

MEMORANDUM

Date: February 10, 2022
 To: Mayor and City Council
 From: Tom Kelly, Treasurer
 Re: Fourth Quarter 2021 Financial Report

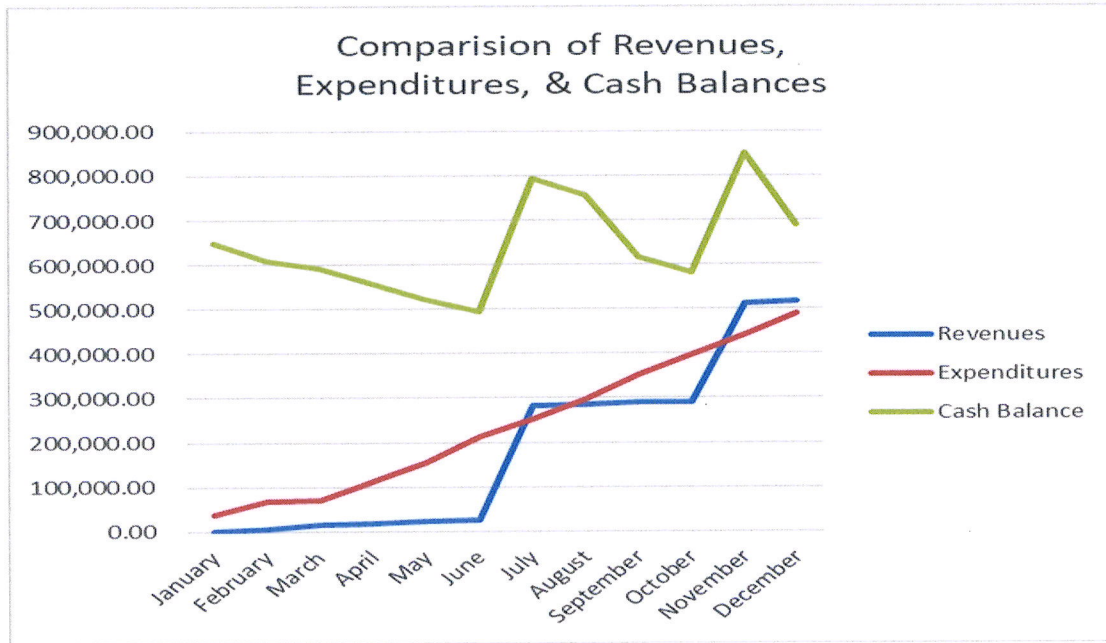
Another year has flown by. The City's auditor, MMKR have begun working on the 2021 audit. The 4th quarter financial report is based on preliminary unaudited financial records and there could be some minor adjustments once the audit is completed. For the year, revenues are above 2021 budget amounts while expenditures are below budget amounts. Below is a chart comparing budget to actual revenue and expenditures for the years 2020 and 2021.

ALL FUNDS						
Revenues	2020 Budget	2020 Actual	% Received	2021 Budget	2021 Actual	% Received
General Fund	519,138.00	508,313.05	97.91%	492,385.00	516,937.96	104.99%
Special Revenue Fds	91,324.00	398.94	0.44%	400.00	(483.71)	-120.93%
Debt Service Funds	82,385.00	153,462.73	186.28%	152,321.00	151,490.41	99.45%
Capital Project Funds	66,250.00	460,391.59	694.93%	27,000.00	78,762.32	291.71%
Enterprise Funds	62,330.00	64,719.64	103.83%	70,750.00	80,357.00	113.58%
Total	821,427.00	1,187,285.95	144.54%	742,856.00	827,063.98	111.34%
Expenditures	2020 Budget	2020 Actual	% Spent	2021 Budget	2021 Actual	% Spent
General Fund	519,138.00	729,334.51	140.49%	492,385.00	489,641.26	99.44%
Special Revenue Fds	105,000.00	(1,749.40)	0.00%	2,000.00	0.00	0.00%
Debt Service Funds	127,465.00	136,915.00	107.41%	131,265.00	129,815.00	98.90%
Capital Project Funds	61,024.00	9,081.44	0.00%	0.00	105,963.31	0.00%
Enterprise Funds	104,950.00	101,624.75	96.83%	180,090.00	64,343.05	35.73%
Total	917,577.00	975,206.30	106.28%	805,740.00	789,762.62	98.02%

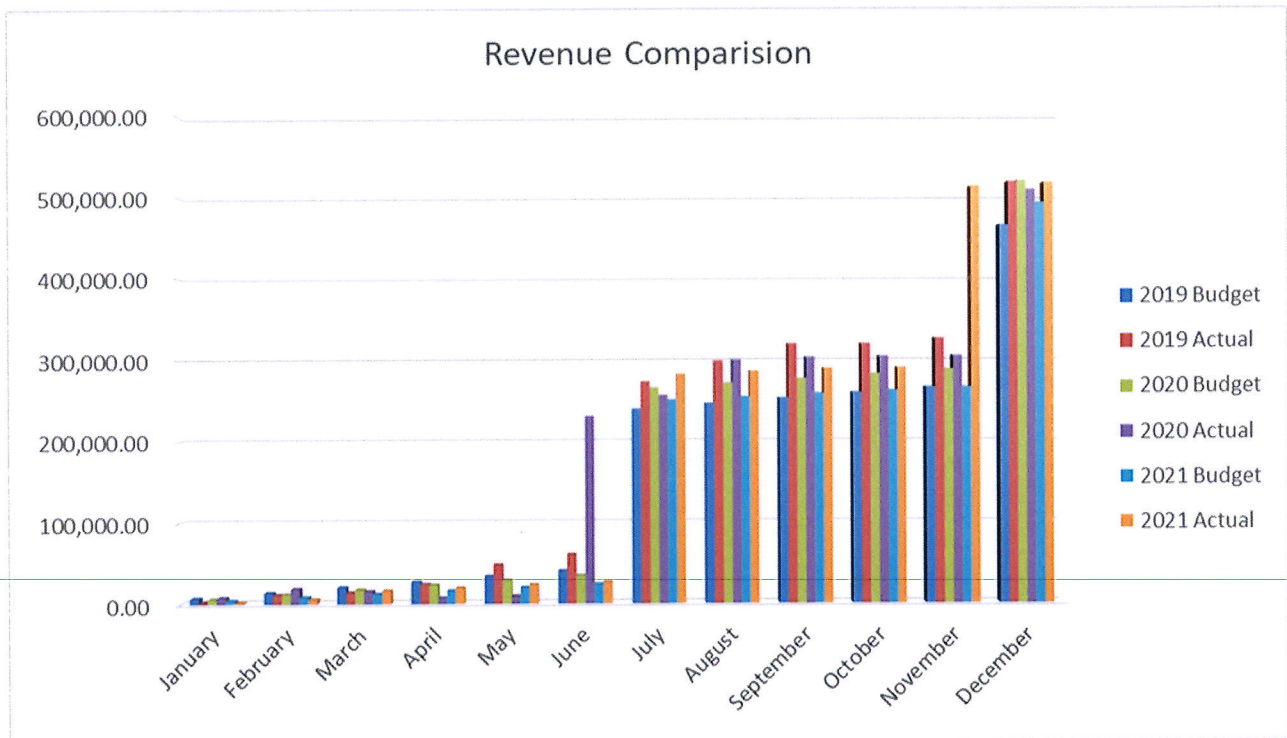
The rest of the report will detail the revenues and expenditures of each of five fund types.

GENERAL FUND

For the year, revenues exceeded budget projections, which is show in future charts, in part due to the \$27,320.56 ARPA funds received and not budgeted. Expenditures were below budget by \$2,743.74. 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 ARPA funds, second half property tax payment being received, building permits and planning fees exceeding budget amounts. In addition, one can see how the City depends on reserves (cash balances) until that tax payments are received.



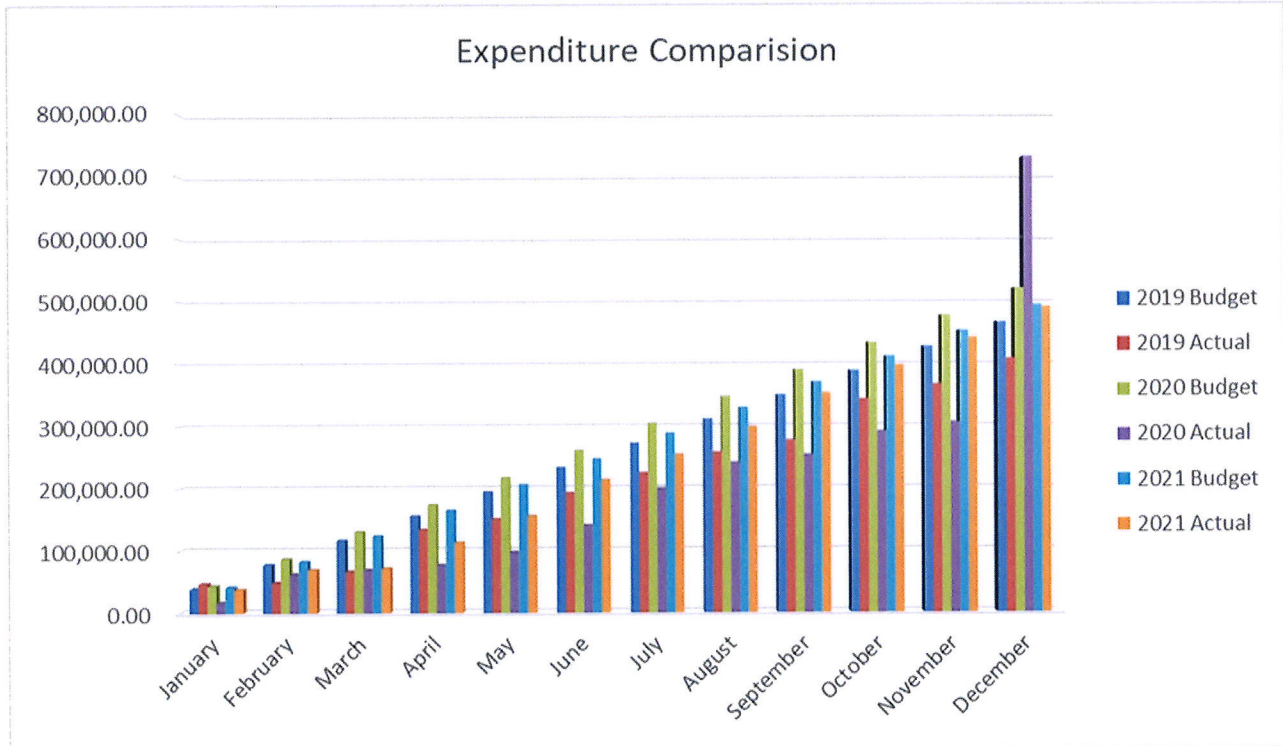
For the year, the City has received 104.99% of the budgeted revenue for the year, which is above 2020 amounts of 97.91%. The City collected 99.93% of its property tax levy, which is higher than 2020. Property taxes account for 83.76% of budgeted revenues in 2021. Building permit revenue is down from \$11,626.27 in 2020 to \$7,759.80 in 2021. Other revenue amounts are similar to what was received in 2020. The City did receive \$27,320.56 in ARPA funds and \$14,631.00 in small cities aid in 2021, both of which were not budgeted or received in 2020. The chart below compares budget to actual revenues for the last three years.



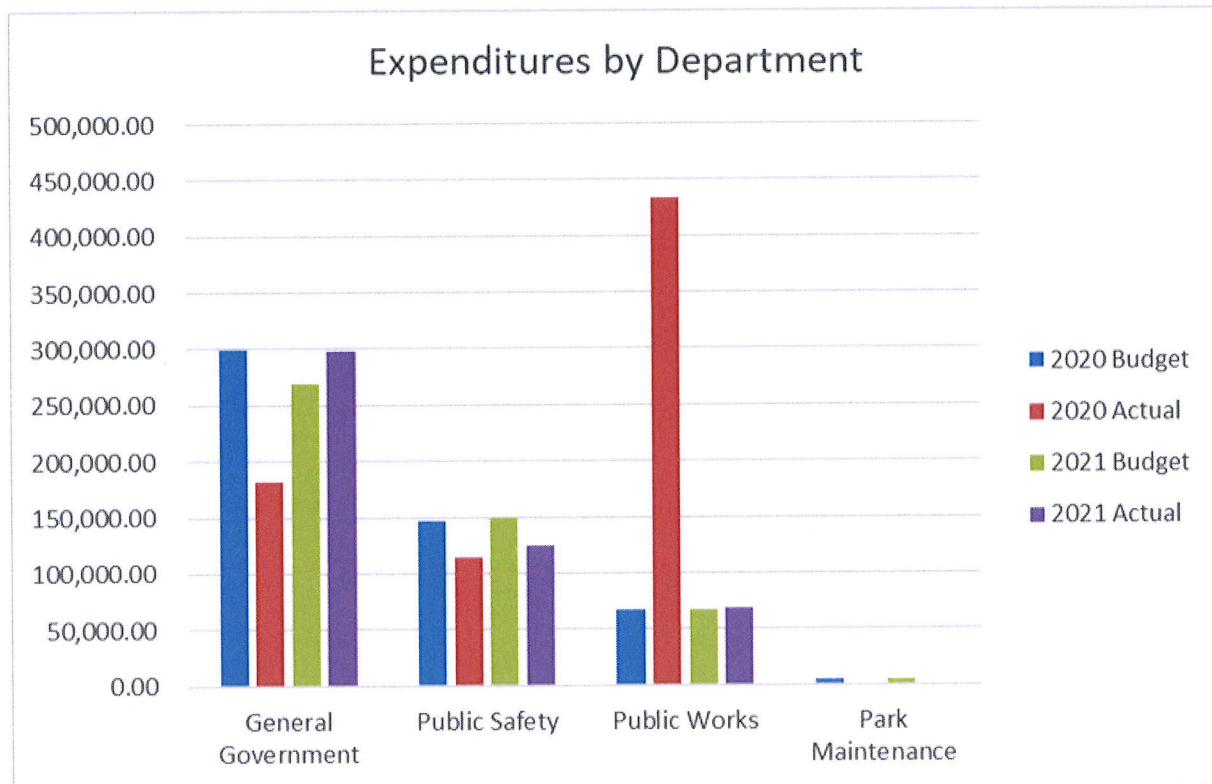
Expenditures for the year were just below the 2021 budget and are higher than the 2020 actual amounts as shown in the tables on the following page:

Expenditures by Department

	2020 Budget	2020 Actual	% Spent	2021 Budget	2021 Actual	% Spent
General Government	299,479.00	182,158.44	60.83%	269,756.00	297,608.12	110.32%
Public Safety	146,759.00	113,734.19	77.50%	149,729.00	124,060.70	82.86%
Public Works	67,900.00	433,441.88	638.35%	67,900.00	67,972.44	100.11%
Park Maintenance	5,000.00	0.00	0.00%	5,000.00	0.00	0.00%
Total	519,138.00	729,334.51	140.49%	492,385.00	489,641.26	99.44%



General Government and Public Works have spent over 100% of their budgets as shown in the chart on the following page. Public works, which is 100.11% spent with street repair expending \$25,120.85, which is \$10,120.85 over budget. The other expenditure items within the public works activity have under spent their budgets, which is why its only 100.11% spent and not more. General Government has spent 110.32% of its 2021 budget for the year. The General Government Activity actual amounts are higher than budget due to the costs of building improvements at Heritage Hall and expenses related to the new city clerk. 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 good shape as revenues exceeded expenditures.

SPECIAL REVENUE FUNDS

The City's only Special Revenue Fund is the Parks and Playgrounds Fund, which has had only interest earnings for the year. This fund now has a cash balance of \$43,602.99, which can be used for the development of new parks and trails in the City.

DEBT SERVICE FUNDS

All scheduled debt payments totaling \$129,815.00 were paid. Funding comes from property taxes and special assessments. The City did not issued new debt in 2021 and now has total debt outstanding of \$1,065,000.00, with a scheduled February 1, 2022 principal payment of \$105,000.00 and interest of \$16,462.50 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 \$40,244.64. The only other revenue source is interest earnings. The expenditures in 2020 is for costs related to storm drainage and road improvements. For 2021, the City spent \$105,963.31 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 113.58% of budgeted revenues. Revenues totaled \$80,357.00 for the year compared to \$64,719.64 last year. The increased revenue is due to the rate increase the City implemented in 2021. Expenses for the year are below last year's expenses, and are below of budgeted expenditures by \$115,746.95, however approximately \$41,500 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 \$38,840.00 and paid \$41,665.68 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 2021.

Overall, the sanitary sewer fund had revenues exceed expenses by \$18,880.11 due to the sewer rate increase for 2021.

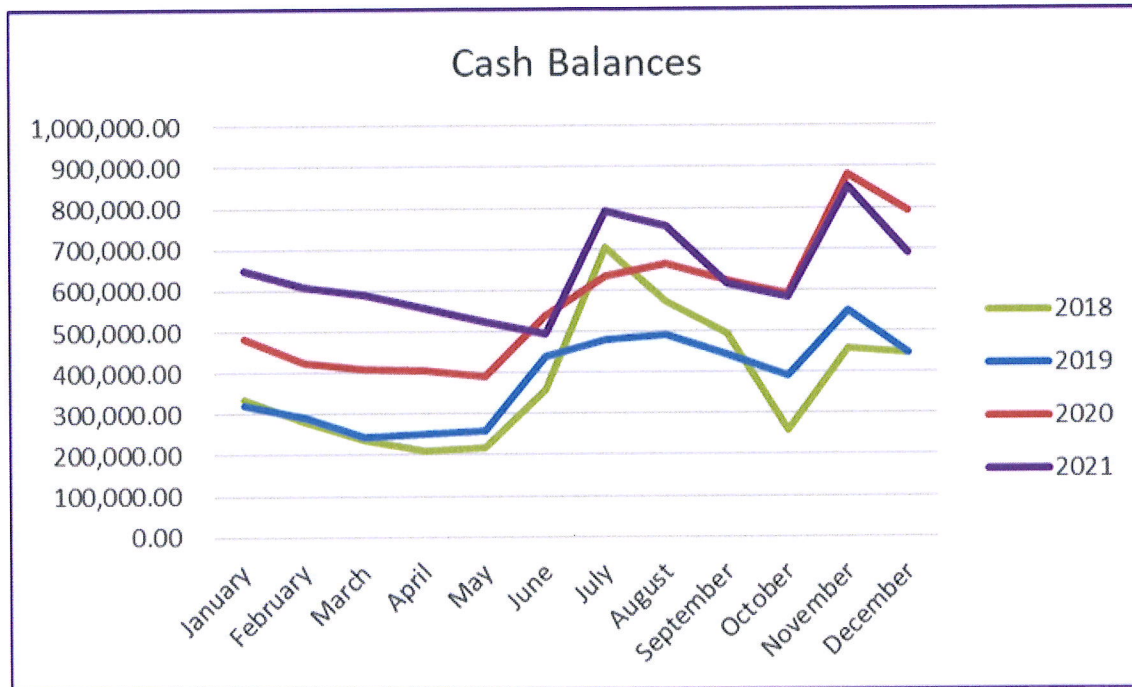
The City's Water Enterprise Fund had revenues of \$20,623.60 and expenses of \$23,489.76, with the largest expense being the \$18,726.47 for water charged by the City of Vadnais Heights.

CASH AND INVESTMENTS

Finally, the City had \$1,277,092.56 invested as of year-end. This compares to \$1,369,516.61 invested last year at this time. The decrease in investments is due to the drainage and road improvement projects funded by City reserves. The investments had an average interest rate of 1.66% compared to 1.90% 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. 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 good financial shape heading into 2022.