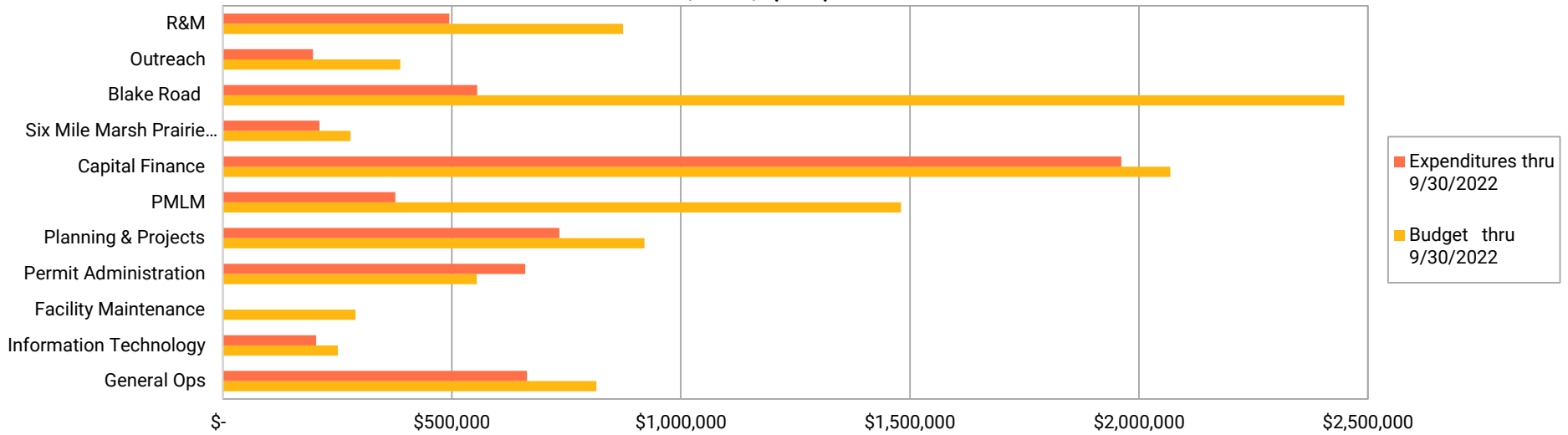
**Disbursements Budget to Actual Comparison
\$0 to \$135,000**



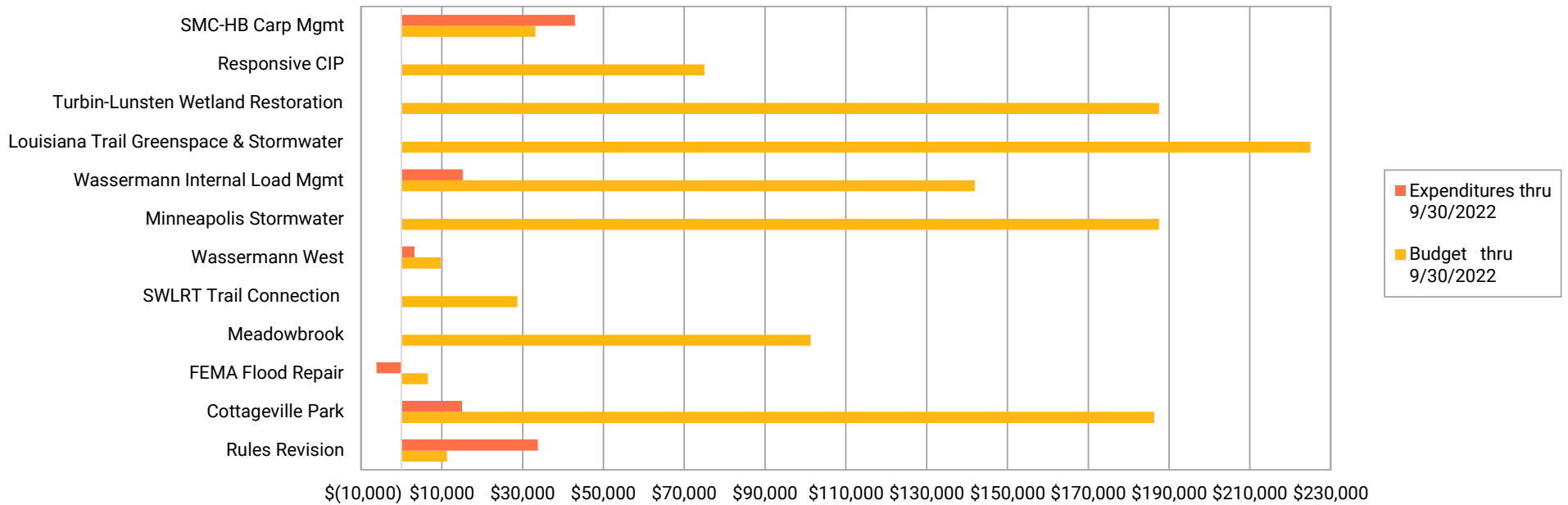
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Nine Months Ended September 30, 2022

Fund Name	Project #	2021 Actual Expenditures	2022 Annual Budget	YTD Budget thru 9/30/2022	YTD Expenditures thru 9/30/2022	Variance 9/30/2022	Percent Expended Budget thru 9/30/2022
General Ops	1002	\$ 866,141	\$ 1,087,491	\$ 815,618	\$ 663,818	\$ 151,800	81%
Information Technology	1003	203,994	335,000	251,250	203,454	47,796	81%
Facility Maintenance	1005	747	386,000	289,500	-	289,500	0%
Permit Administration	2001	741,954	738,644	553,983	659,958	(105,975)	119%
Planning & Projects	2002	1,090,007	1,226,937	920,203	734,698	185,505	80%
PMLM	2003	524,990	1,974,212	1,480,659	376,704	1,103,955	25%
Capital Finance	2004	2,833,163	2,758,468	2,068,851	1,961,719	107,132	95%
Rules Revision	2007	21,167	15,000	11,250	33,746	(22,496)	300%
Six Mile Marsh Prairie Restoration	3106	59,109	371,889	278,917	210,916	68,001	76%
Taft/Legion	3140	-	-	-	155	(155)	0%
Blake Road	3145	510,275	3,264,570	2,448,428	555,496	1,892,932	23%
Cottageville Park	3146	5,175	248,400	186,300	15,017	171,283	8%
Arden Park	3147	92,614	-	-	-	-	0%
FEMA Flood Repair	3148	1,523	8,745	6,559	(6,195)	12,754	-94%
Meadowbrook	3150	-	135,026	101,270	-	101,270	0%
SWLRT Trail Connection	3152	-	38,250	28,688	-	28,688	0%
Wassermann West	3153	328,239	13,000	9,750	3,263	6,487	33%
Minneapolis Stormwater	3155	-	250,000	187,500	-	187,500	0%
Wassermann Internal Load Mgmt	3156	135,426	189,186	141,890	15,207	126,683	11%
Louisiana Trail Greenspace & Stormwater	3157	-	300,000	225,000	-	225,000	0%
Turbin-Lunsten Wetland Restoration	3158	-	250,000	187,500	-	187,500	0%
Responsive CIP	3500	-	100,000	75,000	-	75,000	0%
Outreach	4002	208,678	516,665	387,499	196,530	190,969	51%
R&M	5001	622,477	1,164,580	873,435	494,349	379,086	57%
SMC-HB Carp Mgmt	5007	94,911	44,212	33,159	42,929	(9,770)	129%
Transfers out		2,261,008	41,473	31,105	41,473	(10,368)	133%
Total Expenditures		\$ 10,601,598	\$ 15,457,748	\$ 11,593,311	\$ 6,203,237	\$ 5,390,074	54%

Budget To Actual Comparison By Project
\$0 to \$2,500,000



Budget To Actual Comparison By Project
-\$10,000 to \$230,000



* * * * *

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



Addendum: Variance Explanations

1	First half property tax revenue received from Carver and Hennepin Counties in July.
2	Majority of the miscellaneous revenue is permit receivables. Variances to budget are largely based on timing – when the expense is incurred versus when reimbursement is received by the District.
3	Mortgage payoff reflects the unanticipated sale of the 325 Blake Road parcel.
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.
5	With the recent upward trend in interest rates earnings have now exceeded budget.
6	Transfers in reflects the recent board approved budget amendment to fund account 2007-Rules Revision.
7	Personnel is trending positively to budget due to open positions budgeted and not yet filled or filled later than anticipated.
8	Staff expenses are reporting positively for Q3. As meetings return to in-person more conferences and travel is planned for Q4.
9	Manager expenses are trending positively to the budget. This is a timing issue as to when or how often Board Mangers submit for reimbursements. Also, as board/committee meetings return to in-person expenditures in this category have increased as well.
10	Building & operating expenses are trending positively to the budget for Q3. This can be a matter of timing for facility repairs and/or replacement of items as they occur throughout the year. We anticipate an increase in expenditures in this category for Q4 with numerous HVAC repairs as well as workstation realignments.
11	Vehicle budget for 2022 includes dollars for a new vehicle purchase. Decision was made to postponed 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	Contracted services are trending positively to the budget due to the timing of services for a number of programs.
13	Construction expenditures will be down significantly from budget for 2022 based on the change in the Blake Road agreement. Six Mile Trail is complete and expect expenditures in Q4.
14	Accounting and auditing expenditures are over YTD budget through Q3 and anticipate this program will be over budget for the year by approximately \$10k. Budget did not adequately anticipate the accounting increase for the year.
15	Engineering expenditures are in line with YTD budget.
16	Lab analysis expenditures are trending positively to the budget. Sample testing increased late Q3 and into Q4 however dry conditions reduced the overall testing which will reduce expenditures.
17	Legal expenditures are on trend with budget as of Q3.
18	Insurance is a one-time payment made in Q2 and will end the year under budget.
19	Debt service is trending positively to the budget, however budget is shown as three quarters of the total budget whereas the expenditures are shown when a payment is made. Variance will remain until year-end and at that time will balance with the budget.
20	Other Miscellaneous expense is trending positively to the budget due to timing or deferral of services and purchases.
21	Dues and subscriptions is over budget through Q3. The budget shown is three quarters of the total budget for the year and the majority of expenditures took place in Q2. Expect to see this category within budget at year end.
22	No purchases to-date as part of the Strategic IT Plan.
23	IT Equipment expenditures are not significantly off budget through Q3.
24	Loans, grants & awards given shows a final payment to the City of Victoria for matching grant funds received by the District. Expect this to remain under budget for the year.
25	Permit acquisition category was eliminated for 2022
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 going forward.
27	Transfers-out offsets the transfer-in category under revenue (rule revisions).