



Title: 1st Quarter 2021 Financial Report

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Purpose:

Attached, please find the 1st Quarter (Q1) Financial Report from AEM Financial Solutions showing revenue and expenditures from January 1, 2021 to March 31, 2021.

Summary:

Revenue

Budgeted tax revenue through March 31, 2021 is shown as \$2,289,088 with zero dollars received to-date. Final tax settlements received in January 2021 were reflected back to the 2020 budget rather than carried forward. It is not unusual or unexpected to have zero tax revenue reported in the first or even second quarter of the year. Tax levy dollars from Hennepin and Carver counties are typically received beginning in July.

Miscellaneous revenue appears down significantly year-over-year, however the 2020 number was inflated due to a land donation. The budgeted number for 2021 is more in line with what is typically expected.

Additionally, revenue from interest earned is down significantly from the budget projection. We have seen a downward trend in interest earned throughout 2020 which carries forward into 2021. With the COVID impacts on the economy we expect to earn less interest than was originally budgeted for 2021. That said, the District is investigating other banking/investing options that may be able to provide greater returns.

Expenditures

At this point in the year all expenditures vary more than 10% from its budgeted amount. The budget is simply shown as one-quarter of its total, while expenses reflect the actual dollars spent year-to-date. With few exceptions, the majority of funds are below budgeted projections with overall spending at 26.5% of budget.

Variances

Noteworthy positive variances (actuals under year-to-date budget) shown on the Management Planning Fund Table (page 5 of the report) include staff expenses, vehicles, lab analysis, insurance, other miscellaneous, strategic IT plan, IT equipment and loans, grants & awards given. These expenditures are a matter of timing i.e. insurance is paid once per year, lab analysis doesn't begin until late summer and IT is just beginning Phase II of the overall strategic IT plan. More 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 with a credit balance for Q1. This is due to several construction contracts where retainage accruals were reversed during this time period. Once project construction gets underway this will fall more in line with budget.

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 the exception of SMCHB-Carp Management, all variances to budget fall below budgeted amount. Again, this is a matter of timing and overall it is expected that this fund will remain within budget for the year. Noteworthy are the

Arden Park, Wasserman West and FEMA Flood Repair projects showing credit balances through Q1. These are the projects noted above with reversal of retainage accruals occurring in Q1. These funds are expected to fall in line with budget as work continues or is finalized on these projects.

Lastly, and as expected, COVID continues to play a role in the timing, changes to workflow and in some instances expenditures themselves. We anticipate this to continue to play a role in 2021 although maybe not as significantly as it did in 2020.

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

Supporting documents (list attachments):

2021 1st Quarter Financial Report

1st Quarter Report

Minnehaha Creek Watershed District

Minnetonka, Minnesota

As of March 31, 2021



AEM Financial Solutions™

People
+ Process.

Going
Beyond the
Numbers



April 14, 2021

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 March 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,

AEM FINANCIAL SOLUTIONS, LLC



AEM Financial Solutions™

April 14, 2021

Dear Board of Managers:

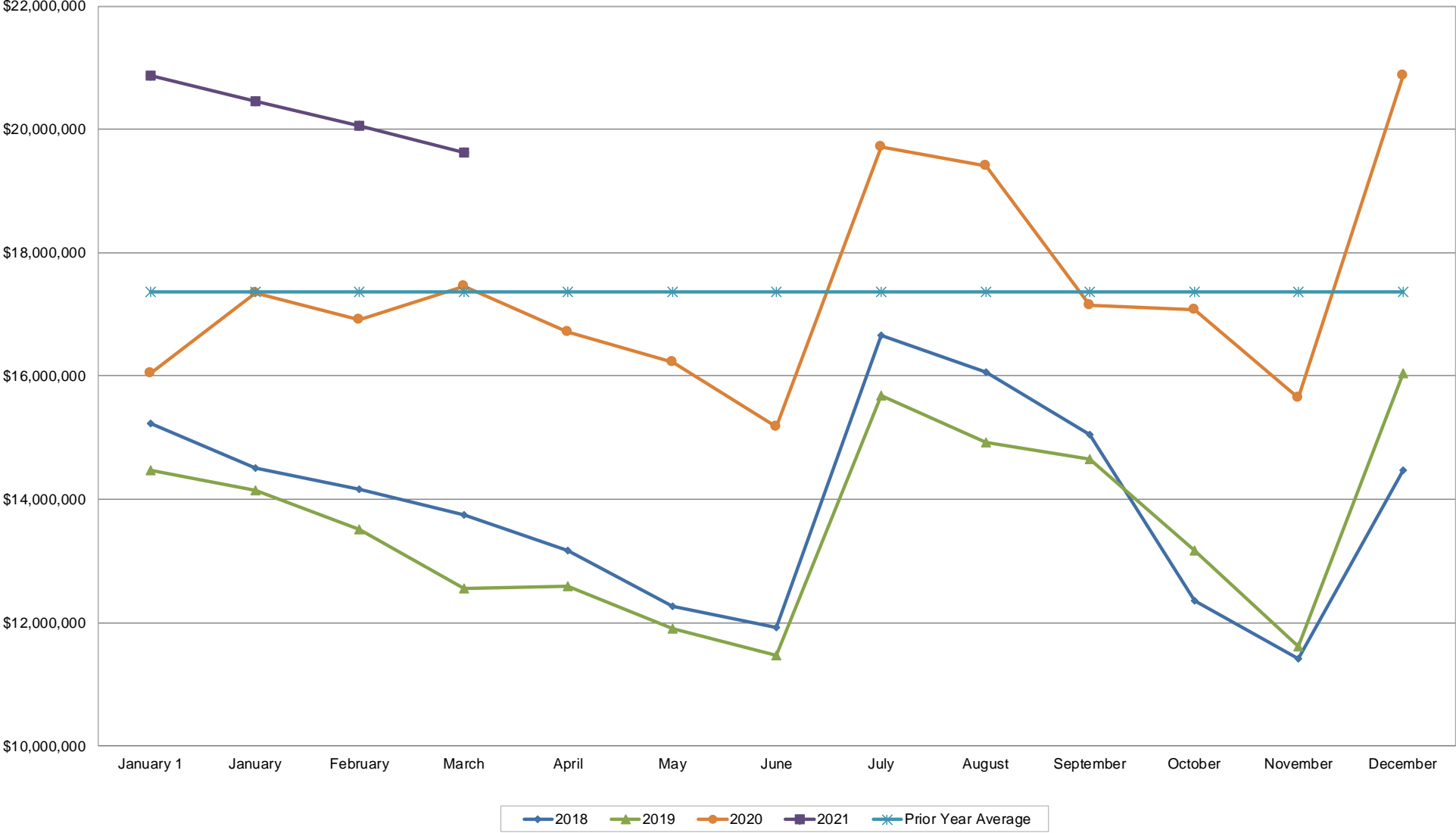
We have reconciled all bank accounts through June 30, 2020 and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

Cash

The District's cash balances are as follows:

Institution	Description	Market Value	Deposits -	Expenditures -	Transfers	Interest	Unadjusted	Market Value	Unrealized
		1/1/2021	Purchases	Sales			Market Value	3/31/2021	gain / loss
Bremer Bank	General Checking - 0515	387,449.11	1,366,111.18	(1,525,794.70)	-	-	227,765.59	227,765.59	-
Bremer Bank	General MM - 2755	18,959,641.17	192,357.70	(1,350,000.00)	-	1,069.88	17,803,068.75	17,803,068.75	-
		19,347,090.28	1,558,468.88	(2,875,794.70)	-	1,069.88	18,030,834.34	18,030,834.34	-
Bremer Bank	Surety Checking- 6092	3,869.65	-	(90.00)	-	0.09	3,779.74	3,779.74	-
Bremer Bank	Surety MM - 2788	1,611,948.63	21,600.00	(25,394.46)	-	93.11	1,608,247.28	1,608,247.28	-
		1,615,818.28	21,600.00	(25,484.46)	-	93.20	1,612,027.02	1,612,027.02	-
		\$ 20,962,908.56	\$ 1,580,068.88	\$ (2,901,279.16)	\$ -	\$ 1,163.08	\$ 19,642,861.36	\$ 19,642,861.36	\$ -

Management Planning Fund Cash Balances 2018 - 2021



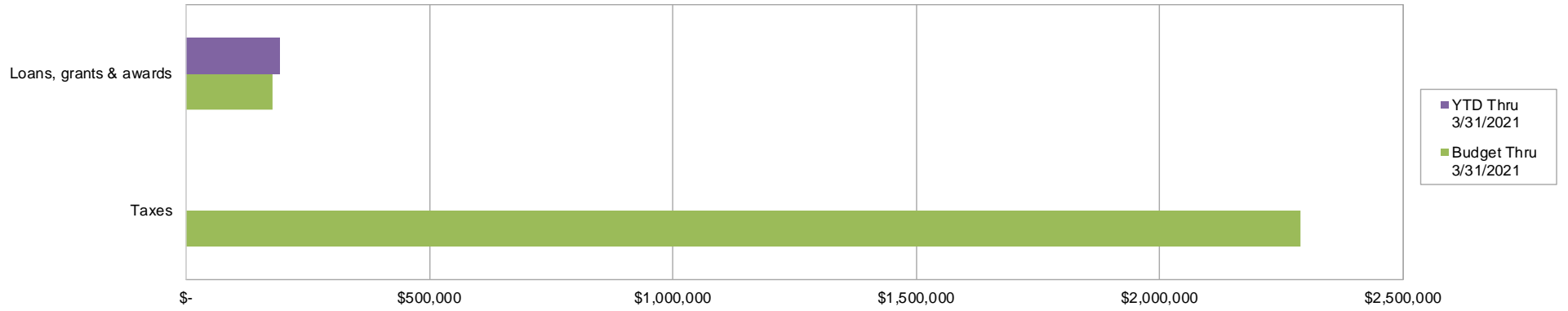
Management Planning Fund

Receipts	2020	2021	YTD	YTD	Percent of		
	Actual	Budget	Budget Thru 3/31/2021	Thru 3/31/2021			
Taxes	\$ -	\$ 9,156,350	\$ 2,289,088	\$ -	- %	↓	(1)
Miscellaneous revenue	847,828	99,220	24,805	8,744	35.3	↓	(2)
Loans, grants & awards	103,433	709,801	177,450	192,395	108.4	→	(3)
Interest earnings	62,261	70,000	17,500	1,163	6.6	↓	(4)
	<u>\$ 1,013,522</u>	<u>\$ 10,035,371</u>	<u>\$ 2,508,843</u>	<u>\$ 202,302</u>	<u>8.1 %</u>	↓	
Disbursements							
Personnel	\$ 480,147	\$ 2,654,166	\$ 663,541	\$ 526,938	79.4 %	↑	(5)
Staff expenses	2,983	79,000	19,750	430	2.2	↑	(6)
Manager expenses	5,694	42,000	10,500	5,000	47.6	↑	(7)
Building & operating expense	27,205	200,000	50,000	18,172	36.3	↑	(8)
Vehicles	2,571	42,000	10,500	95	0.9	↑	(9)
Contracted services	163,511	871,481	217,871	85,990	39.5	↑	(10)
Construction	40,600	5,090,775	1,272,696	(162,559)	(12.8)	↑	(11)
Accounting & auditing	16,895	92,000	23,000	16,480	71.7	↑	(12)
Engineering	54,676	1,815,173	453,793	149,684	33.0	↑	(13)
Lab analysis	-	100,300	25,075	1,226	4.9	↑	(14)
Legal services	32,615	465,200	116,300	48,829	42.0	↑	(15)
Insurance	-	85,000	21,250	-	-	↑	(16)
Debt service	148,078	2,823,577	705,894	264,028	37.4	↑	(17)
Other miscellaneous	15,113	137,500	34,375	6,123	17.8	↑	(18)
Dues & Subscriptions	10,275	105,750	26,437	15,086	57.1	↑	(20)
Strategic IT Plan	50,891	76,000	19,000	-	-	↑	(21)
IT Equipment	-	31,500	7,875	-	-	↑	(22)
Loans, grants & awards given	-	5,000	1,250	-	-	↑	(23)
	<u>\$ 1,051,254</u>	<u>\$ 14,716,422</u>	<u>\$ 3,679,107</u>	<u>\$ 975,522</u>	<u>26.5 %</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 \$2,500,000**

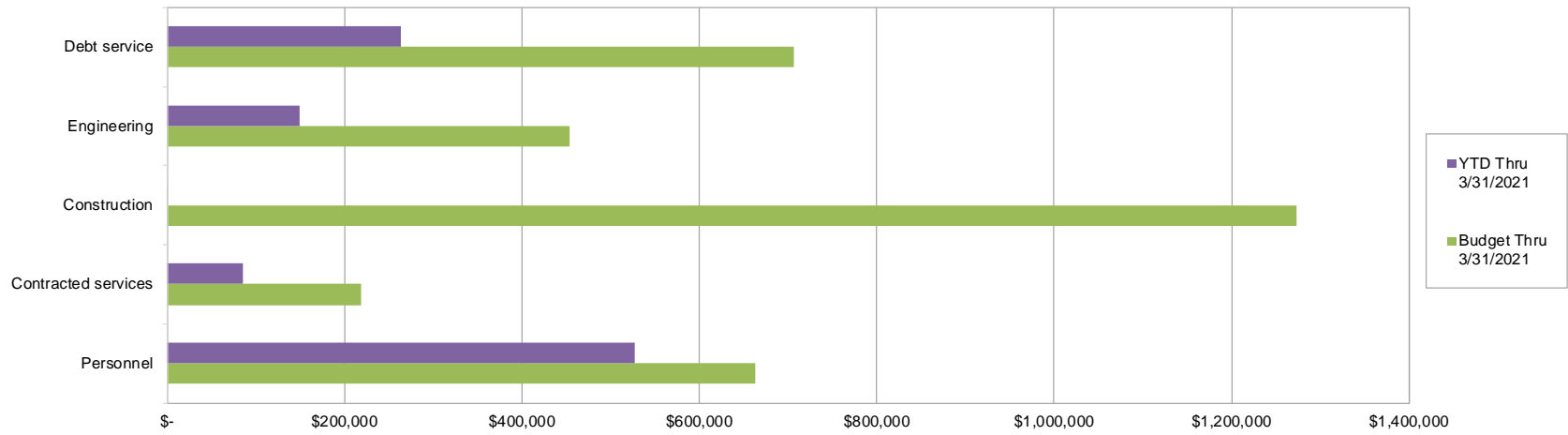


**Receipts Budget to Actual Comparison
\$0 to \$25,000**

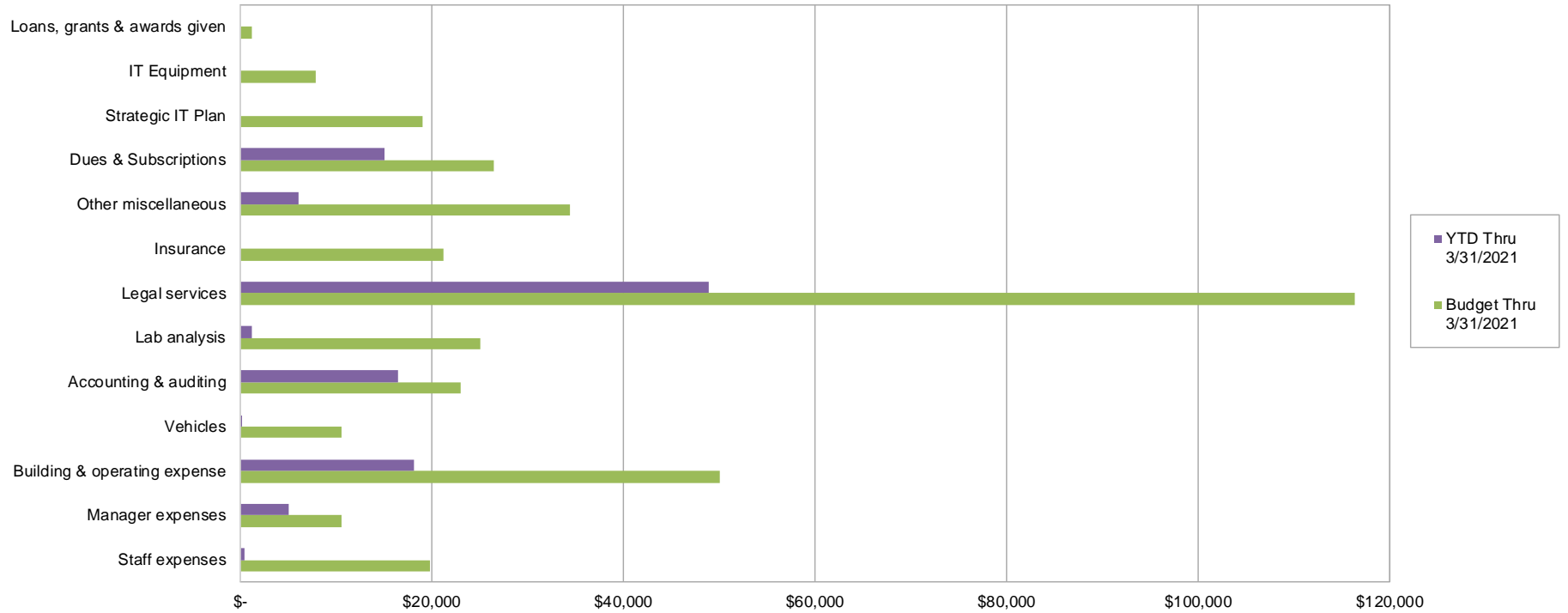


Typically property taxes are received in July and December (with 70% advance in June).

**Disbursements Budget to Actual Comparison
\$0 to \$1,400,000**



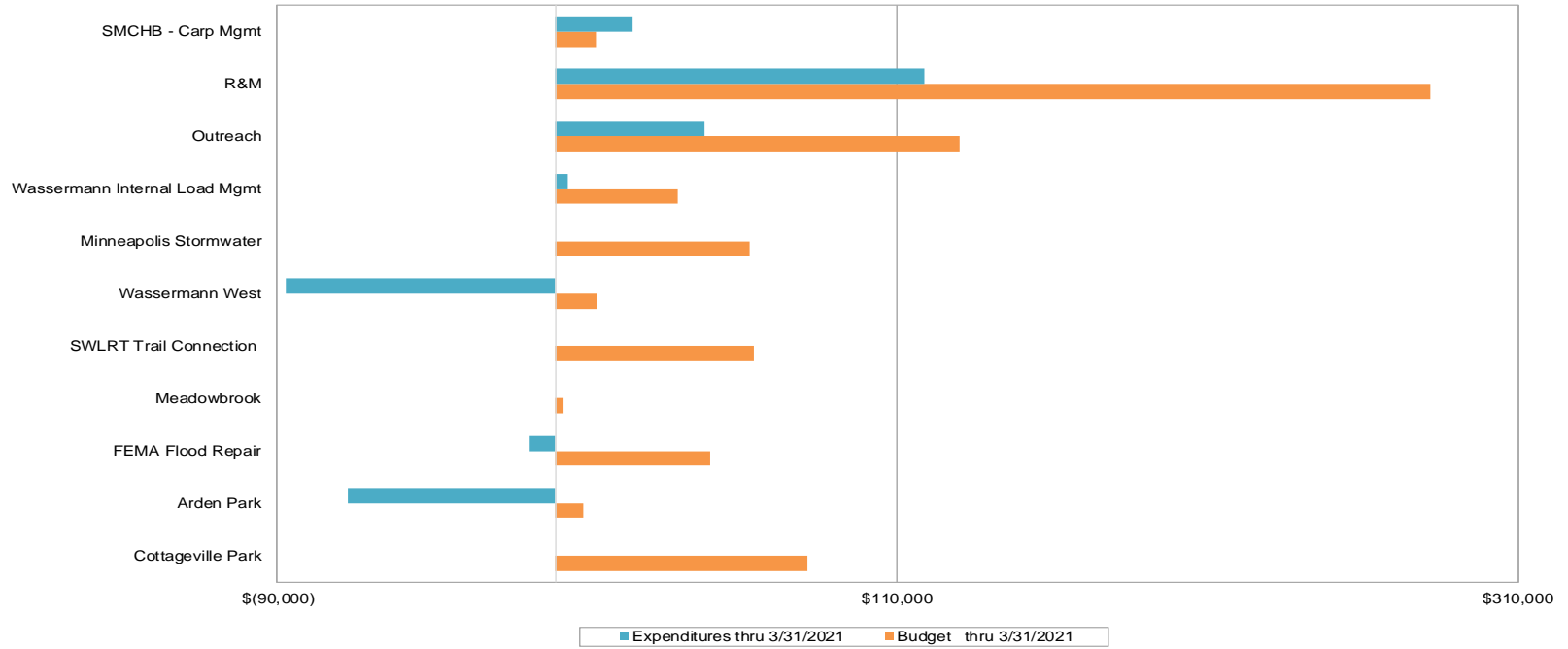
**Disbursements Budget to Actual Comparison
\$0 to \$120,000**



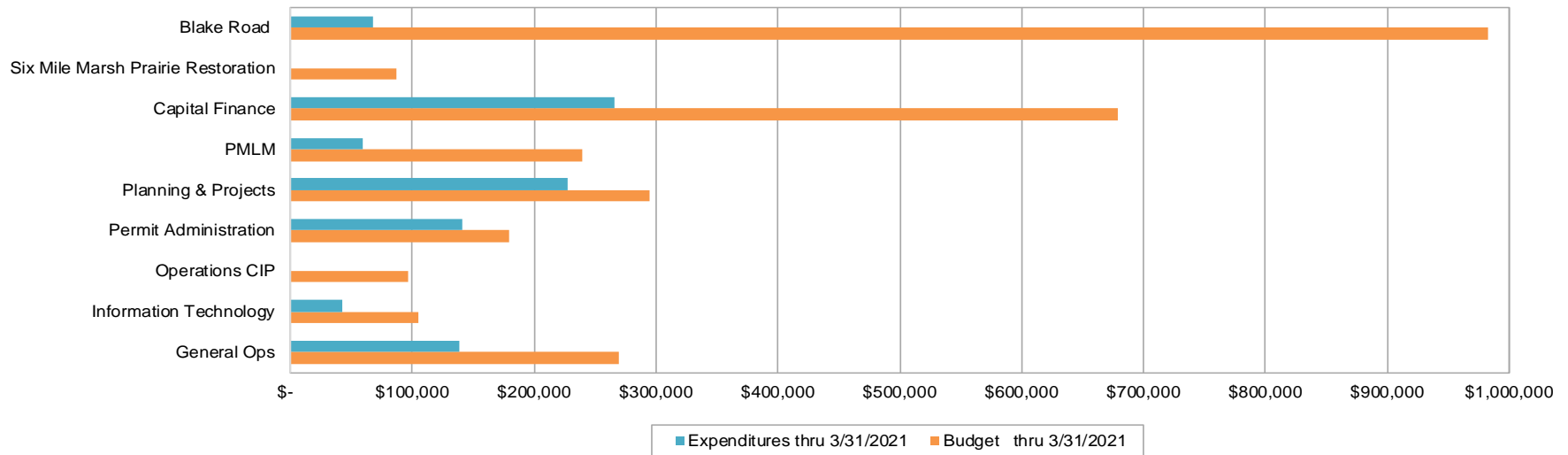
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Three Months Ended March 31, 2021

Fund Name	Project #	2020 Actual Expenditures	2021 Annual Budget	YTD Budget thru 3/31/2021	Actual Expenditures thru 3/31/2021	Variance 3/31/2021	Percent Expended Budget thru 3/31/2021
General Ops	1002	\$ 174,695	\$ 1,077,848	\$ 269,462	\$ 138,841	\$ 130,621	52%
Information Technology	1003	83,539	419,250	104,812	42,074	62,738	40%
Operations CIP	1005	-	386,000	96,500	-	96,500	0%
Permit Administration	2001	121,401	718,617	179,654	141,297	38,357	79%
Planning & Projects	2002	158,345	1,178,645	294,661	227,665	66,996	77%
PMLM	2003	56,879	957,806	239,452	59,804	179,648	25%
Capital Finance	2004	-	2,713,653	678,413	265,439	412,974	39%
Rules Revision	2007	1,796	-	-	-	-	0%
Six Mile Marsh Prairie Restoration	3106	-	347,851	86,963	-	86,963	0%
Taft/Legion	3140	148,078	-	-	-	-	0%
Blake Road	3145	5,468	3,932,070	983,018	67,109	915,909	7%
Cottageville Park	3146	-	324,954	81,239	-	81,239	0%
Arden Park	3147	(26,844)	35,898	8,975	(66,750)	75,725	-744%
FEMA Flood Repair	3148	29,406	199,673	49,918	(8,453)	58,371	-17%
Meadowbrook	3150	-	10,000	2,500	-	2,500	0%
SWLRT Trail Connection	3152	-	255,000	63,750	-	63,750	0%
Wassermann West	3153	102,214	53,603	13,401	(86,840)	100,241	-648%
Minneapolis Stormwater	3155	-	250,000	62,500	-	62,500	0%
Wassermann Internal Load Mgmt	3156	-	157,950	39,488	3,945	35,543	10%
Outreach	4002	42,866	519,344	129,836	47,950	81,886	37%
R&M	5001	110,038	1,127,260	281,815	118,560	163,255	42%
SMCHB - Carp Mgmt	5007	43,373	51,000	12,750	24,881	(12,131)	195%
Total Expenditures		\$ 1,051,254	\$ 14,716,422	\$ 3,679,107	\$ 975,522	\$ 2,703,585	27%

Budget To Actual Comparison By Project
-\$90,000 to \$310,000



Budget To Actual Comparison By Project
\$0 to \$1,000,000



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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,

AEM FINANCIAL SOLUTIONS, LLC

Addendum: Variance Explanations

1	Property tax revenue is received twice a year, typically late June/early July & December. Depending upon timing we may not see revenue in this category until Q3.
2	Majority of miscellaneous revenue is permit receivables. 2020 was significantly higher than usual due to a land donation. 2021 budgeted number is more in line with expectations year-over-year.
3	Loans, grants and awards include a 2018 state grant for Blake Road stormwater facility construction as well as grants for Long Lake Creek Assessment and LSOHC.
4	Interest earnings are below projected and anticipated to remain below given current bank interest rates. Further information on alternative investing sources are being looked into.
5	Personnel is trending positively due to position vacancies that were budgeted for in Outreach and PMLM.
6	Staff expenses are reporting positively and less than 2020 due to less staff reimbursements for mileage and training as conferences to-date continue to be virtual.
7	Manager expenses are trending positively to the budget. This can be a timing issue as to when or how often Board Mangers submit for reimbursement. Also, with meetings continuing to be virtual no mileage reimbursements are being paid, and expenses associated with on-site board meetings are not currently being incurred. If meetings are changed to on-site at any point in 2021, expect expenses to increase accordingly.
8	Building & operating expenses are trending positively and less than 2020. Expenses continue to be lower with little to no staff in the office and maintenance on certain items deferred for the time being.
9	Vehicle budget for 2021 was increased due to the anticipated purchase of a new District vehicle, per the vehicle replacement schedule previously approved by the Board. This purchase will likely happen later in the year.
10	Contracted services is trending positively to the budget due to the timing of services mainly in Outreach and R&M.
11	Construction is showing a credit balance for Q1 with reversal of retainage accruals occurring in Q1.
12	Accounting and auditing is not significantly off budget projection, however expect this to go over budget in Q2 once the one-time audit payment is made. Overall, expect to fall very close to budget by year-end.
13	Engineering is trending positively to the budget due to the timing or deferral of projects however significantly more than what was spent this time last year.
14	Lab analysis expenditures are trending positively to the budget. Do not expect to see significant spending until later in the year as R&M ramps up sample testing.
15	Legal expenditures are trending positively to the budget due to the timing or deferral of projects however slightly higher than the same period last year.
16	Insurance is a one-time payment made in Q2. Once payment is made expense will show over budget until year end when the entire year's budget is shown.
17	Debt service is trending positively to the budget however higher than Q1 2020. This is in part due to the Wells Fargo Blake Road refi payment being made in March rather than April.
18	Other Miscellaneous expense is trending positively to the budget due to timing or deferral of services.
19	Fund closed
20	Dues and subscriptions is trending positively to the budget and similar to this same time period in 2020. The majority of dues and subscription expenditures are from IT, with most being license and maintenance agreements due in Q2.
21	There have been no software purchases to-date as part of the Strategic IT Plan. We are in the evaluation and selection phase for asset management, project and resource management and customer management platforms. Purchases will likely be made in Q2/Q3.
22	IT Equipment has no expenses to-date with no new items being purchased in Q1.
23	This line item will be moved to Project Maintenance and Land Management's contracted services fund to more accurately reflect the expenditure.