



Title: 2nd Quarter 2023 Financial Report

Prepared by: Name: Deb Johnson
Phone: 952.641.4500
djohnson@minnehahacreek.org

Purpose:

Attached, please find the 2nd Quarter (Q2) Financial Report from Abdo Financial Solutions showing revenue and expenditures from January 1, 2023 to June 30, 2023.

Summary:

Revenue

Budgeted tax revenue through June 30 is shown as \$4,934,757 with zero dollars received to-date. Levy dollars from Hennepin and Carver counties are typically received in July, and in fact the District has received first half settlements from both counties totaling \$5,024,435. This information will be reflected on the Q3 report.

Miscellaneous revenue is typically Permitting reimburseables, however the majority of revenue for 2023 reflects the Preserve Boardwalk settlement funds.

Loans, grants and awards reflects a second payment (40% of total grant award) from BSWR for the 2019 watershed based funding grant. These funds were distributed between the 325 Blake Road and Wasserman projects.

Interest earnings, which is the interest earned on the District's general money market funds, was budgeted downwards from previous years based on the drop in interest rates that began during the pandemic. Bank interest rates have since rebounded and in the first two quarters the District has earned far more than projected for the entire year.

Expenditures

With the YTD budget simply shown as one-half of its total, it is not unexpected to see a wide range of variances when comparing to actual expenditures. That said, overall expenditures sit at 56.9% of budget through Q2. This time last year we were at 39.2% of actual to budget. (Please refer to the variance report for more information.)

Variances

Noteworthy positive variances (actuals under year-to-date budget) shown on the Management Planning Fund Table (page 5 of the report) include vehicles, contracted services, lab analysis, and IT equipment. These expenditures are often a matter of timing, i.e. lab analysis expenses don't begin until later in the year for example and IT expenses include replacement items which were just recently Board approved for purchase. Vehicle expenses should remain under budget for the year as the vehicle purchase included in the budget has been moved to 2024. Further details regarding these items, as well as others, can be found on the variance report at the end of this document.

Also of note are several items exceeding budget projections through Q2. Those include Construction, legal, insurance, accounting/auditing, and dues/subscriptions. The majority of construction expenses were boardwalk related paid in the first half of the year. Accounting/auditing, insurance and dues/subscriptions all have a number of one-time expenditures made in the first half of the year. These categories will fall within budget as the year progresses. Legal services are just slightly over projections through Q2 and we do not anticipate this will be over budget at year end.

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 one exception, expenditures fall below mid-

year budgeted amounts. The PMLM program is shown as 382% over budget through Q2. This is due to construction on the Minnehaha Preserve Boardwalk. Funds for this project were budgeted for in 2022 however work did not begin until 2023. A budget amendment to align this program is in process and will be brought before the board at an upcoming meeting.

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

Supporting documents:

2023 Q2 Financial Report



2nd Quarter Report

Minnehaha Creek Watershed District

Minnetonka, Minnesota

As of June 30, 2023

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

July 18, 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 June 30, 2023 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

July 18, 2023

Dear Board of Managers:

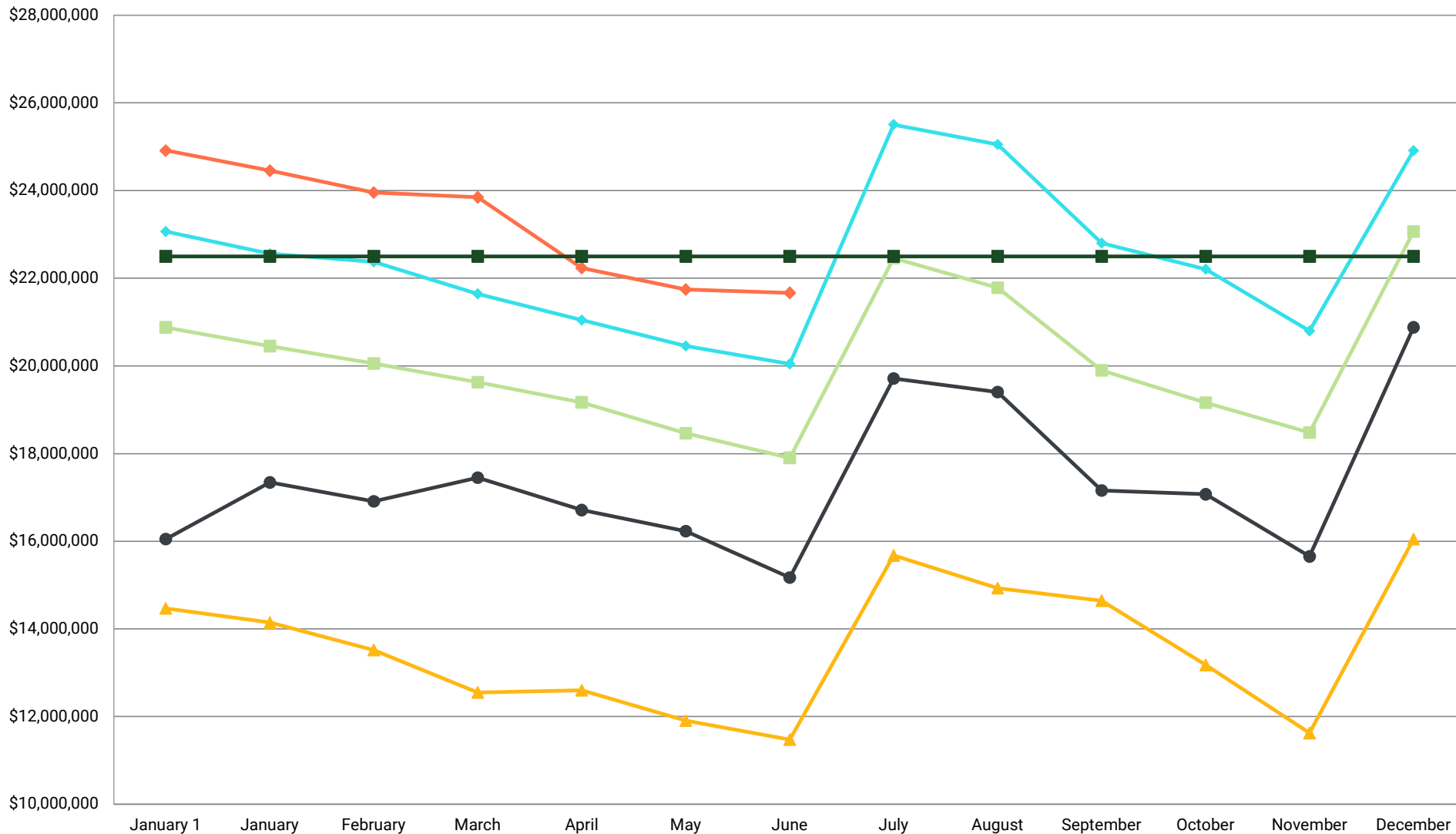
We have reconciled all bank accounts through June 30, 2023, and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

Cash

The District’s cash balances are as follows:

Institution	Description	Type	Market Value 1/1/2023	Deposits - Purchases	Expenditures - Sales	Transfers	Interest	Unadjusted Market Value 6/30/2023	Market Value 6/30/2023
Bremer Bank	General Checking - 0515	Checking	\$ 214,440.38	\$ 689.95	\$ (4,326,593.74)	\$ 4,455,000.00	\$ -	\$ 343,536.59	\$ 343,536.59
Bremer Bank	General MM - 2755	Money Market	23,320,842.79	837,580.28	(174.00)	(4,390,770.61)	174,224.23	19,941,702.69	19,941,702.69
			23,535,283.17	838,270.23	(4,326,767.74)	64,229.39	174,224.23	20,285,239.28	20,285,239.28
Bremer Bank	Surety Checking- 6092	Checking	30,092.05	-	(17,496.36)	(11,500.00)	3.22	1,098.91	1,098.91
Bremer Bank	Surety MM - 2788	Money Market	1,371,114.67	52,121.96	-	(52,729.39)	11,266.62	1,381,773.86	1,381,773.86
			1,401,206.72	52,121.96	(17,496.36)	(64,229.39)	11,269.84	1,382,872.77	1,382,872.77
Total Cash and Investments			\$ 24,936,489.89	\$ 890,392.19	\$ (4,344,264.10)	\$ (0.00)	\$ 185,494.07	\$ 21,668,112.05	\$ 21,668,112.05
								Deposits in Transit	\$ -
								Outstanding Checks	(338.79)
								Timing Difference	
								Reconciled Balance	\$ 21,667,773.26

Management Planning Fund Cash Balances 2019 - 2023



▲ 2019
 ● 2020
 ■ 2021
 ◆ 2022
 ◆ 2023
 ■ Prior Year Average

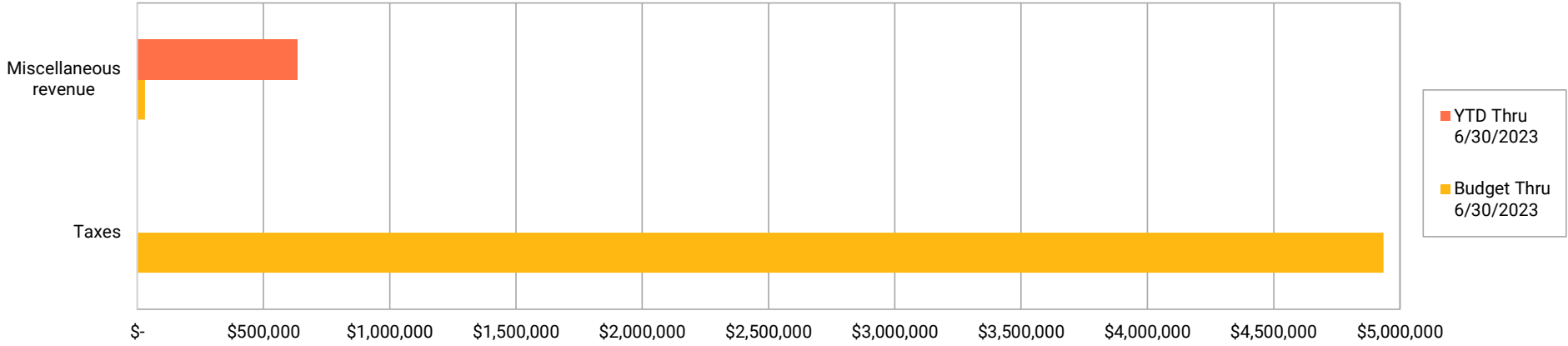
Management Planning Fund

	2022 Actual	2023 Budget	YTD Budget Thru 6/30/2023	YTD Thru 6/30/2023	Percent of YTD Budget		
Receipts							
Taxes	\$ 9,654,671	\$ 9,869,514	\$ 4,934,757	\$ -	- %	↓	(1)
Miscellaneous revenue	194,207	60,000	30,000	634,343	2,114.5	↑	(2)
Mortgage Payoff	1,000,000	-	-	-	-		(3)
Loans, grants & awards	547,416	445,000	222,500	137,212	61.7	↓	(4)
Interest earnings	69,241	10,000	5,000	185,494	3,709.9	↑	(5)
Transfers In	1,693,620	-	-	-	-		(6)
	<u>\$ 13,159,155</u>	<u>\$ 10,384,514</u>	<u>\$ 5,192,257</u>	<u>\$ 957,049</u>	<u>18.4 %</u>	↓	
Disbursements							
Personnel	\$ 2,301,297	\$ 3,274,830	\$ 1,637,415	\$ 1,049,910	64.1 %	↑	(7)
Staff expenses	41,201	82,500	41,250	23,604	57.2	↑	(8)
Manager expenses	44,893	51,000	25,500	13,416	52.6	↑	(9)
Building & operating expense	131,374	134,264	67,132	43,913	65.4	↑	(10)
Vehicles	5,170	40,000	20,000	615	3.1	↑	(11)
Contracted services	871,434	1,176,530	588,265	189,817	32.3	↑	(12)
Construction	547,508	3,048,328	1,524,164	1,627,142	106.8	→	(13)
Accounting & auditing	108,200	114,000	57,000	70,370	123.5	↓	(14)
Engineering	1,133,720	1,103,100	551,550	274,302	49.7	↑	(15)
Lab analysis	41,641	75,300	37,650	8,694	23.1	↑	(16)
Legal services	561,414	371,500	185,750	189,438	102.0	→	(17)
Insurance	70,665	77,000	38,500	66,085	171.6	↓	(18)
Debt service	2,863,391	4,317,642	2,158,821	417,545	19.3	↑	(19)
Other miscellaneous	77,122	155,200	77,600	16,995	21.9	↑	(20)
Dues & Subscriptions	109,273	113,000	56,500	75,411	133.5	↓	(21)
Strategic IT Plan	-	45,000	22,500	-	-	↑	(22)
IT Equipment	24,676	30,000	15,000	1,572	10.5	↑	(23)
Loans, grants & awards given	62,503	100,000	50,000	-	-	↑	(24)
Permit Acquisition	170	-	-	-	-		(25)
Capital Outlay	17,176	-	-	-	-		(26)
Transfers Out	1,693,620	-	-	-	-		(27)
	<u>\$ 10,706,448</u>	<u>\$ 14,309,194</u>	<u>\$ 7,154,597</u>	<u>\$ 4,068,829</u>	<u>56.9 %</u>	↑	

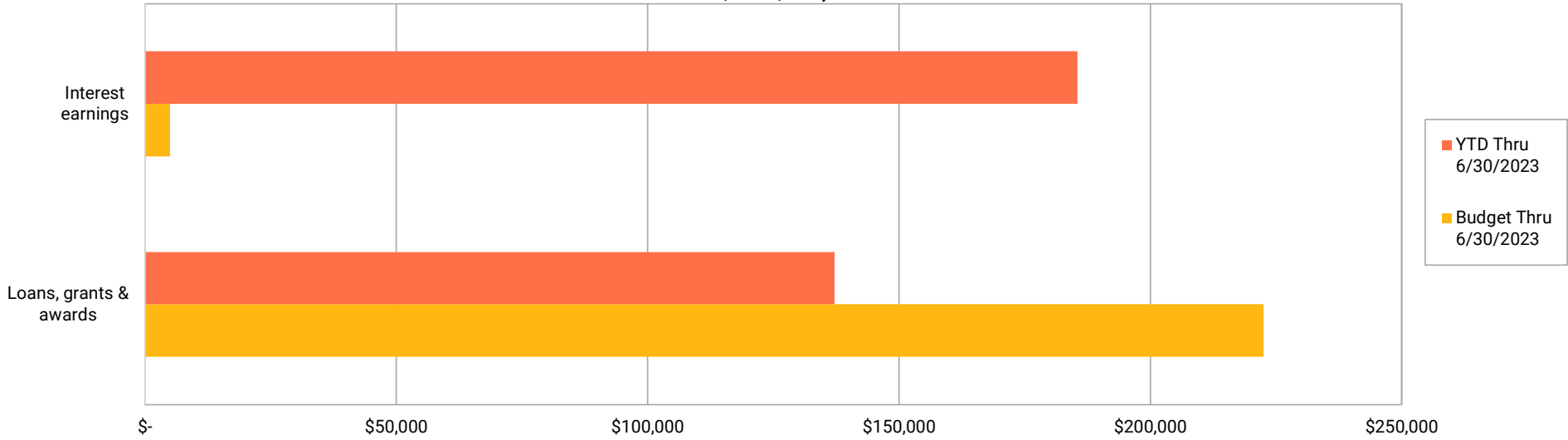
Key

- ↑ 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 \$5,000,000**

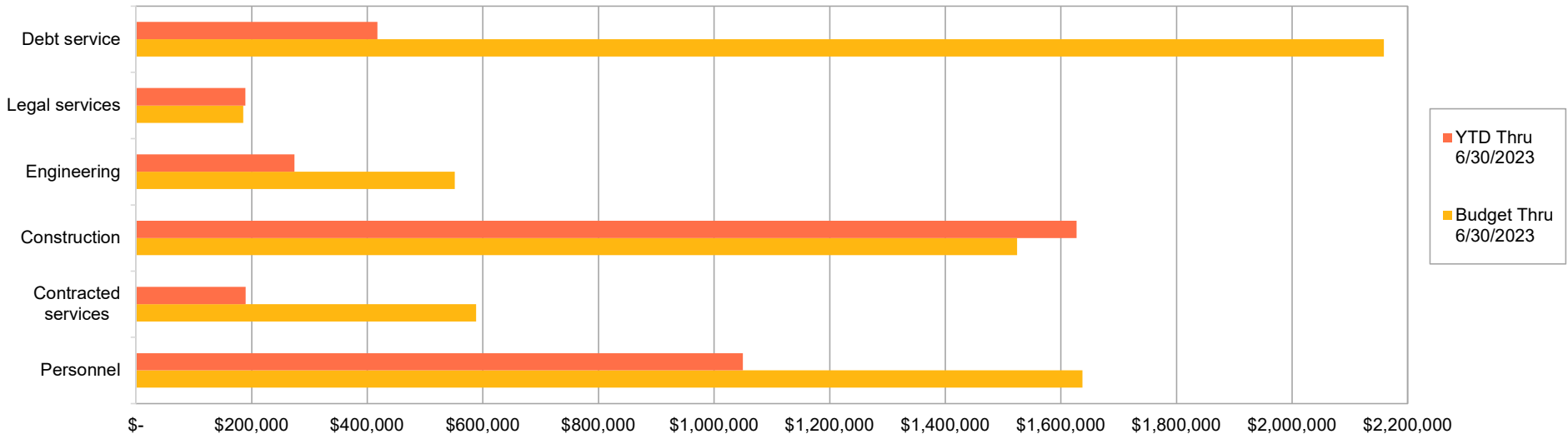


**Receipts Budget to Actual Comparison
\$0 to \$250,000**

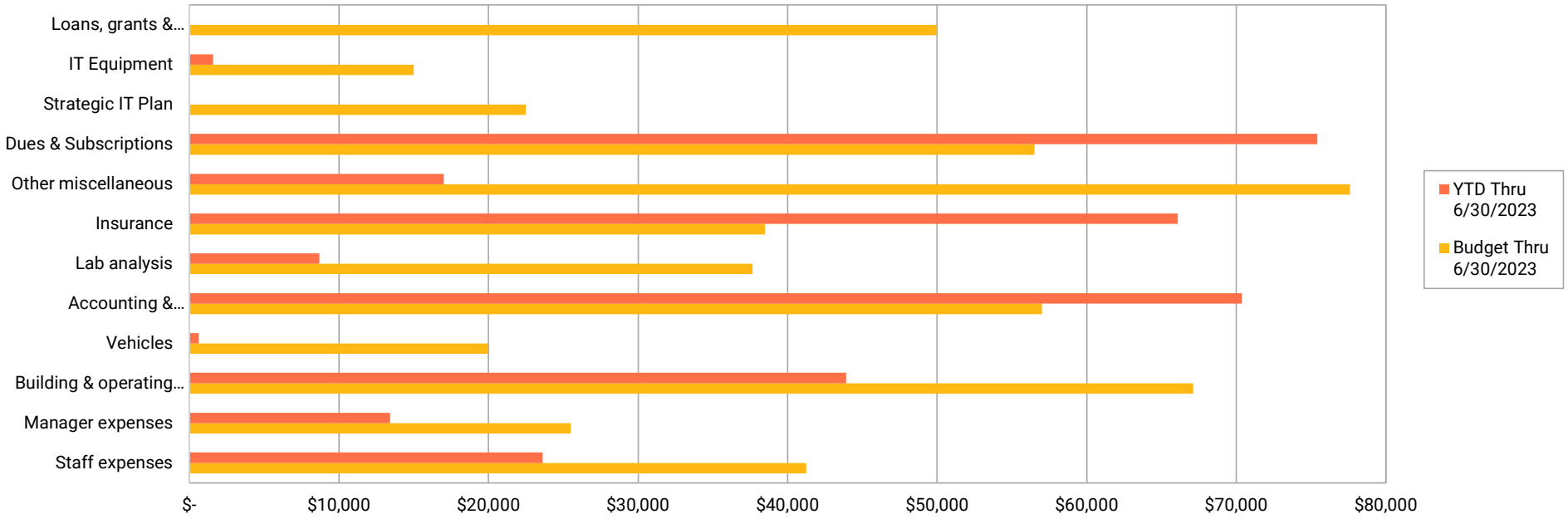


*** Typically, property taxes are received in July and December (with 70% advance in June).

**Disbursements Budget to Actual Comparison
\$0 to \$2,200,000**



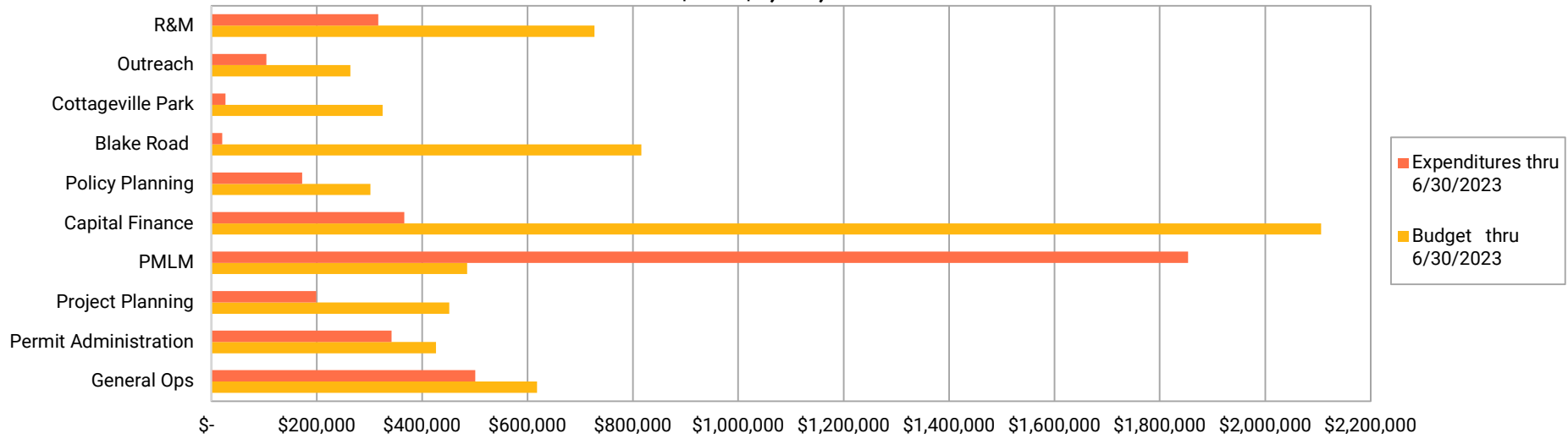
**Disbursements Budget to Actual Comparison
\$0 to \$80,000**



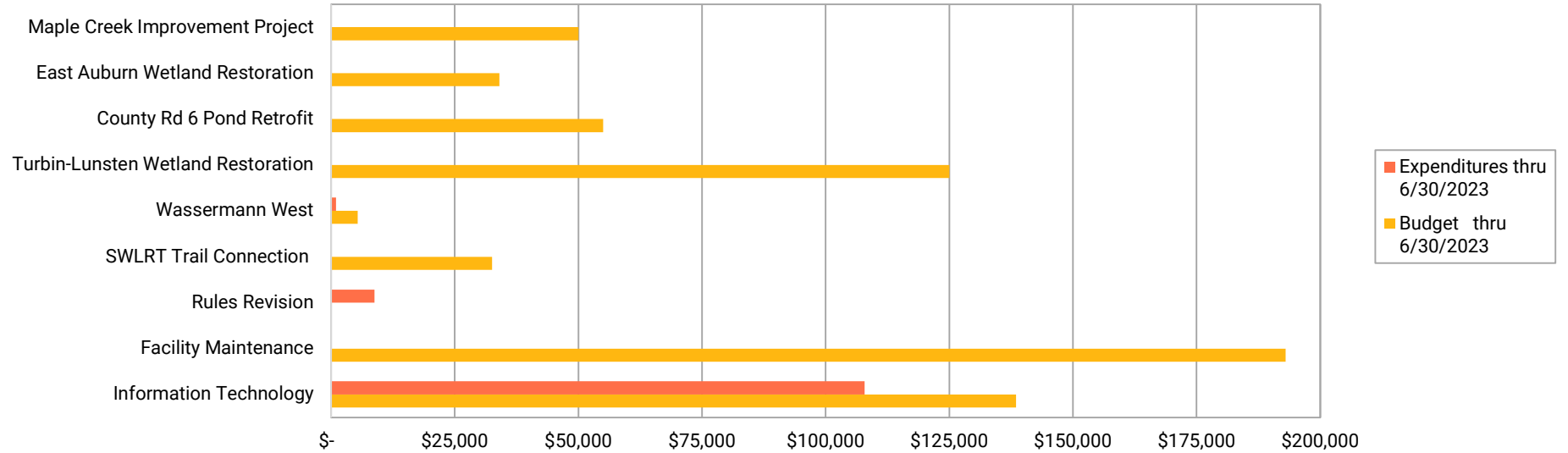
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Six Months Ended June 30, 2023

Fund Name	Project #	2022 Actual Expenditures	2023 Annual Budget	YTD Budget thru 6/30/2023	YTD Expenditures thru 6/30/2023	Variance 6/30/2023	Percent Expended Budget thru 6/30/2023
General Ops	1002	\$ 964,142	\$ 1,236,204	\$ 618,102	\$ 501,034	\$ 117,068	81%
Information Technology	1003	226,137	277,000	138,500	107,883	30,617	78%
Facility Maintenance	1005	-	386,000	193,000	-	193,000	0%
Permit Administration	2001	939,061	852,789	426,395	341,693	84,702	80%
Project Planning	2002	1,035,899	902,545	451,273	198,759	252,514	44%
PMLM	2003	743,073	970,543	485,272	1,853,683	(1,368,412)	382%
Capital Finance	2004	2,759,839	4,212,718	2,106,359	366,411	1,739,948	17%
Rules Revision	2007	42,996	-	-	8,732	(8,732)	0%
Policy Planning	2008	-	602,935	301,468	172,126	129,342	57%
Six Mile Marsh Prairie Restoration	3106	220,164	-	-	42,029	(42,029)	0%
Blake Road	3145	693,256	1,632,285	816,143	20,601	795,542	3%
Cottageville Park	3146	30,946	650,000	325,000	26,914	298,086	8%
FEMA Flood Repair	3148	2,670	-	-	-	-	0%
SWLRT Trail Connection	3152	-	65,000	32,500	-	32,500	0%
Wassermann West	3153	9,728	10,737	5,369	985	4,384	18%
Wassermann Internal Load Mgmt	3156	197,894	-	-	7,526	(7,526)	0%
Turbin-Lunsten Wetland Restoration	3158	-	250,000	125,000	-	125,000	0%
County Rd 6 Pond Retrofit	3159	-	110,000	55,000	-	55,000	0%
East Auburn Wetland Restoration	3160	-	68,000	34,000	-	34,000	0%
Maple Creek Improvement Project	3500	-	100,000	50,000	-	50,000	0%
Outreach	4002	298,092	527,826	263,913	103,970	159,943	39%
R&M	5001	788,126	1,454,612	727,306	316,483	410,823	44%
SMC-HB Carp Mgmt	5007	60,805	-	-	-	-	0%
Transfers out		1,693,620	-	-	-	-	0%
Total Expenditures		\$ 10,706,448	\$ 14,309,194	\$ 7,154,597	\$ 4,068,829	\$ 3,085,768	57%

**Budget To Actual Comparison By Project
\$0 to \$2,200,000**



**Budget To Actual Comparison By Project
\$0 to \$200,000**



* * * * *

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	Property tax revenue is received twice a year – July and December – and will be reflected on the Q3 report.
2	Miscellaneous revenue is typically permit receivables and variances to budget are largely based on timing – when the expense was incurred versus when reimbursement was received by the District. That said, the vast majority of revenue received this year is from the Minnehaha Preserve Boardwalk settlement.
3	Mortgage payoff – not applicable for 2023.
4	Loans, grants and awards received reflects receipt of a second payment for the 2019 Watershed Based Funding grant from BWSR. Funds were distributed between 325 Blake Road and Wasserman projects.
5	Interest earnings far exceed projections. Bank interest rates rebounded after the 2023 budget was approved. If interest rates and money market account funds don't fluctuate substantially from today, we should see upwards of \$300k plus in interest revenue by year end.
6	Transfers In – not applicable to-date.
7	Personnel is trending positively due to open and budgeted staff positions not yet filled.
8	Staff expenses are just over half of what was expected to be expended by Q2.
9	Manager expenses are trending positively to the budget. This is often a matter of timing as to when and how often Board Mangers submit for reimbursements.
10	Building & operating expenses are trending positively to the budget for Q2. This can be a matter of timing for facility repairs and/or replacement of items as they occur throughout the year.
11	Vehicle budget for 2023 included a new vehicle purchase. This expense is being postponed until 2024 for cost and availability issues that continue to exist. Expenditures to-date include only fuel and maintenance on vehicles and boats.
12	Contracted services is trending positively to the budget due to the timing of services for a number of programs.
13	Construction is just slightly over Q2 mid-year projection primarily due to Preserve Boardwalk work.
14	Accounting/auditing is over Q2 projection based on the one-time payment for audit services. Expect expenditures to be close to budget by year-end.
15	Engineering is under budget primarily due to the timing of projects.
16	Lab analysis expenditures are trending positively to the budget – expect to see expenditures increase in Q3.
17	Legal expenditures align closely with mid-year projections.
18	Insurance is a one-time payment made in Q2, and although currently showing as over budget at Q2, based on the full budget for the year this will in fact be under budget at year end.
19	Debt service is trending positively to the budget, however the budget is shown as one-half of the total budget whereas the expenditures are shown when a payment is made. For this reason the variances will remain until year-end at which time they will balance.
20	Other Miscellaneous expense is trending positively to the budget due to timing or deferral of services.
21	Dues/subscriptions is showing as over-budget at mid-year. This is due to a number of one-time/annual expenditures made in Q2 with a lesser number of expenditures occurring throughout the remainder of the year. This category is expected to balance at year-end.
22	No purchases to-date as part of the Strategic IT Plan.
23	IT Equipment has had limited expenditures through Q2, however a recent board action approved the purchase of replacement laptops and other IT equipment which will be reflected in the Q3 report.
24	Loans, grants & awards given have no expenditures to-date. The \$100k budgeted amount reflects funds for the Maple Creek Improvement Project under the Land & Water Partnership program. Construction is currently underway by the City of Plymouth and funds will be disbursed when the project is complete.
25	Permit acquisition category is not applicable for 2023.
26	Capital outlay does not reflect a budgeted amount for 2023, however if an item (a piece of equipment or vehicle for example) is purchased that meets capital definition (over \$5k) this category will be used.
27	Transfers out category will not be used in 2023 unless required to move funds from one program fund to another.