



Title: 4th Quarter 2020 Financial Report

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Purpose:

Attached, please find the 4th Quarter (Q4) Financial Report from AEM Financial Solutions showing revenue and expenditures from January 1, 2020 to December 31, 2020. Please note, the information provided is based on the unaudited end of year status and some adjustments may be made through the upcoming audit process.

Summary:

Revenue

Budgeted tax revenue through December 31, 2020 is shown as \$9,551,298 reflecting receipt of 98.7% of expected revenue. Due to County final settlements typically being received after year end it is common to receive a slightly lower tax revenue, as is the case here with 98.7%. That being said, in January 2021 the District received final settlements from Hennepin and Carver Counties, bringing expected revenue in line with budget. Loan proceeds of \$4,881,517 reflects the refinance of the Hennepin County and Richfield bond long term debt (and is in turn reflected as an expenditure on the expense side).

Expenditures

Final 2020 expenditures measured against budget show a majority of funds below the projected budget amounts. Overall 2020 ended with a budget to expense ratio of 92.5%, however the majority of funds fell within the 60-80% range of expected expenditures.

Variances

COVID, as noted throughout 2020, continued to impact timing of initiatives, resulting in changes to workflow and in some instances expenditures. COVID related impacts, as expected, ultimately resulted 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 all ended the year at 46% or less than their projected budgeted amount.

The smaller than expected expenditures for construction and engineering are a direct result of projects delayed or postponed (e.g. MCWD campus improvements) which directly impacted overall expenditures for 2020.

Areas of negative variance (actuals over year-to-date budget) include accounting and auditing, debt service and loans/grants/awards given. As anticipated, accounting and auditing ended the year over budget. This was 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. The loans, grants and awards overage reflects an \$80,000 payment to the City of Mound for a cost share project agreement from 2017 that was finalized in 2020.

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 include Capital Finance, Arden Park, and FEMA Flood Repair. Capital Finance reflects the payoff of the Hennepin County and Richfield debts, both of which were refinanced for an overall savings to the District. Arden Park, at 343% over budget is attributed to work scheduled for 2019 that was pushed to 2020. There are also project cost-share revenues due from the City of Edina that as of year-end had not been received. The FEMA Flood Repairs project was 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.

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

Supporting documents (list attachments):

2020 4th Quarter Financial Report

4th Quarter Report

Minnehaha Creek Watershed District

Minnetonka, Minnesota

As of December 31, 2020



AEM Financial Solutions™

People
+ Process.
Going
Beyond the
Numbers



January 19, 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 December 31, 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.

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™

January 19, 2021

Dear Board of Managers:

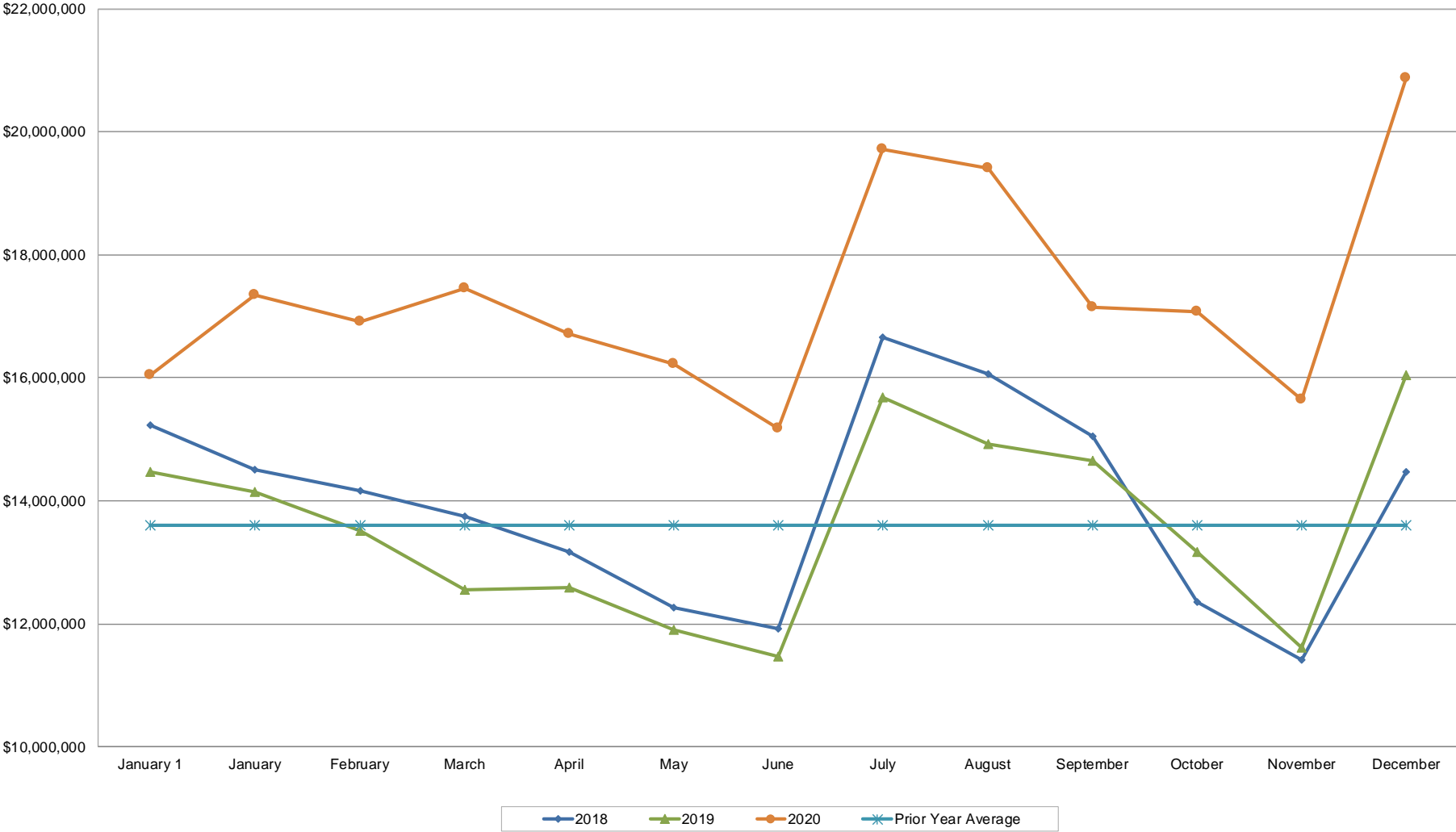
We have reconciled all bank accounts through December 31, 2020 and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

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	12/31/2020	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	8,356,411.93	(9,785,248.12)	1,731,597.51	-	387,449.11	387,449.11	0.00
Bremer Bank	General MM - 2755	13,005,858.34	15,698,256.78	(8,086,491.69)	(1,731,597.51)	73,615.25	18,959,641.17	18,959,641.17	-
		13,090,546.13	24,054,668.71	(17,871,739.81)	-	73,615.25	19,347,090.28	19,347,090.28	0.00
Bremer Bank	Surety Checking- 6092	-	-	(23,131.34)	27,000.00	0.99	3,869.65	3,869.65	-
Bremer Bank	Surety MM - 2788	1,844,071.90	102,170.00	(316,986.66)	(27,000.00)	9,693.39	1,611,948.63	1,611,948.63	-
		1,844,071.90	102,170.00	(340,118.00)	-	9,694.38	1,615,818.28	1,615,818.28	-
		\$ 18,091,496.76	\$ 27,286,133.68	\$ (24,500,260.58)	\$ -	\$ 85,538.70	\$ 20,962,908.56	\$ 20,962,908.56	\$ 0.00

Management Planning Fund Cash Balances 2018 - 2020

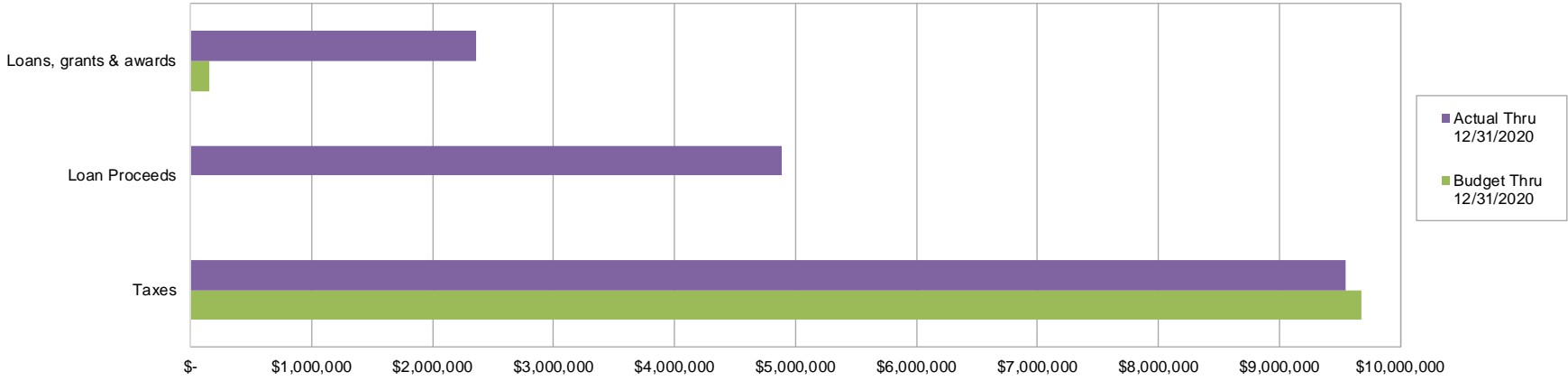


Receipts	YTD Budget Thru 12/31/2020	Actual Thru 12/31/2020	Percent of YTD Budget		Actual Thru 12/31/2019
Taxes	\$ 9,675,993	\$ 9,551,298	98.7 %	(1)	\$ 9,623,630
Miscellaneous revenue	2,157,426	53,468	2.5	(2)	1,644,782
Loan Proceeds	-	4,881,517	-		-
Loans, grants & awards	157,000	2,361,871	1,504.4	(3)	572,882
Interest earnings	70,000	89,705	128.2	(4)	159,799
	<u>\$ 12,060,419</u>	<u>\$ 16,937,859</u>	<u>140.4 %</u>		<u>\$ 12,001,093</u>

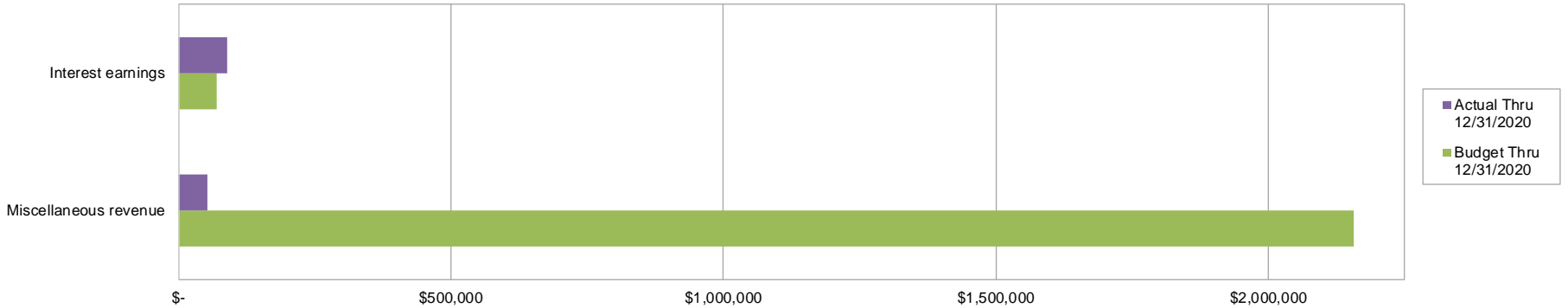
Disbursements

Personnel	\$ 2,569,763	\$ 2,142,110	83.4 %	(5)	\$ 2,289,411
Staff expenses	70,649	6,137	8.7	(6)	48,225
Manager expenses	52,500	32,261	61.4	(7)	34,610
Building & operating expense	177,800	99,457	55.9	(8)	142,545
Vehicles	15,000	10,153	67.7	(9)	9,584
Contracted services	1,146,786	401,145	35.0	(10)	1,072,319
Construction	6,022,626	2,661,197	44.2	(11)	3,484,999
Accounting & auditing	89,000	98,435	110.6	(12)	88,039
Engineering	896,500	409,919	45.7	(13)	583,529
Lab analysis	120,400	49,025	40.7	(14)	78,062
Legal services	411,000	255,609	62.2	(15)	201,059
Insurance	85,000	71,151	83.7	(16)	75,772
Debt service	2,621,344	7,419,897	283.1	(17)	2,649,486
Other miscellaneous	298,166	205,227	68.8	(18)	108,492
Property/Easement Acquisition	469,931	1,800	0.4	(19)	5,092
Dues & Subscriptions	78,750	64,844	82.3	(20)	85,324
Strategic IT Plan	121,332	79,193	65.3	(21)	93,333
IT Equipment	25,000	16,854	67.4	(22)	66,515
Loans, grants & awards given	95,000	189,483	199.5	(23)	191,945
Capital Outlay	-	-	NA		290,062
	<u>\$ 15,366,547</u>	<u>\$ 14,213,897</u>	<u>92.5 %</u>		<u>\$ 11,598,403</u>

**Receipts Budget to Actual Comparison
\$0 to \$10,000,000**

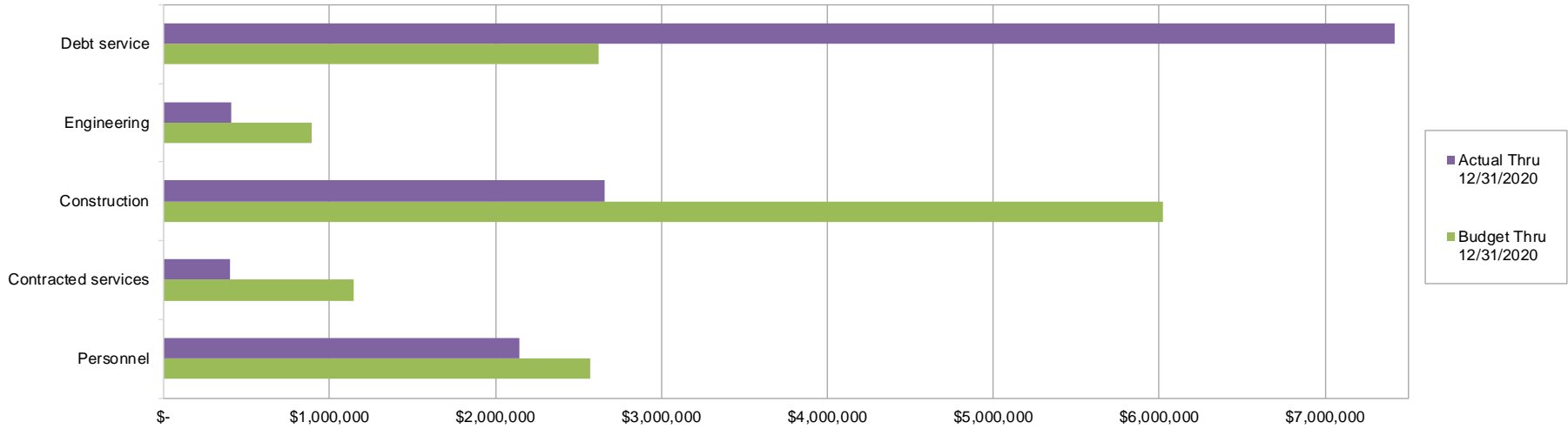


**Receipts Budget to Actual Comparison
\$0 to \$2,250,000**



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 \$7,500,000**



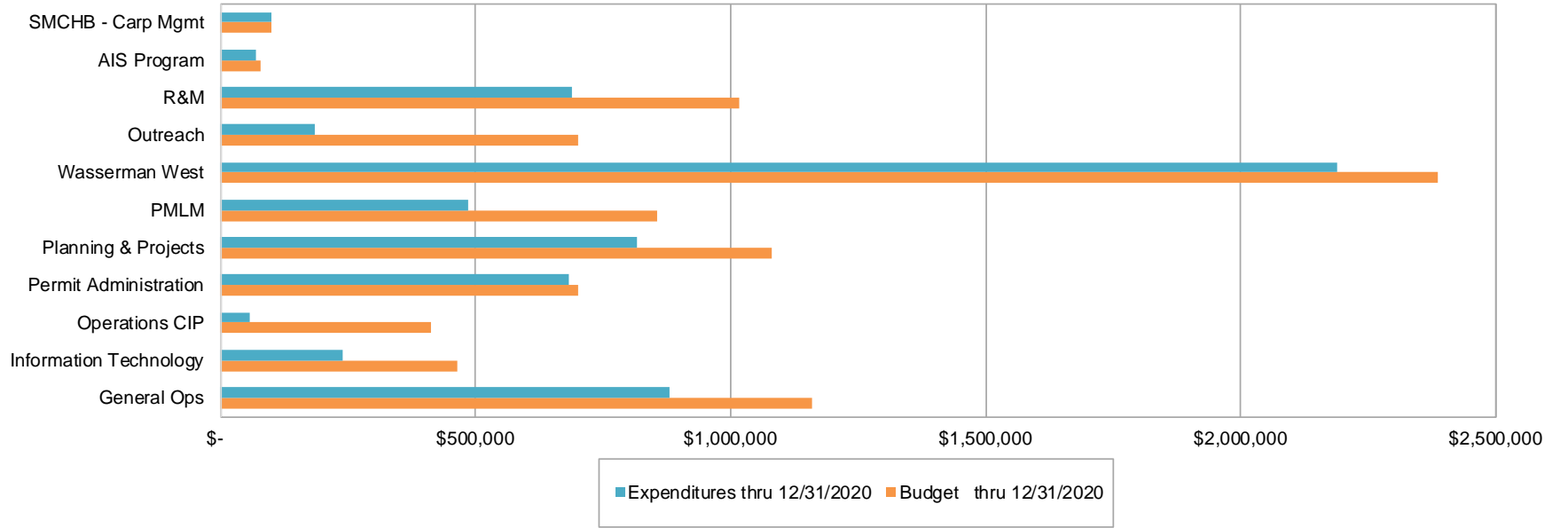
**Disbursements Budget to Actual Comparison
\$0 to \$500,000**



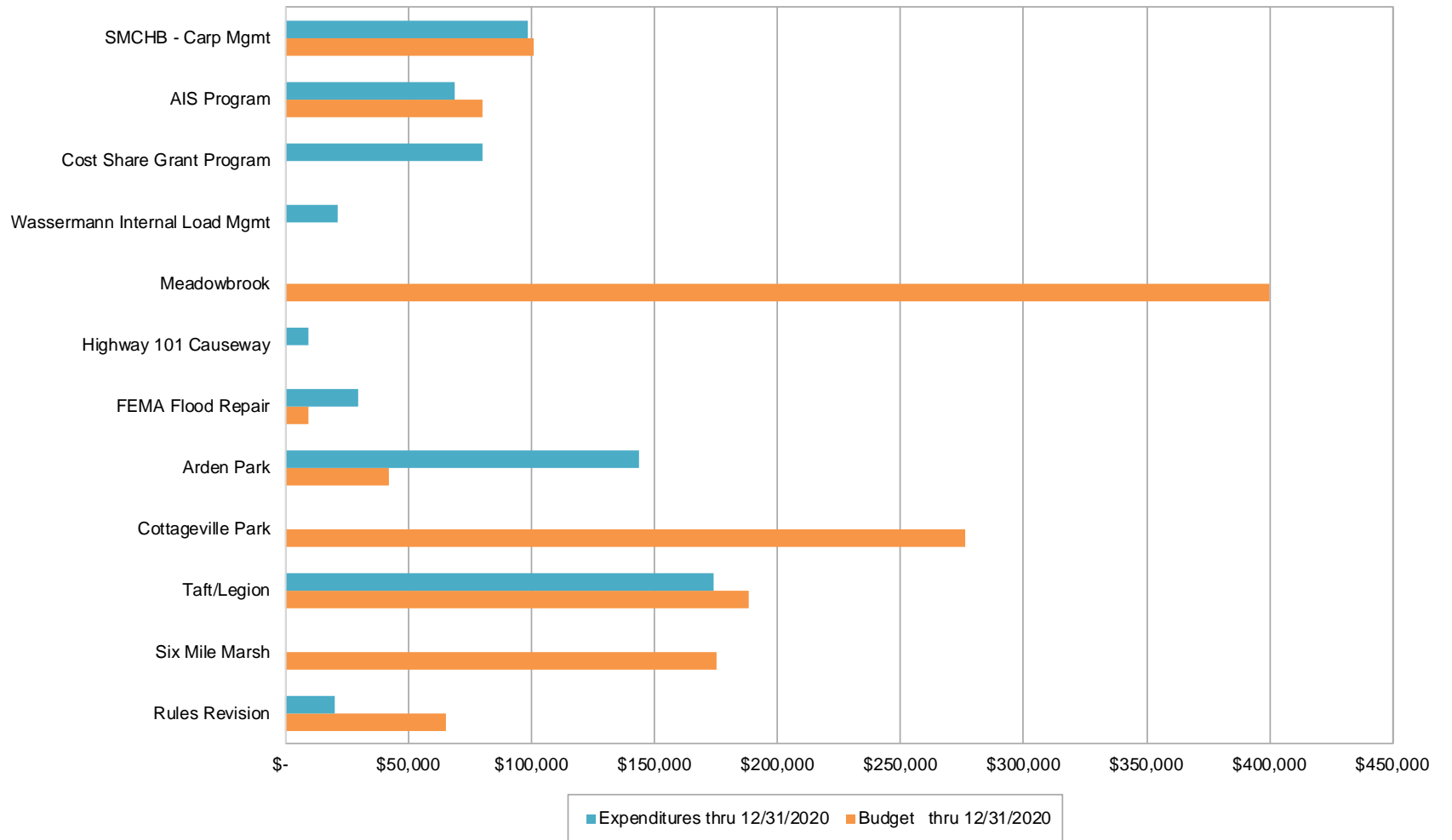
Minnehaha Creek Watershed District
Statement of Expenditures -
Budget and Actual -
For the Twelve Months Ended December 31, 2020

Fund Name	Project #	YTD Budget thru 12/31/2020	Actual Expenditures thru 12/31/2020	Variance 12/31/2020	Percent Expended Budget thru 12/31/2020	Actual Expenditures thru 12/31/2019
General Ops	1002	\$ 1,158,557	\$ 879,592	\$ 278,965	76%	\$ 1,098,503
Information Technology	1003	465,332	239,809	225,523	52%	302,278
Operations CIP	1005	414,000	57,615	356,385	14%	-
Permit Administration	2001	700,822	682,382	18,440	97%	674,407
Planning & Projects	2002	1,080,804	815,076	265,728	75%	975,165
PMLM	2003	854,762	484,229	370,533	57%	624,772
Capital Finance	2004	2,750,000	7,167,756	(4,417,756)	261%	2,321,545
Habitat Restoration	2006	-	-	-	0%	11,818
Rules Revision	2007	65,000	20,102	44,898	31%	17,954
Six Mile Marsh	3106	175,000	-	175,000	0%	-
Taft/Legion	3140	188,275	174,155	14,120	93%	173,669
Blake Road	3145	2,500,000	178,071	2,321,929	7%	112,235
Cottageville Park	3146	276,000	-	276,000	0%	-
Arden Park	3147	41,898	143,731	(101,833)	343%	3,250,435
FEMA Flood Repair	3148	9,000	29,508	(20,508)	328%	194,775
Highway 101 Causeway	3149	-	9,206	(9,206)	0%	3,001
Meadowbrook	3150	400,000	-	400,000	0%	-
3152 SWLRT Trail Connection	3152	-	335	(335)	0%	-
Wasserman West	3153	2,387,728	2,190,215	197,513	92%	276,730
Wassermann Internal Load Mgmt	3156	-	21,288	(21,288)	0%	-
C. Krieg Stewardship Grant Program	4001	-	336	(336)	0%	1,000
Outreach	4002	701,320	184,684	516,636	26%	183,535
Communications	4003	-	-	-	0%	275,115
Cost Share Grant Program	4005	-	80,235	(80,235)	0%	119,967
R&M	5001	1,017,049	687,852	329,197	68%	662,185
AIS Program	5005	80,000	68,983	11,017	86%	69,828
SMCHB - Carp Mgmt	5007	101,000	98,737	2,263	98%	249,486
Total Expenditures		\$ 15,366,547	\$ 14,213,897	\$ 1,152,650		\$ 11,598,403

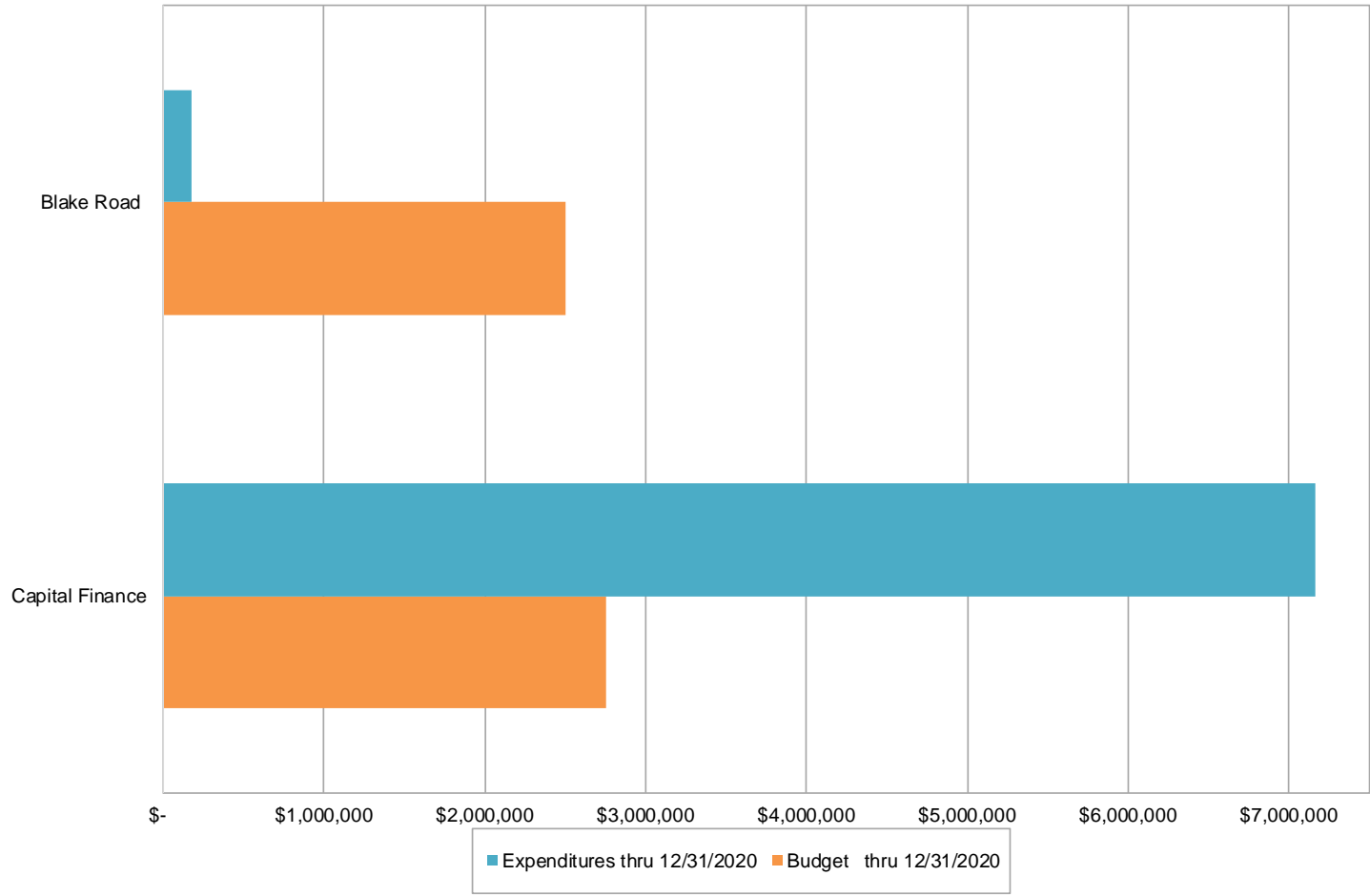
Budget To Actual Comparison By Project
\$0 to \$2,500,000



Budget To Actual Comparison By Project
\$0 to \$450,000



Budget To Actual Comparison By Project
\$0 to \$7,500,000



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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