

MEMORANDUM

Date: April 12, 2023
 To: Mayor and City Council
 From: Tom Kelly, Treasurer
 Re: Fourth Quarter 2022 Financial Report

Another year has flown by. The City's auditor, MMKR are nearly complete with the 2022 audit. The 4th quarter financial report is based on preliminary unaudited financial records and there could be some minor adjustments once the audit is completed. For the year, revenues are above 2022 budget amounts while expenditures are below budget amounts. Below is a chart comparing budget to actual revenue and expenditures for the years 2021 and 2022.

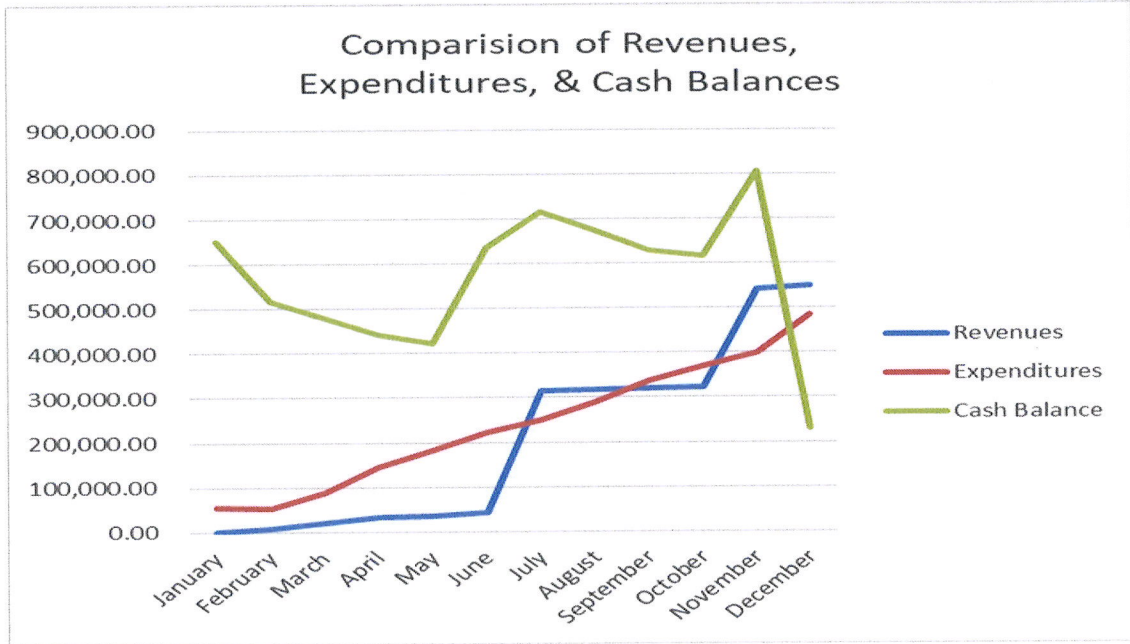
ALL FUNDS						
Revenues	2021	2021	%	2022	2022	%
	Budget	Actual	Received	Budget	Actual	Received
General Fund	492,385.00	516,937.96	104.99%	523,278.00	548,942.42	104.90%
Special Revenue Fds	400.00	(483.71)	-120.93%	400.00	13,116.89	3279.22%
Debt Service Funds	152,321.00	151,490.41	99.45%	148,032.00	142,275.91	96.11%
Capital Project Funds	27,000.00	78,762.32	291.71%	60,000.00	43,099.10	71.83%
Enterprise Funds	70,750.00	80,357.00	113.58%	83,340.00	72,575.58	87.08%
Total	742,856.00	827,063.98	111.34%	815,050.00	820,009.90	100.61%

Expenditures	2021	2021	%	2022	2022	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Fund	492,385.00	489,641.26	99.44%	523,278.00	484,668.82	92.62%
Special Revenue Fds	2,000.00	0.00	0.00%	5,000.00	2,895.75	0.00%
Debt Service Funds	131,265.00	129,815.00	98.90%	129,860.00	138,558.75	106.70%
Capital Project Funds	0.00	105,963.31	0.00%	110,000.00	3,413.24	0.00%
Enterprise Funds	180,090.00	64,343.05	35.73%	182,350.00	128,428.12	70.43%
Total	805,740.00	789,762.62	98.02%	950,488.00	757,964.68	79.74%

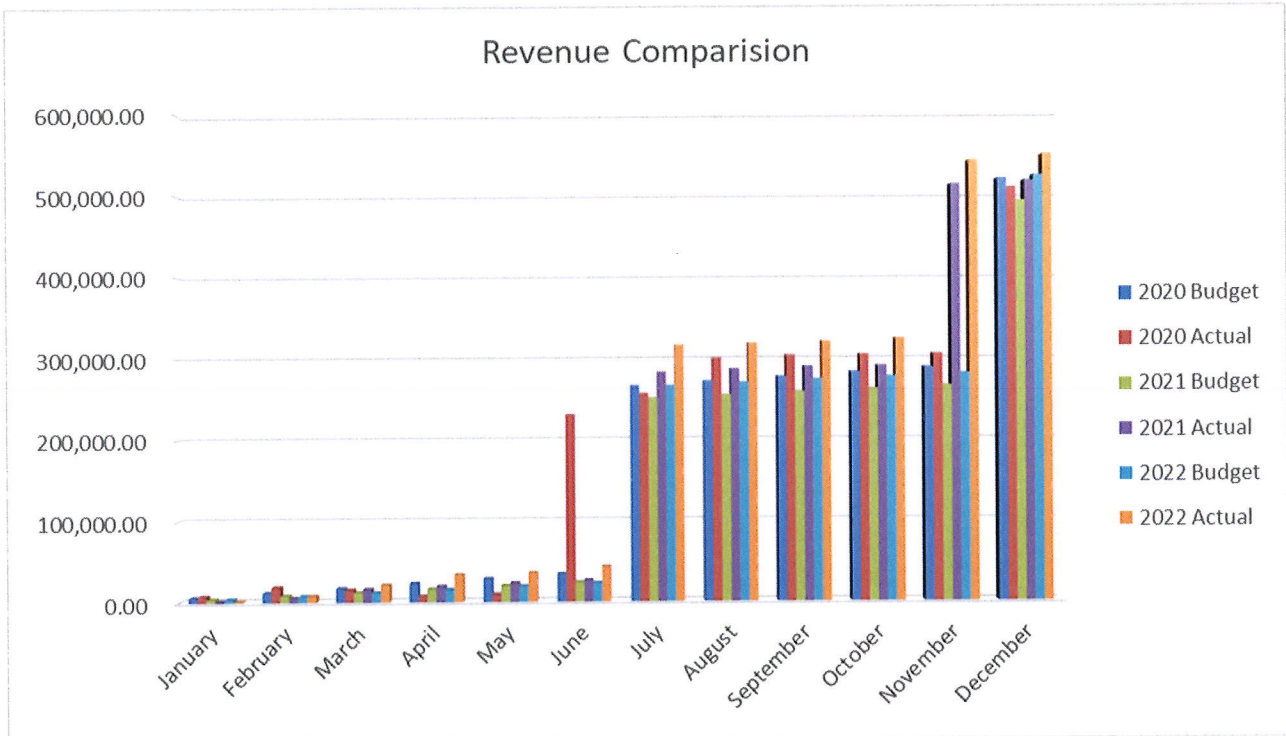
The rest of the report will detail the revenues and expenditures of each of five fund types.

GENERAL FUND

For the year, revenues exceeded budget projections, which is show in future charts, in part due to the \$19,367.54 in cable franchise fees received with only \$6,000.00 budgeted. Expenditures were below budget by \$38,609.18. The other good news is that chart on the following page shows how revenues exceeded expenditures levels for the year, which is due to the cable franchise fees, second half property tax payment being received, building permits and planning fees exceeding budget amounts on the revenue side and public works being \$45,318.38 under budget on the expenditure side. In addition, one can see how the City depends on reserves (cash balances) until that tax payments are received. The drop in cash in December was caused by transferring excess funds to investments for higher earning yields.

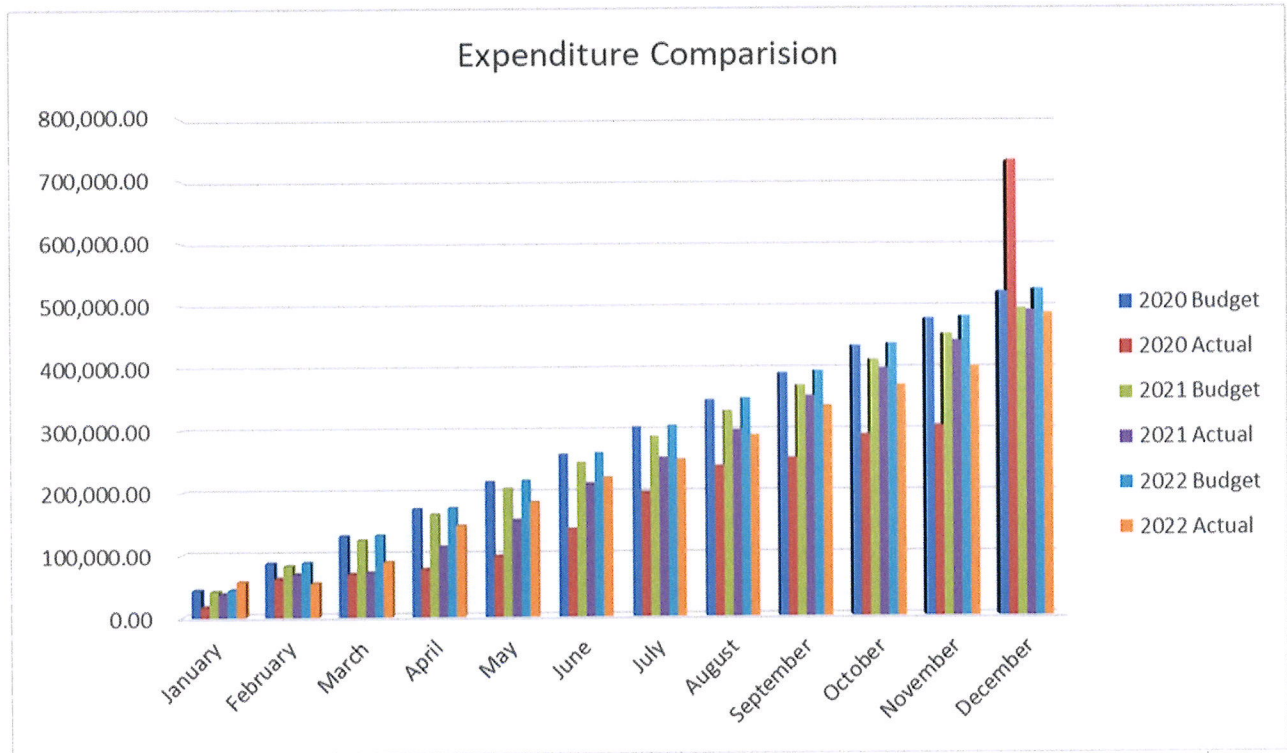


For the year, the City has received 104.90% of the budgeted revenue for the year, which is almost the same as 2021 amounts of 104.99%. The City collected 98.03% of its property tax levy, which is lower than 2021. Property taxes account for 84.10% of budgeted revenues in 2022. Building permit revenue is up from \$7,759.80 in 2021 to \$13,402.70 in 2022. Other revenue amounts are similar to what was received in 2021. The City did receive \$14,631.00 in small cities aid in 2021, but now that the City has an estimated population of over 5,000, the City no longer qualifies for the aid. The chart below compares budget to actual revenues for the last three years.

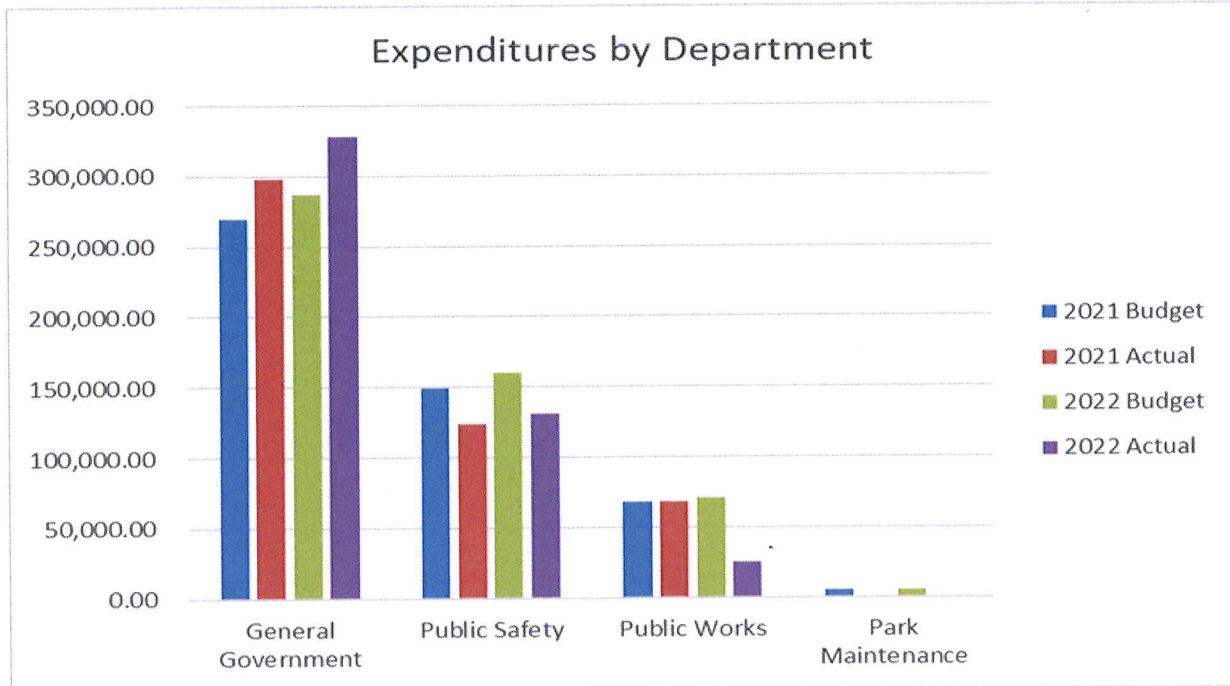


Expenditures for the year were well below the 2022 budgets and are slightly lower than the 2021 actual amounts as shown in the tables on below:

Expenditures by Department						
	2021	2021	%	2022	2022	%
	Budget	Actual	Spent	Budget	Actual	Spent
General Government	269,756.00	297,608.12	110.32%	287,357.00	328,420.31	114.29%
Public Safety	149,729.00	124,060.70	82.86%	160,021.00	130,666.89	81.66%
Public Works	67,900.00	67,972.44	100.11%	70,900.00	25,581.62	36.08%
Park Maintenance	5,000.00	0.00	0.00%	5,000.00	0.00	0.00%
Total	492,385.00	489,641.26	99.44%	523,278.00	484,668.82	92.62%



General Government is the only department to have spent over 100% of their budgets as shown in the chart on the following page. Public works, which is 36.08% spent with street repair expending \$3,165.31, which is \$11,834.69 under budget and none of the \$15,000 budgeted for tree trimming was spent. The Ice and snow removal expenditures totaled \$12,629.25 compared to a budget of \$34,500. General Government has spent 114.29% of its 2022 budget for the year. The General Government Activity actual amounts are higher than budget due to the wage increase of the city clerk. The City also had additional expenditures for planning and zoning activities in 2022. Public safety is under budget due to the budget including a part-time code enforcement position, which was not hired.



Overall, the General Fund finished the year in great shape as revenues exceeded expenditures.

SPECIAL REVENUE FUNDS

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which had revenues of \$15,000.00 in park dedication fees and interest earnings for the year. This fund now has a cash balance of \$58,318.73, which can be used for the development of new parks and trails in the City.

DEBT SERVICE FUNDS

All scheduled debt payments totaling \$138,558.75.00 were paid. Funding comes from property taxes and special assessments. The City did not issued new debt in 2022 and now has total debt outstanding of \$960,000.00, with a scheduled February 1, 2023 principal payment of \$105,000.00 and interest of \$15,196.25 due.

CAPITAL PROJECT FUNDS

The largest revenue source for the Capital Project Funds are the special assessment collections for the waterline extension in the amount of \$38,978.89. The only other revenue source is interest earnings. The expenditures in 2022 is for costs related to embankment repair and drainage study. For 2022, the City spent \$104,344.99 for these projects.

ENTERPRISE FUNDS

The City's Enterprise Funds include the Sewer Enterprise and Water Enterprise Funds. Revenues are above last year revenues and are 87.08% of budgeted revenues. Revenues totaled \$72,575.58 for the year compared to \$80,357.00 last year. The decreased revenue is due to a decrease in water use in 2022. Expenses for the year are above last year's expenses, but are below budgeted expenditures by \$53,921.88, however approximately \$31,500.00 of asset depreciation still need to be recorded. The main expense is the M.C.E.S. charges for sanitary sewer treatment. The City has a budget of \$42,600.00 and paid \$39,761.04 for this line

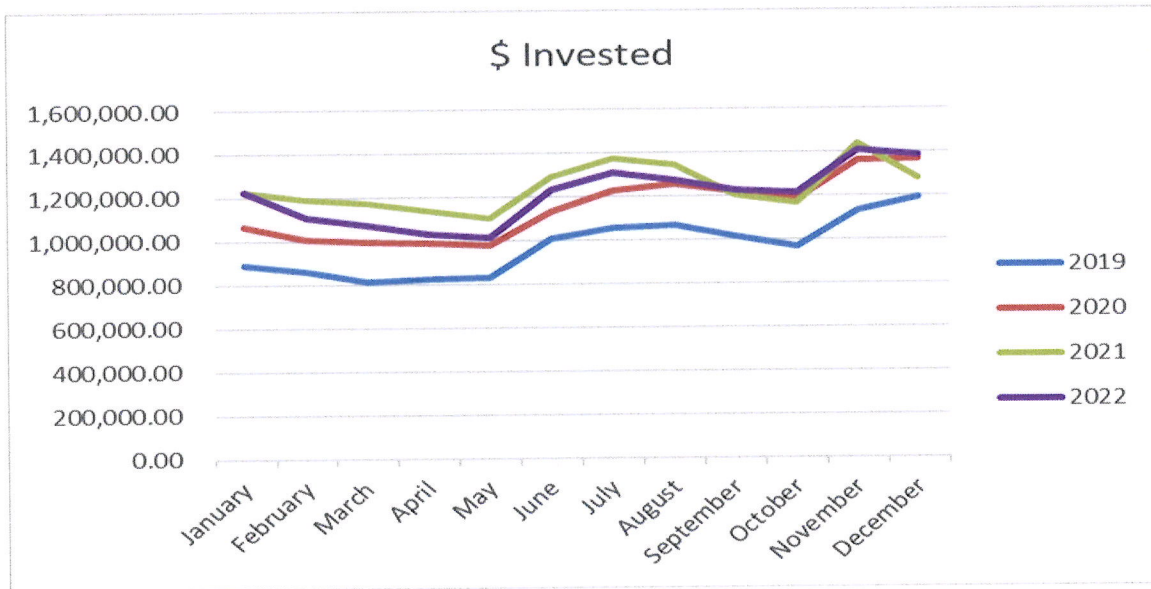
item. The City also budgeted \$25,000 and \$20,000 for sewer inspections and sewer flushing, both of which were not done in 2022.

Overall, the sanitary sewer fund had revenues exceed expenses by \$25,844.39 due to the two items listed above.

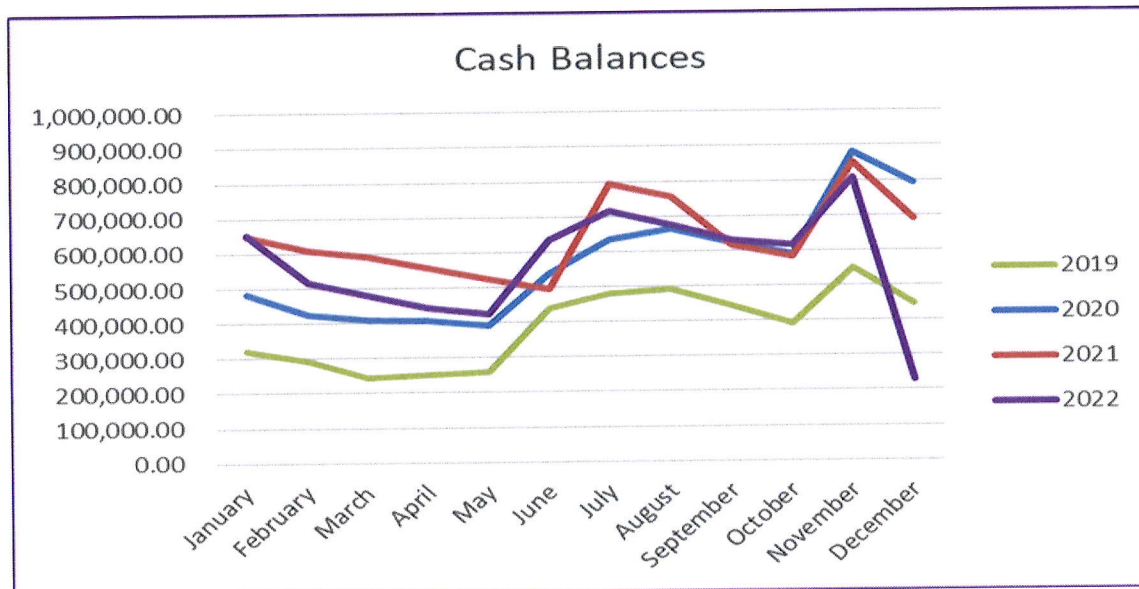
The City's Water Enterprise Fund had revenues of \$17,563.35 and expenses of \$50,329.98, with the largest expense being the \$17,149.77 for water charged by the City of Vadnais Heights and \$30,680.21 in engineering for the water study.

CASH AND INVESTMENTS

Finally, the City had \$1,386,126.29 invested as of year-end. This compares to \$1,277,092.56 invested last year at this time. The increase in investments is due to the revenues exceeding expenditures adding to City reserves. The investments had an average interest rate of 1.48% compared to 1.66% last year. Interest rates remain low with a 3.73% interest rate on a Government Bond as its highest rate of return. The chart below shows the City's invested funds for the last three years.



The other factor and equally important as funds invested is the City's cash in the bank. These are the funds the City uses to pay its bills each month. Since the City receives the majority of its money in July and December from tax settlements, it is not unusual for the City to have a large amount of cash available in those months with the funds being drawn down in the proceeding months. Depending on expenditures and other revenues collect the City may draw on its investments to help meet its cash needs. Again the decrease in cash for December is the transfer of excess funds to investments at year end. The chart on the following page demonstrates the cash flow for the City.



CONCLUSION

The City has had a higher than normal revenue collection of the year and spent less than budget. However, there are still some year-end adjustment that need to be made, such as recording depreciation. The City has sufficient cash and investments to meet its obligations, however investment earnings remains low. Therefore, it would appear the City continues to be in very good financial shape heading into 2023.