



Title: 3rd Quarter 2021 Financial Report
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Purpose:

Attached, please find the 3rd Quarter (Q3) Financial Report from AEM Financial Solutions showing revenue and expenditures from January 1, 2021 to September 30, 2021.

Summary:

Revenue

Hennepin and Carver county first half tax levy settlements were received in Q3. Total received to-date is \$5,003,845. This represents approximately half of the budget and levy disbursement. Remainder of settlements are made in December which should bring the District to a fully funded budget.

Miscellaneous revenue, as well as revenue from loans, grants, and awards, are approximately 50% of their projected budgets for the year. Some of this is timing, with permitting reimbursables making up much of the miscellaneous expenses category. This is often due to a lag time between when the District incurs the expense and when it is reimbursed by the permittee. Loans, grants, and awards received through Q3 are less than anticipated largely due to a construction grant for 325 Blake Road that is now expected to be received in 2022.

Revenue from interest earned is down significantly from the budget projection. We saw a downward trend in interest earned throughout 2020 and this continues to carry forward into 2021. With the pandemic impacts on the economy and interest return rates exceedingly low, we do not expect to earn the interest revenue income budgeted for 2021.

Expenditures

Overall expenditures are at approximately 40% of the total 2021 budget through Q3 with a wide range of variances. Many of these variances are attributed to timing or deferment of projects.

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, contracted services, lab analysis, other miscellaneous, and strategic IT plan. These expenditures are for the most part a matter of timing i.e., new vehicle has been ordered and will be paid upon arrival, or due to deferred services, as in the case of the strategic IT plan. 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, currently at less than 10% expenditure of its overall budgeted amount. Projects budgeted for 2021 included the Prairie Trail and Blake Road, with over three million dollars earmarked for construction. Both projects are in design phase, however construction will not achieve the anticipated level in 2021 thus leaving a large percentage of budgeted funds to carryover 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.

Exceptions where expenditures are higher than annual budget include Arden Park, Wassermann West, and SMCHB-Carp Management. In these instances the expenditures were incurred with the expectation of reimbursement from partner funds or grants not yet received. Noteworthy is the FEMA Flood Repair project showing a credit balance. This is due to a

reversal of retainage accruals which occurred in Q1. It is expected that this project funds will be in line with budget as work continues or is finalized.

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 3rd Quarter Financial Report

3rd Quarter Report

Minnehaha Creek
Watershed District
Minnetonka, Minnesota

As of September 30, 2021



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October 11, 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 September 30, 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™

October 11, 2021

Dear Board of Managers:

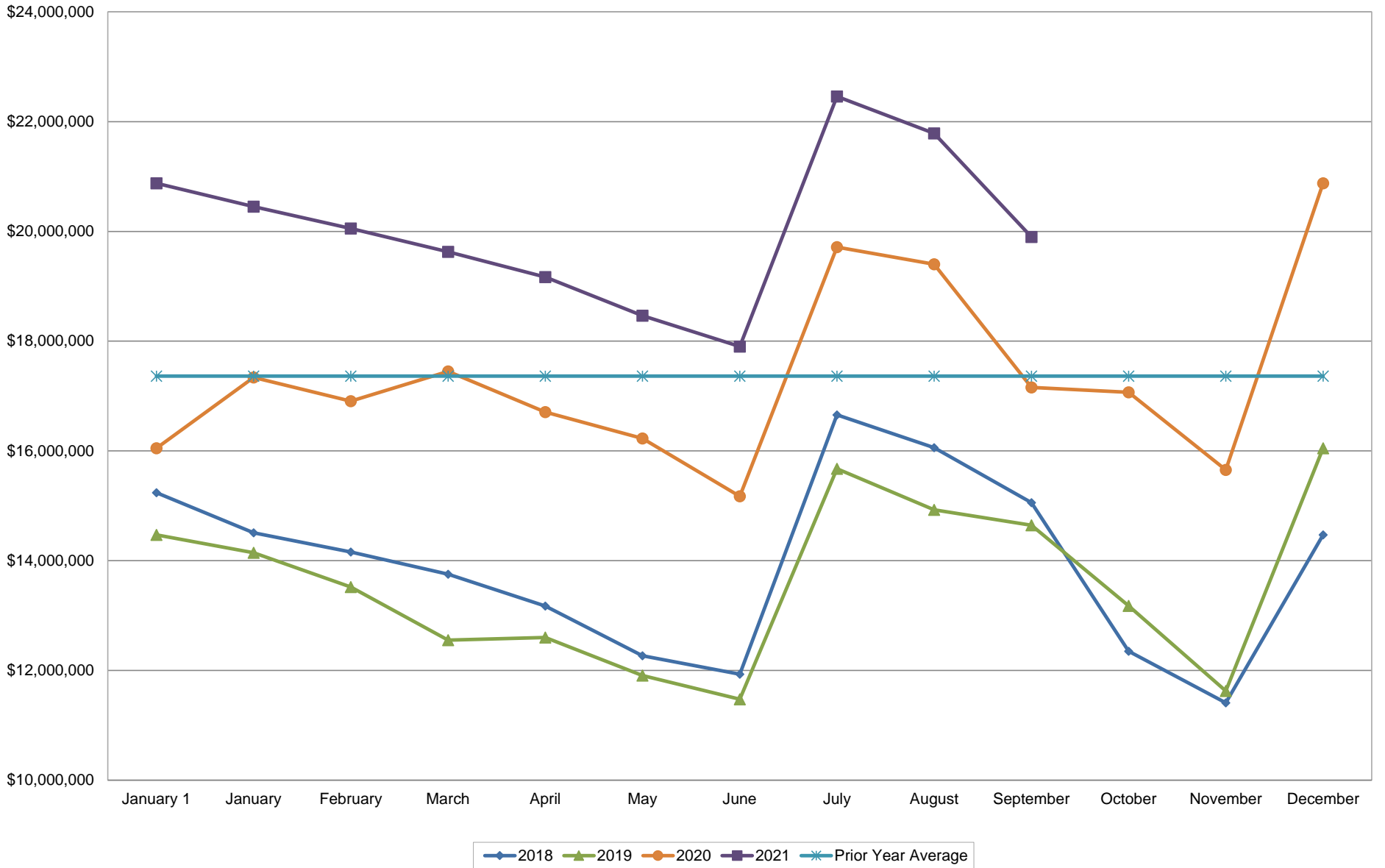
We have reconciled all bank accounts through September 30, 2021 and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

Cash

The District's cash balances are as follows:

Institution	Description	Type	Market Value 1/1/2021	Deposits - Purchases	Expenditures - Sales	Transfers	Interest	Unadjusted Market Value 6/30/2021	Market Value 6/30/2021	Unrealized Gain / Loss
Bremer Bank	General Checking - 0515	Checking	\$ 387,449.11	\$ 111.18	\$ (6,483,292.35)	\$ 6,411,000.00	\$ -	\$ 315,267.94	\$ 232,747.07	\$ (82,520.87)
Bremer Bank	General MM - 2755	Money Market	18,959,641.17	5,383,663.63	-	(6,383,964.68)	2,927.72	17,962,267.84	16,057,929.00	(1,904,338.84)
			19,347,090.28	5,383,774.81	(6,483,292.35)	27,035.32	2,927.72	18,277,535.78	16,290,676.07	(1,986,859.71)
Bremer Bank	Surety Checking- 6092	Checking	3,869.65	3,235.00	(103,698.00)	115,000.00	0.68	18,407.33	3,689.83	(14,717.50)
Bremer Bank	Surety MM - 2788	Money Market	1,611,948.63	144,651.86	-	(142,035.32)	256.32	1,614,821.49	1,649,745.65	34,924.16
			1,615,818.28	147,886.86	(103,698.00)	(27,035.32)	257.00	1,633,228.82	1,653,435.48	20,206.66
Total Cash and Investments			\$ 20,962,908.56	\$ 5,531,661.67	\$ (6,586,990.35)	\$ 0.00	\$ 3,184.72	\$ 19,910,764.60	\$ 17,944,111.55	\$ (1,966,653.05)

Management Planning Fund Cash Balances 2018 - 2021



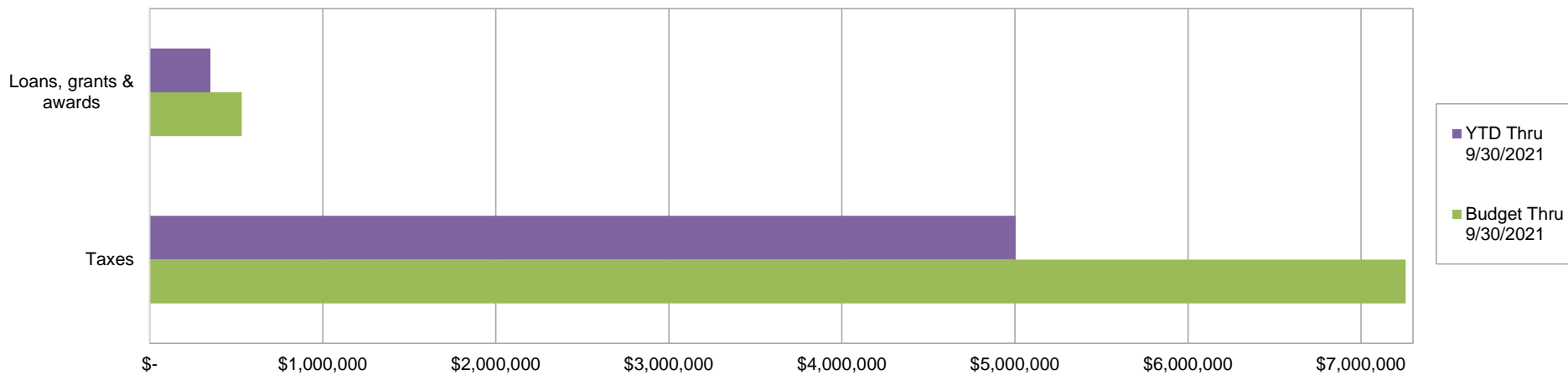
Management Planning Fund

	2020 Actual	2021 Budget	YTD Budget Thru 9/30/2021	YTD Thru 9/30/2021	Percent of YTD Budget		
Receipts							
Taxes	\$ 9,643,911	\$ 9,675,994	\$ 7,256,997	\$ 5,003,845	69.0 %	↓	(1)
Miscellaneous revenue	53,036	99,220	74,415	47,460	63.8	↓	(2)
Bond Proceeds	4,881,517	-	-	-	-		
Loans, grants & awards	2,464,304	709,801	532,351	350,536	65.8	↓	(3)
Interest earnings	89,736	70,000	52,500	3,185	6.1	↓	(4)
	<u>\$ 17,132,504</u>	<u>\$ 10,555,015</u>	<u>\$ 7,916,263</u>	<u>\$ 5,405,026</u>	<u>68.3 %</u>	↓	
Disbursements							
Personnel	\$ 2,203,497	\$ 2,563,423	\$ 1,922,569	\$ 1,675,390	87.1 %	↑	(5)
Staff expenses	7,397	69,000	51,750	3,006	5.8	↑	(6)
Manager expenses	38,907	42,000	31,500	29,694	94.3	⇒	(7)
Building & operating expense	94,404	139,500	104,625	63,525	60.7	↑	(8)
Vehicles	10,136	42,000	31,500	1,277	4.1	↑	(9)
Contracted services	550,764	859,127	644,346	272,843	42.3	↑	(10)
Construction	2,771,673	5,090,775	3,818,083	401,687	10.5	↑	(11)
Accounting & auditing	98,435	92,000	69,000	79,510	115.2	↓	(12)
Engineering	433,666	1,815,173	1,361,380	762,021	56.0	↑	(13)
Lab analysis	49,325	100,300	75,225	24,473	32.5	↑	(14)
Legal services	255,609	465,200	348,900	265,196	76.0	↑	(15)
Insurance	71,151	85,000	63,750	74,936	117.5	↓	(16)
Debt service	7,419,897	2,936,674	2,202,506	2,139,793	97.2	⇒	(17)
Other miscellaneous	58,443	201,500	151,125	28,548	18.9	↑	(18)
Property/Easement Acquisition	1,800	1,500	1,125	1,100	-		
Dues & Subscriptions	52,158	105,750	79,313	87,777	110.7	↓	(19)
Strategic IT Plan	18,368	76,000	57,000	-	-	↑	(20)
IT Equipment	16,854	31,500	23,625	17,531	74.2	↑	(21)
Loans, grants & awards given	165,735	-	-	-	-		
Capital Outlay	235,246	-	-	-	-		
	<u>\$ 14,553,465</u>	<u>\$ 14,716,422</u>	<u>\$ 11,037,322</u>	<u>\$ 5,928,307</u>	<u>53.7 %</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 \$7,300,000**



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

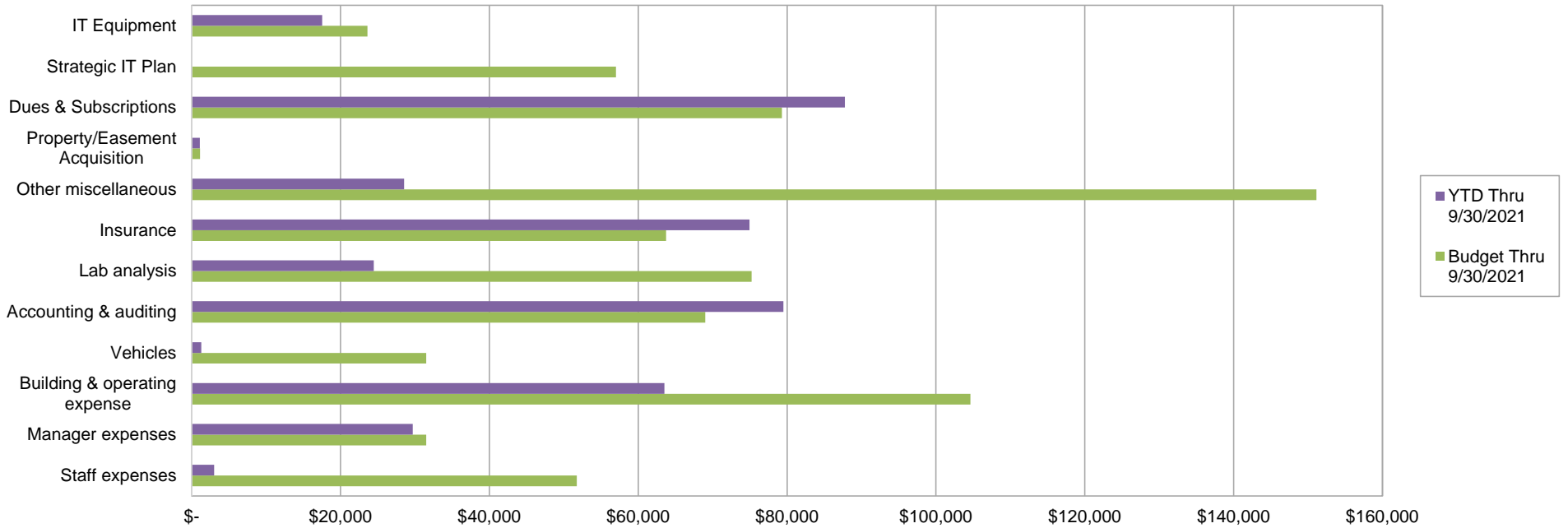


*** Typically, property taxes are received in July and December (with 70% advance in June).

**Disbursements Budget to Actual Comparison
\$0 to \$4,000,000**



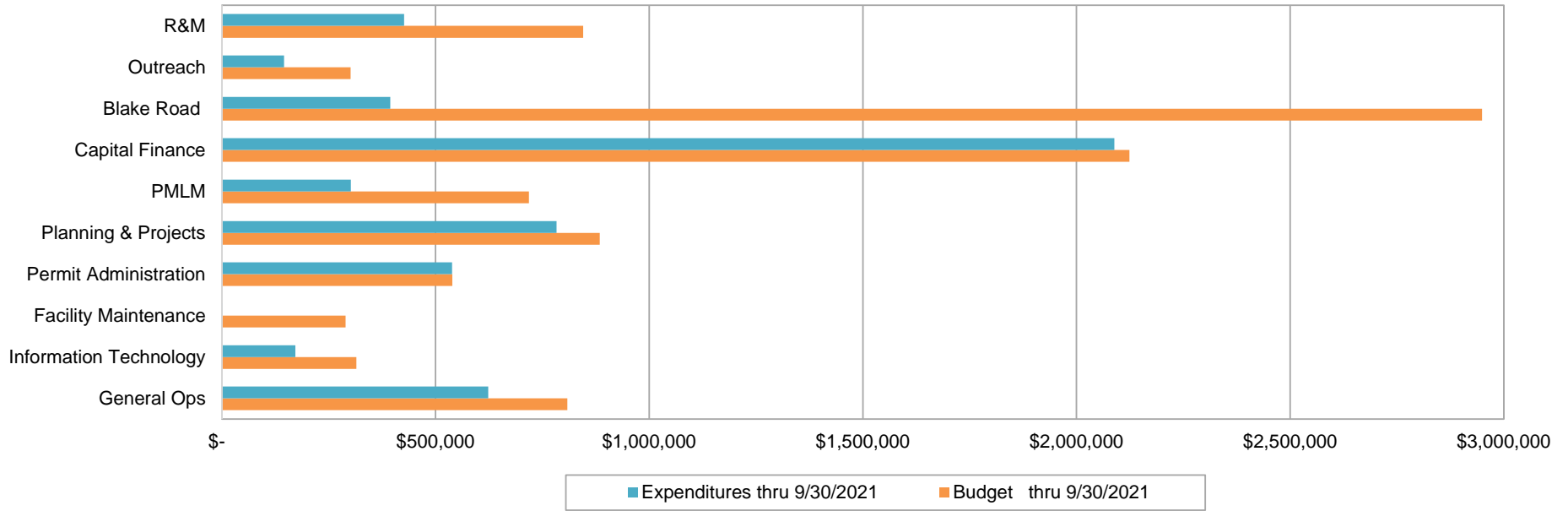
**Disbursements Budget to Actual Comparison
\$0 to \$160,000**



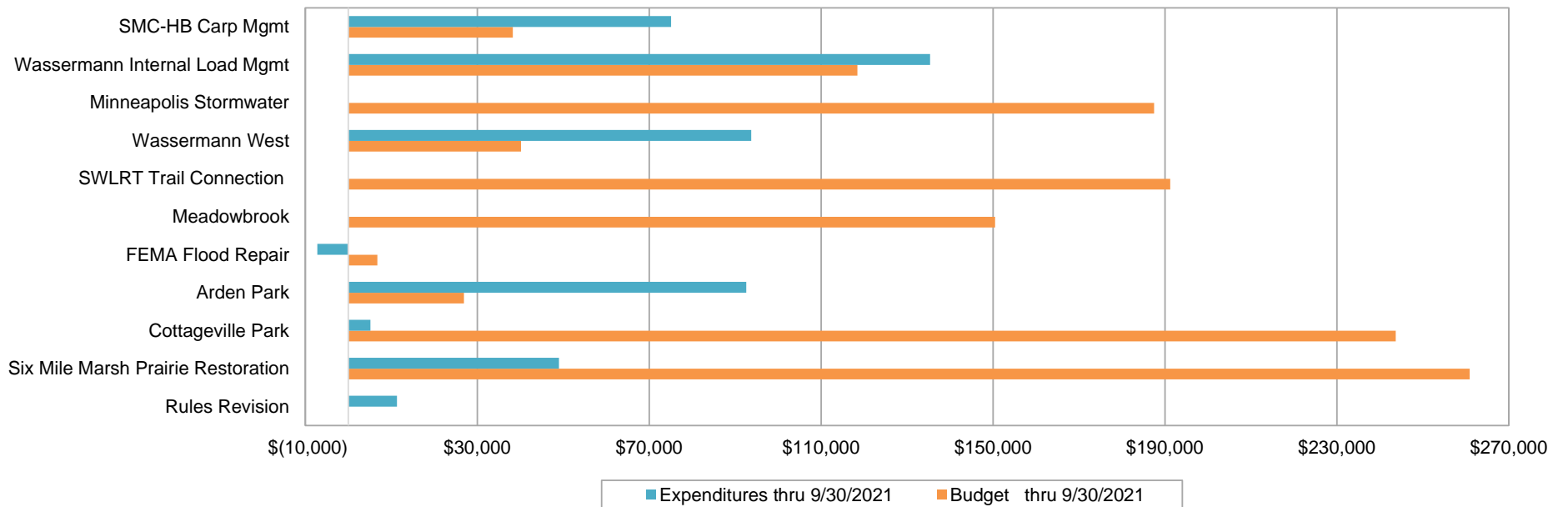
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Nine Months Ended September 30, 2021

Fund Name	Project #	2020 Actual Expenditures	2021 Annual Budget	YTD Budget thru 9/30/2021	YTD Expenditures thru 9/30/2021	Variance 9/30/2021	Percent Expended Budget thru 9/30/2021
General Ops	1002	\$ 898,180	\$ 1,077,848	\$ 808,386	\$ 623,314	\$ 185,072	77%
Information Technology	1003	241,220	419,250	314,438	171,873	142,565	55%
Facility Maintenance	1005	57,615	386,000	289,500	747	288,753	0%
Permit Administration	2001	695,017	718,617	538,963	538,369	594	100%
Planning & Projects	2002	836,288	1,178,645	883,984	782,868	101,116	89%
PMLM	2003	505,099	957,806	718,355	301,785	416,570	42%
Capital Finance	2004	7,167,756	2,831,750	2,123,813	2,088,745	35,068	98%
Rules Revision	2007	20,102	-	-	11,321	(11,321)	0%
Six Mile Marsh Prairie Restoration	3106	-	347,851	260,888	48,985	211,903	19%
Taft/Legion	3140	174,155	-	-	-	-	0%
Blake Road	3145	179,342	3,932,070	2,949,053	393,798	2,555,255	13%
Cottageville Park	3146	-	324,954	243,716	5,175	238,541	2%
Arden Park	3147	296,386	35,898	26,924	92,614	(65,690)	344%
FEMA Flood Repair	3148	38,253	9,000	6,750	(7,222)	13,972	-107%
Highway 101 Causeway	3149	9,206	-	-	-	-	0%
Meadowbrook	3150	-	200,673	150,505	-	150,505	0%
SWLRT Trail Connection	3152	335	255,000	191,250	-	191,250	0%
Wassermann West	3153	2,277,055	53,603	40,202	93,761	(53,559)	233%
Minneapolis Stormwater	3155	-	250,000	187,500	-	187,500	0%
Wassermann Internal Load Mgmt	3156	21,288	157,950	118,463	135,336	(16,873)	114%
C. Krieg Stewardship Grant Program	4001	336	-	-	-	-	0%
Outreach	4002	189,609	401,247	300,936	145,314	155,622	48%
Cost Share Grant Program	4005	80,235	-	-	-	-	0%
R&M	5001	698,344	1,127,260	845,446	426,437	419,009	50%
AIS Program	5005	68,983	-	-	-	-	0%
SMC-HB Carp Mgmt	5007	98,736	51,000	38,250	75,087	(36,837)	196%
Total Expenditures		\$ 14,553,540	\$ 14,716,422	\$ 11,037,322	\$ 5,928,307	\$ 5,109,015	54%

Budget To Actual Comparison By Project
\$0 to \$3,000,000



Budget To Actual Comparison By Project
-\$10,000 to \$270,000



* * * * *

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

People
+ Process.

Going
Beyond the
Numbers

Addendum: Variance Explanations – Q3 2021

1	The first half levy disbursements from Hennepin and Carver Counties were received in July. These represent approximately half of the levy amount requested. Second disbursement arrives in December.
2	Majority of miscellaneous revenue is permit receivables. Actual is below anticipated, however much of this is due to timing and receipt of reimbursements for engineering and other permit related fees.
3	Loans/grants/awards received include monies for Arden Park, FEMA modeling and Blake Road design.
4	Interest earnings are below projected. Trend will continue given current bank rates. Income will fall far below budget for this reason.
5	Personnel is trending positively due to the budgeted PMLM position vacancy and the until recently filled Outreach Manager vacancy.
6	Staff expenses remain under budget with the driver being staff attendance at conferences (and their related expenses). Conferences for the most part remain virtual which reduce overall costs.
7	Manager expenses are trending positive to budget.
8	Building & operating expenses are trending positively to the budget. Maintenance on certain items were deferred due to COVID and staff being virtual, however with staff returning to the office some of these items are now being addressed. We will likely see expenses incurred accordingly.
9	Vehicle budget includes a new vehicle purchase, Board approved and ordered earlier this year. Upon delivery, slated for year end, this line item will be closer to budgeted amount.
10	Contracted services is trending positively to the budget for all programs. This is likely due to timing of services, or in some instances services deferred.
11	Construction is trending positively to the budget due to timing or work deferrals. Blake Road accounts for approximately \$3 million in construction funds, and this work, although in process, will not begin construction phase until 2022.
12	Accounting and auditing will exceed budget for the year. This is due to several unanticipated programming changes or requests that were not in scope and charged outside of the monthly accounting contracted amount.
13	Engineering is trending positively to the budget due to the timing or deferral of projects. That said, it is more than doubled what was spent in 2020 overall with less services required due to COVID and deferral of project last year.
14	Lab analysis expenditures continue to trend positively to the budget. Although most expenses are incurred in 3 rd and 4 th quarters, expenses will fall short of the budgeted amount with less sampling taking place due to the dry creek conditions.
15	Legal expenditures are trending positively to the budget. The 2021 expenses are, however, exceeding 2020 total with an increase in project activity this year over last year.
16	Insurance is a one-time payment made in Q2. Expenditure will remain unchanged and under budget for the year.
17	Debt service is trending positively to the budget simply based on timing of payments. Expect full budget expenditures by year-end.
18	Other Miscellaneous expense is trending positively to the budget due to timing or deferral of services.
19	The majority of dues and subscription expenditures are IT license and maintenance agreements paid in Q1 or Q2. The 2021 expenditures are higher than 2020 as systems acquired through the strategic IT update in 2020 have moved into maintenance and sustainment in 2021. This will be at or near budget by year-end.
20	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 which may result in expenditures yet this year.
21	The Board recently authorized the purchase of replacement IT equipment, including firewall and laptops. Expenses will show in 4 th quarter. It is anticipated that overall expenses will minimally exceed budget.