



MEMORANDUM

To: MCWD Board of Managers
From: Deb Johnson
Date: November 2, 2020
Re: 3rd Quarter Financial Report

Purpose:

Attached, please find the 3rd Quarter (Q3) Financial Report from AEM Financial Solutions showing revenue and expenditures from January 1, 2020 to September 30, 2020.

Summary:

Revenue

Budgeted tax revenue through September 30, 2020 is shown as \$7,159,496 which reflects three-quarters of the total expected for the year while actual received to-date is \$5,020,228. Similarly, other actual revenue, including grants, is below budgeted estimates for Q3. This deviation is due to the actual timing of receipts, which in the case of property tax occurs twice annually, versus how budgeted revenue is calculated on a monthly basis for accounting purposes. MCWD's tax revenue is on par with past years, and the District is not anticipating a significant shortfall in receipts in 2020.

Expenditures

Regarding budgeted 2020 expenditures measured against actual, a majority of funds are below the projected Q3 budget. As with revenue, this deviation is often tied to the timing of actual project or program expenditures relative to how expenditures are calculated on a monthly basis for purposes of accounting. Projected expenditures for Q3 are calculated as three-quarters of the total annual budget for a particular activity, whereas spending is driven by project and program schedules that create variable spending throughout the year. That said, year-to-date spending through September 30th is at 55% of budget.

Variances

COVID, as noted last quarter, continues to impact timing of initiatives, resulting in changes to workflow and in some instances expenditures. COVID related impacts may ultimately result in actual end-of-year expenditures being under budget.

Noteworthy positive variances (actuals under year-to-date budget) shown on the Management Planning Fund Table (page 5 of the report) include staff expenses, contracted services, construction, engineering, lab analysis, and property/easements/acquisitions. These categories are all currently 50% or less than their projected budgeted amount.

We collaborate with public and private partners to protect and improve land and water for current and future generations.

As described above, timing is often a factor. For example, lab analysis is performed later in the season with invoices paid in fourth quarter. With construction and engineering, some work has been delayed (e.g. MCWD camps improvements) which will impact overall 2020 expenditures. Further information on these funds can be found on the variance explanation addendum (last page of the report).

Areas of negative variance (actuals over year-to-date budget) include accounting and auditing, insurance, and loans/grants/awards given. Variances within the areas of insurance and loans/grants/awards given are a product of timing and are expected to fall within budget by year-end. Accounting and auditing is expected to end the year over budget. This is a result of an increase in AEM's scope of services, including assistance on one-time special projects and to ensure an adequate separation of duties in the absence of MCWD's Operations Manager.

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, funding sources, or in the case of Outreach, position vacancies.

Noteworthy negative variance within projects includes Taft-Legion, Arden Park, FEMA Flood Repair and SMCHB Carp Management. Taft-Legion actuals sit at 115% over budget due to the timing of scheduled debt service throughout the year. FEMA Flood Repairs were not finished in 2019 due to high water, therefore spending in 2020 to complete the work is higher than budgeted. This work is funded through carryover within this fund from 2019. Arden Park, at 191% over budget, is attributed to work scheduled for 2019 that was pushed to 2020 as well as project cost-share revenue that will offset these expenditures not yet received from the City of Edina. SMCHB Carp Management sits at 128% over budget through 9/30 however reflects the majority of spending having taken place through third quarter. Activity will likely ramp down for the remainder of the year which should bring the overall expenditures more in line with the budgeted amount.

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

We collaborate with public and private partners to protect and improve land and water for current and future generations.

3rd Quarter Report

Minnehaha Creek
Watershed District
Minnetonka, Minnesota

As of September 30, 2020



AEM Financial Solutions™

People
+ Process.
Going
Beyond the
Numbers



October 23, 2020

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 Management Planning Fund of the Minnehaha Creek Watershed District as of September 30, 2020 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. A variance analysis has been completed by Management and included as a separate attachment.

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™

October 23, 2020

Dear Board of Managers:

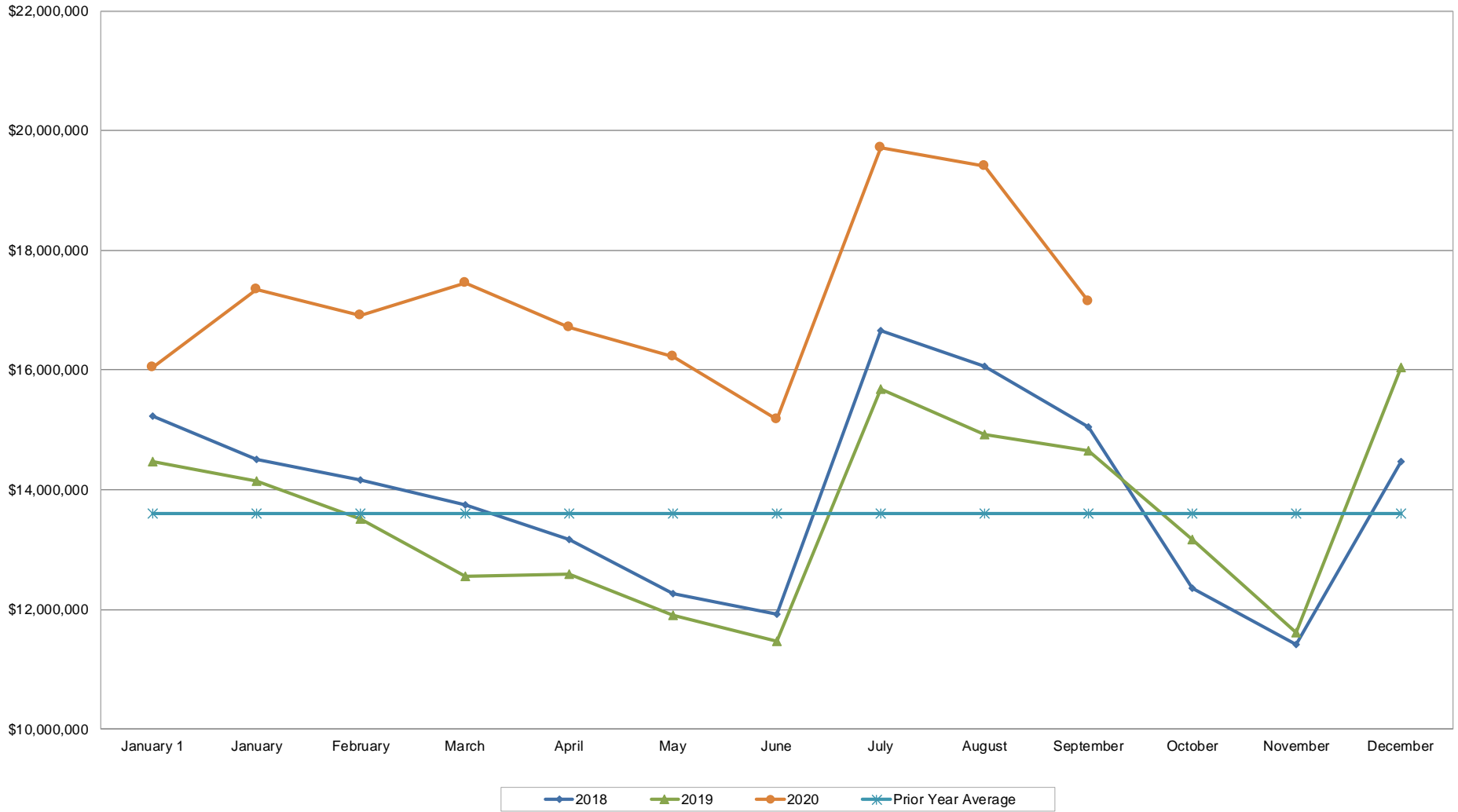
We have reconciled all bank accounts through September 30, 2020 and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

Cash

The District's cash balances are as follows:

Institution	Description	Market Value	Deposits -	Expenditures -	Transfers	Interest	Unadjusted	Market Value	Unrealized
		1/1/2020	Purchases	Sales			Market Value	9/30/2020	gain / loss
Alerus Financial, N.A.	General Checking # 8557	\$ 19,960.35	\$ 3,125,141.19	\$ (3,145,101.54)	\$ -	\$ -	\$ -	\$ -	\$ -
Alerus Financial, N.A.	General Savings # 557	3,127,150.18	100.00	(3,129,479.19)	-	2,229.01	0.00	-	(0.00)
		3,147,110.53	3,125,241.19	(6,274,580.73)	-	2,229.01	0.00	-	(0.00)
Alerus Financial, N.A.	Surety Checking # 7509	7,741.31	2,026.95	(9,768.26)	-	-	-	-	-
Alerus Financial, N.A.	Surety Savings # 3370	2,026.89	2,026.83	(4,053.78)	-	0.06	0.00	0.00	-
		9,768.20	4,053.78	(13,822.04)	-	0.06	0.00	0.00	-
Bremer Bank	General Checking - 0515	84,687.79	5,377,173.85	(6,816,438.23)	1,731,597.51	-	377,020.92	377,020.92	0.00
Bremer Bank	General MM - 2755	13,005,858.34	9,088,474.17	(5,144,491.69)	(1,731,597.51)	71,902.51	15,290,145.82	15,290,145.82	-
		13,090,546.13	14,465,648.02	(11,960,929.92)	-	71,902.51	15,667,166.74	15,667,166.74	0.00
Bremer Bank	Surety Checking - 6092	-	-	(23,041.34)	27,000.00	0.89	3,959.55	3,959.55	-
Bremer Bank	Surety MM - 2788	1,844,071.90	58,415.26	(278,920.00)	(27,000.00)	9,569.44	1,606,136.60	1,606,136.60	-
		1,844,071.90	58,415.26	(301,961.34)	-	9,570.33	1,610,096.15	1,610,096.15	-
		\$ 18,091,496.76	\$ 17,653,358.25	\$ (18,551,294.03)	\$ -	\$ 83,701.91	\$ 17,277,262.89	\$ 17,277,262.89	\$ 0.00

Management Planning Fund Cash Balances 2018 - 2020



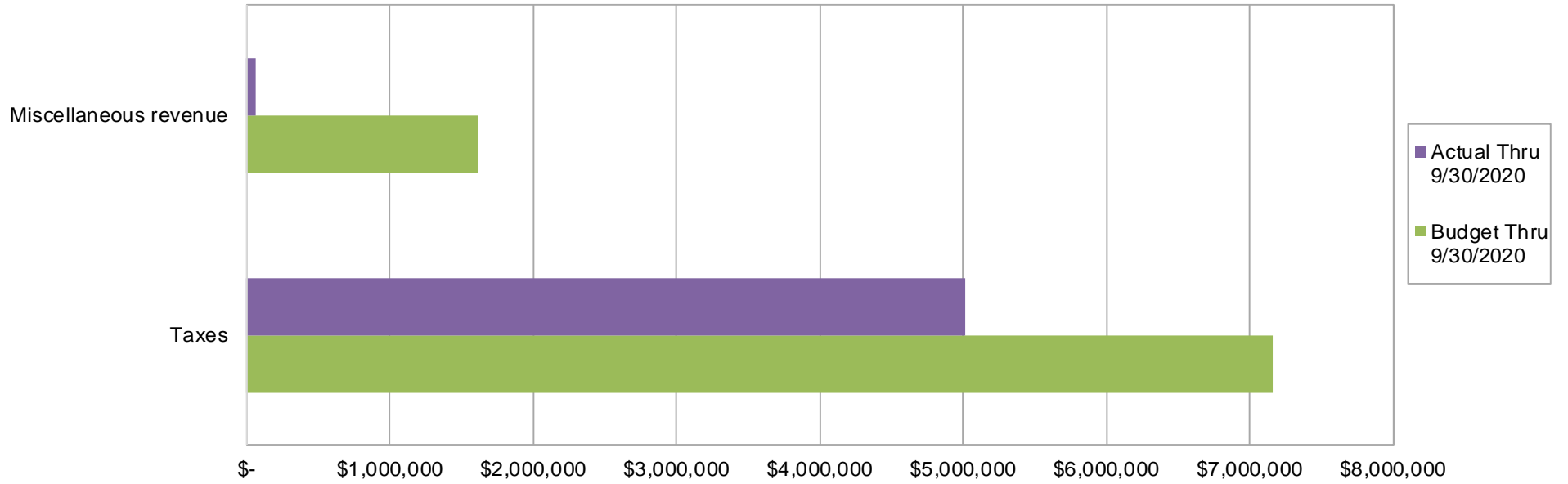
Management Planning Fund

Receipts	Annual	YTD	Actual	Percent of		Actual
	Budget	Budget Thru 9/30/2020	Thru 9/30/2020	YTD Budget		Thru 9/30/2019
Taxes	\$ 9,675,993	\$ 7,159,496	\$ 5,020,228	70.1 %	↓ (1)	\$ 4,933,227
Miscellaneous revenue	2,157,426	1,618,069	61,915	3.8	↓ (2)	133,967
Loans, grants & awards	157,000	117,750	275,789	234.2	↑ (3)	1,229,497
Interest earnings	70,000	52,500	87,824	167.3	↑ (4)	85,658
	<u>\$ 12,060,419</u>	<u>\$ 8,947,815</u>	<u>\$ 5,445,756</u>	<u>60.9 %</u>	<u>↓</u>	<u>\$ 6,382,349</u>
Disbursements						
Personnel	\$ 2,569,763	\$ 1,927,323	\$ 1,623,446	84.2 %	↑ (5)	\$ 1,681,447
Staff expenses	70,649	52,987	4,347	8.2	↑ (6)	25,825
Manager expenses	52,500	39,375	21,858	55.5	↑ (7)	20,900
Building & operating expense	131,000	98,250	64,490	65.6	↑ (8)	92,878
Vehicles	15,000	11,250	7,249	64.4	↑ (9)	33,576
Contracted services	1,146,786	860,090	356,571	41.5	↑ (10)	690,770
Construction	6,022,626	4,516,970	1,573,421	34.8	↑ (11)	3,253,952
Accounting & auditing	89,000	66,750	81,620	122.3	↓ (12)	62,943
Engineering	896,500	672,375	266,937	39.7	↑ (13)	352,157
Lab analysis	120,400	90,300	25,663	28.4	↑ (14)	46,640
Legal services	411,000	308,250	180,058	58.4	↑ (15)	150,218
Insurance	85,000	63,750	71,151	111.6	↓ (16)	102,733
Debt service	2,604,974	1,953,731	1,638,301	83.9	↑ (17)	641,636
Other miscellaneous	344,966	258,725	152,836	59.1	↑ (18)	94,164
Property/Easement Acquisition	469,931	352,448	1,800	0.5	→ (19)	92
Dues & Subscriptions	78,750	59,063	53,437	90.5	↑ (20)	50,169
Strategic IT Plan	121,332	90,999	79,193	87.0	↑ (21)	32,235
IT Equipment	25,000	18,750	14,323	76.4	↑ (22)	18,527
Loans, grants & awards given	95,000	71,250	87,332	122.6	↓ (23)	5,380
	<u>\$ 15,350,177</u>	<u>\$ 11,512,636</u>	<u>\$ 6,304,033</u>	<u>54.8 %</u>	<u>↑</u>	<u>\$ 7,356,242</u>

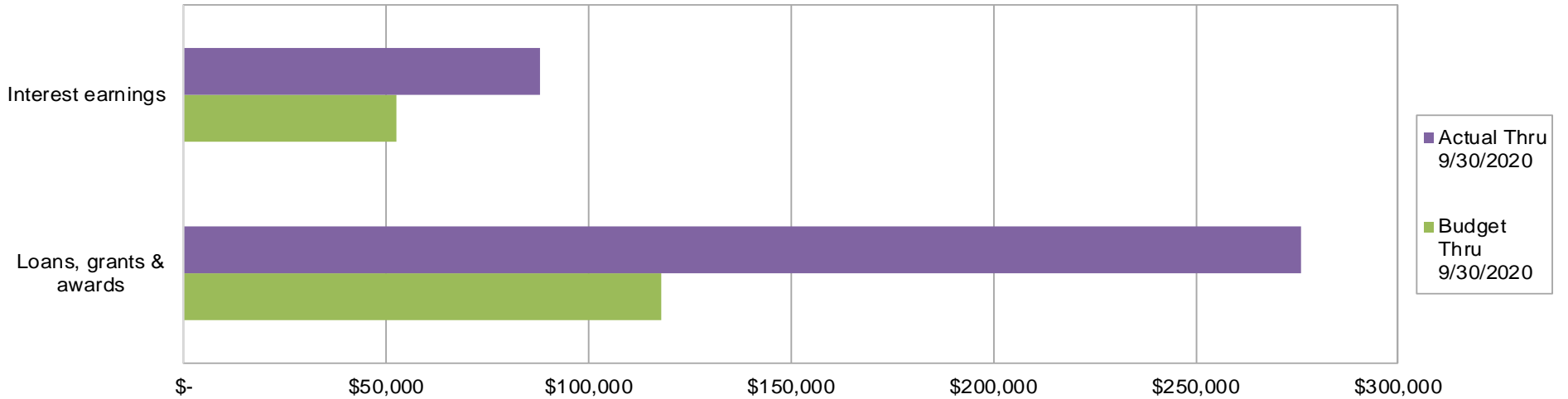
Key

- ↑ 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 \$8,000,000**



**Receipts Budget to Actual Comparison
\$0 to \$300,000**

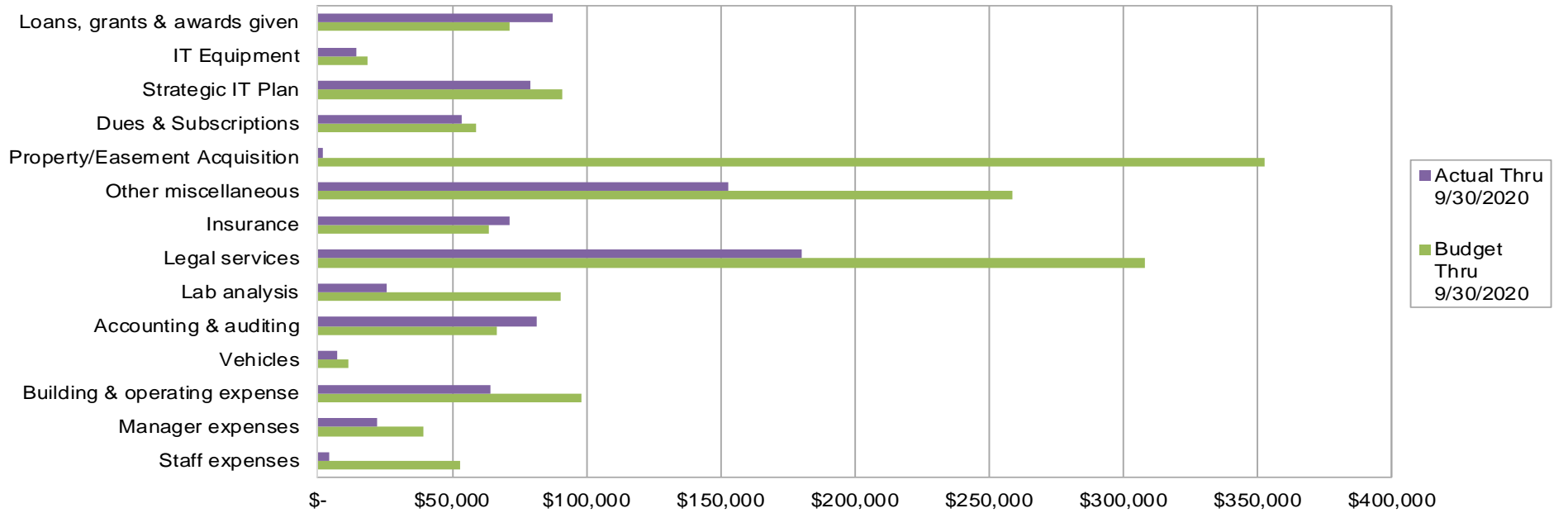


Typically property taxes are received in July and December (with 70% advance in June). For 2020, there will be a delay in collection/receipt of payments as well as a different distribution schedule due to COVID-19.

**Disbursements Budget to Actual Comparison
\$0 to \$5,000,000**



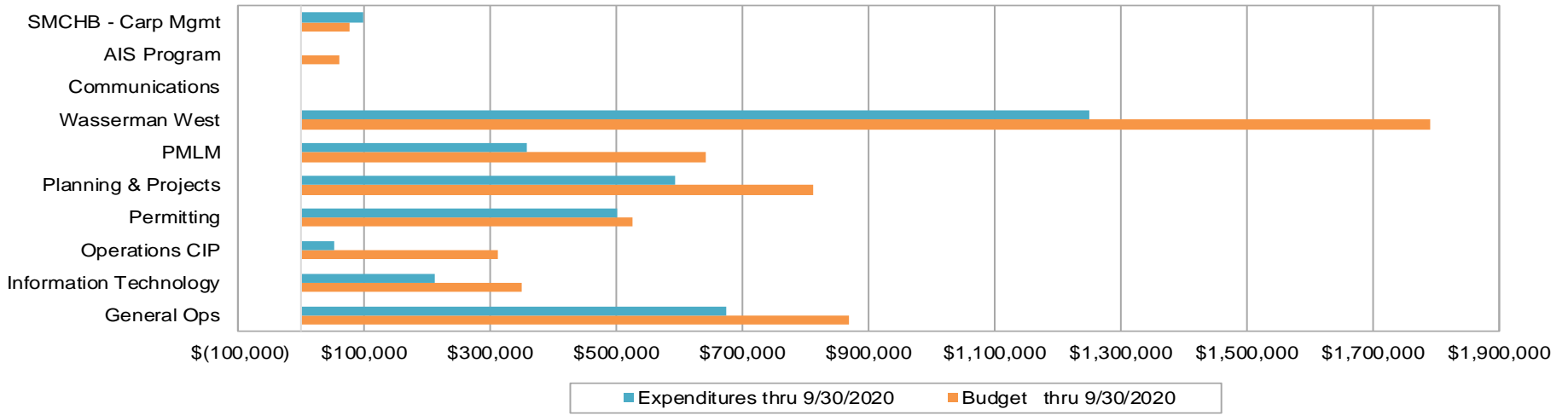
**Disbursements Budget to Actual Comparison
\$0 to \$400,000**



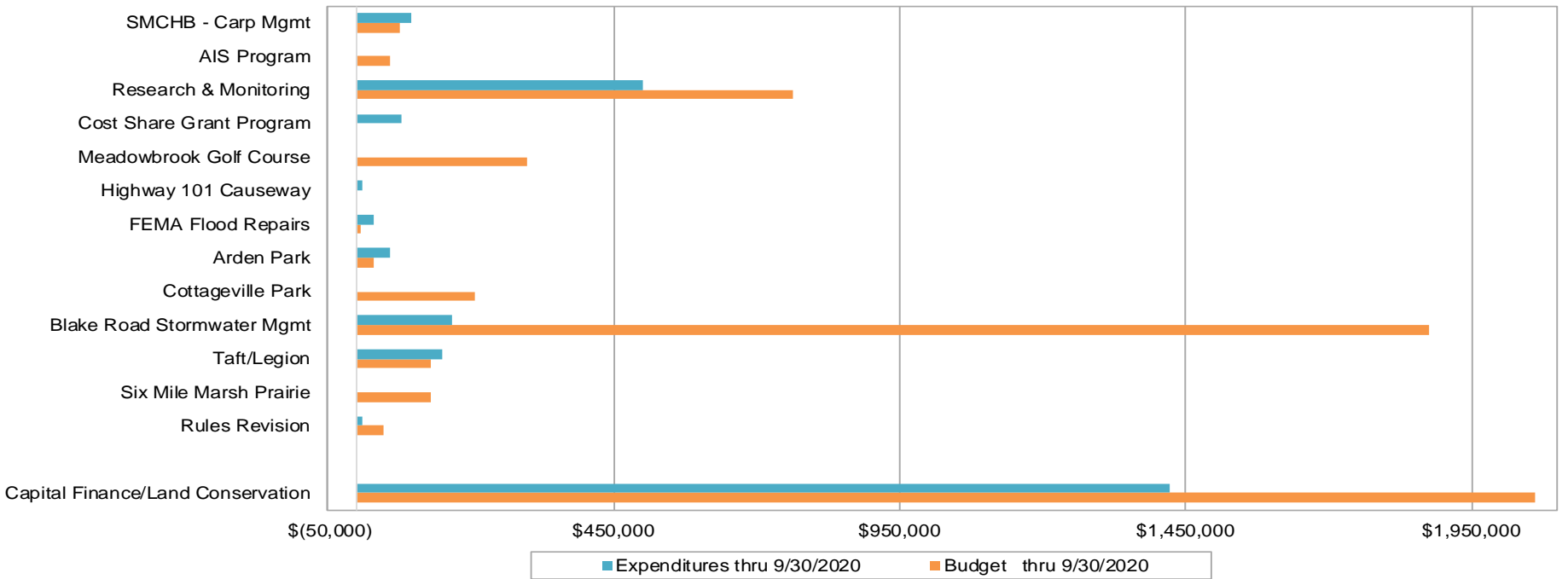
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Nine Months Ended September 30, 2020

Fund Name	Project #	Annual Budget	YTD Budget thru 9/30/2020	Actual Expenditures thru 9/30/2020	Variance 9/30/2020	Percent Expended Budget thru 9/30/2020	Actual Expenditures thru 9/30/2019
General Ops	1002	\$ 1,158,557	\$ 868,918	\$ 672,741	\$ 196,177	77%	\$ 814,099
Information Technology	1003	465,332	348,999	212,448	136,551	61%	145,151
Operations CIP	1005	414,000	310,500	51,015	259,485	16%	-
Permitting	2001	700,822	525,617	500,622	24,995	95%	494,198
Planning & Projects	2002	1,080,804	810,603	591,930	218,673	73%	655,301
PMLM	2003	854,762	641,072	357,521	283,551	56%	462,711
Capital Finance/Land Conservation	2004	2,750,000	2,062,500	1,422,104	640,396	69%	391,935
	2006	-	-	-	-	0%	-
Rules Revision	2007	65,000	48,750	9,491	39,259	19%	6,964
Six Mile Marsh Prairie	3106	175,000	131,250	-	131,250	0%	-
Taft/Legion	3140	171,905	128,929	148,908	(19,979)	115%	173,533
Blake Road Stormwater Mgmt	3145	2,500,000	1,875,000	167,900	1,707,100	9%	102,946
Cottageville Park	3146	276,000	207,000	-	207,000	0%	-
Arden Park	3147	41,898	31,424	60,006	(28,582)	191%	2,801,098
FEMA Flood Repairs	3148	9,000	6,750	29,406	(22,656)	436%	178,089
Highway 101 Causeway	3149	-	-	9,206	(9,206)	0%	14,211
Meadowbrook Golf Course	3150	400,000	300,000	-	300,000	0%	-
SWLRT Trail Connection	3152	-	-	335	(335)	0%	-
Wasserman West	3153	2,387,728	1,790,796	1,250,575	540,221	70%	71,182
C. Krieg Stewardship Grant Program	4001	-	-	-	-	0%	1,000
Outreach	4002	701,320	525,991	142,154	383,837	27%	153,326
Communications	4003	-	-	-	-	0%	228,809
Cost Share Grant Program	4005	-	-	80,235	(80,235)	0%	4,380
Research & Monitoring	5001	1,017,049	762,787	500,619	262,168	66%	445,087
AIS Program	5005	\$ 80,000	\$ 60,000	\$ -	\$ 60,000	0%	\$ -
SMCHB - Carp Mgmt	5007	101,000	75,750	96,817	(21,067)	128%	212,222
Total Expenditures		\$ 15,350,177	\$ 11,512,636	\$ 6,304,033	\$ 5,208,603	55%	\$ 7,356,242

**Budget To Actual Comparison By Project
\$0 to \$1,900,000**



**Budget To Actual Comparison By Project
\$0 to \$1,950,000**



* * * * *

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,

AEM FINANCIAL SOLUTIONS, LLC

Addendum: Variance Explanations

Property tax revenue is received twice a year, typically June & December. Q3 budget reflects 75% of payments received thru 9/30.

Budget includes \$2,052,168 due from Victoria for Wassermann. At the end of Q3 monies had not yet been received, however \$717,000 was received in October.

Actual revenue includes a 2018 state grant of \$185,000 for Blake Road. Of this amount, roughly all but \$5,000 will be carried forward to 2021 for the construction of the stormwater facility. An unbudgeted BWSR grant for \$142,360 was received for the Wassermann Internal Load Management Project. The 2020 budget includes a \$101,000 grant from LSOHC for SMCHB Carp Management and a \$56,000 BWSR grant for the Long Lake Creek Subwatershed Assessment, neither of which had been received at the end of Q3. The 2020 actual is less than 2019 due to \$1,098,961 in grant income from the City of Edina for Arden Park construction.

Interest earnings are above budgeted amount, however similar to the same period of 2019.

Personnel is trending positively due to position vacancies.

Staff expenses are reporting positively and less than 2019 due to roughly \$7,700 less in mileage and \$13,800 in training to-date. This is largely due to COVID with off-site meetings and trainings cancelled or changed to virtual meetings.

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, however would expect expenses to be reduced for the year due to virtual rather than in-person meetings.

Building & operating expenses is trending positively and less than 2019 due to \$19,100 in reduced maintenance costs. This is in part due to a credit received from Xcel whereby no electric payment was due for five months.

Vehicles are reporting positively to-date and less than 2019 due to a purchase of a new vehicle in August of 2019.

Contracted services is trending positively to the budget due to the timing of services mainly in IT, Outreach and R&M.

Construction expenditures are trending positively to the budget due to the timing or deferral of projects and less than 2019 due to the payments made for Arden Park construction.

Accounting and auditing is trending negatively to the budget due to the timing of audit costs paid 100% in the first half of the year. Also, actuals for 2020 will be higher than budgeted due to an increase in the scope of services for AEM.

Engineering is trending positively to the budget due to the timing or deferral of projects and less than 2019 for the same period.

Lab analysis expenditures are trending positively to the budget and less than 2019 due to timing of projects in R&M.

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.

Insurance costs are trending negatively to the budget as the single payment is made at the beginning of the year for the policy that runs May to May. This will more closely align with the budgeted figure at year-end.

Debt service is trending positively to the budget however higher than 2019. This is due to a \$1,000,000 principal payment made to Wells Fargo for 325 Blake Road in September 2020 compared to October in 2019.

Other Miscellaneous expense is trending positively to the budget due to timing or deferral of services.

Property/Easement Acquisition is trending positively to the budget with \$469,931 budgeted in Capital Finance with no significant expenditures to-date.

Dues and subscriptions is trending positively to the budget and are similar to 2019 for the same time period.

Strategic IT plan is trending positively to the budget.

IT Equipment is trending positively to the budget and closely aligns with the 2019 budget.

Loans, grants, & awards given is trending negatively based on monies budgeted through 3rd quarter, however based on the overall annual budget is on track. Q3 saw a \$80,235 payment to the City of Mound to cover a 2017 cost-share agreement for construction and maintenance of a stormwater management facility and restoration of shoreline at city owned Carlson Park.