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**Title:** 2nd Quarter 2021 Financial Report  
**Prepared by:** Name: Deb Johnson  
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**Purpose:**

Attached, please find the 2<sup>nd</sup> Quarter (Q2) Financial Report from AEM Financial Solutions showing revenue and expenditures from January 1, 2021 to June 30, 2021.

**Summary:**

Revenue

Budgeted tax revenue through June 30, 2021 is shown as \$4,838,000 with zero dollars received. 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 in July. The District has in fact received first half settlements from both Hennepin and Carver counties totaling \$5,003,841. This will be reflected on the Q3 report.

Revenue from interest earned is down significantly from the budget projection. We saw a downward trend in interest earned throughout 2020 which 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 in 2021.

Expenditures

With the YTD budget simply shown as one-half of its total, it is not unexpected to see a wide range of variances when comparing to actual expenditures. That said, overall expenditures are at 37.4% of budget through Q2.

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, construction, lab analysis, other miscellaneous, strategic IT plan and IT equipment. These expenditures are a matter of timing i.e. new vehicle has been ordered and will be paid upon arrival, 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, currently at 7.2% of its anticipated expenditures. 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 budget to-date include Arden Park, Wassermann Internal Load Management 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 are the Wasserman West and FEMA Flood Repair projects showing credit balances through Q2. This is due to reversals of retainage accruals which occurred in Q1. It is expected that these 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](mailto:djohnson@minnehahacreek.org)

**Supporting documents (list attachments):**

2021 2<sup>nd</sup> Quarter Financial Report

# 2nd Quarter Report

Minnehaha Creek  
Watershed District  
Minnetonka, Minnesota

As of June 30, 2021



*AEM Financial Solutions™*

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Going  
Beyond the  
Numbers



July 15, 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 June 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™

July 15, 2021

Dear Board of Managers:

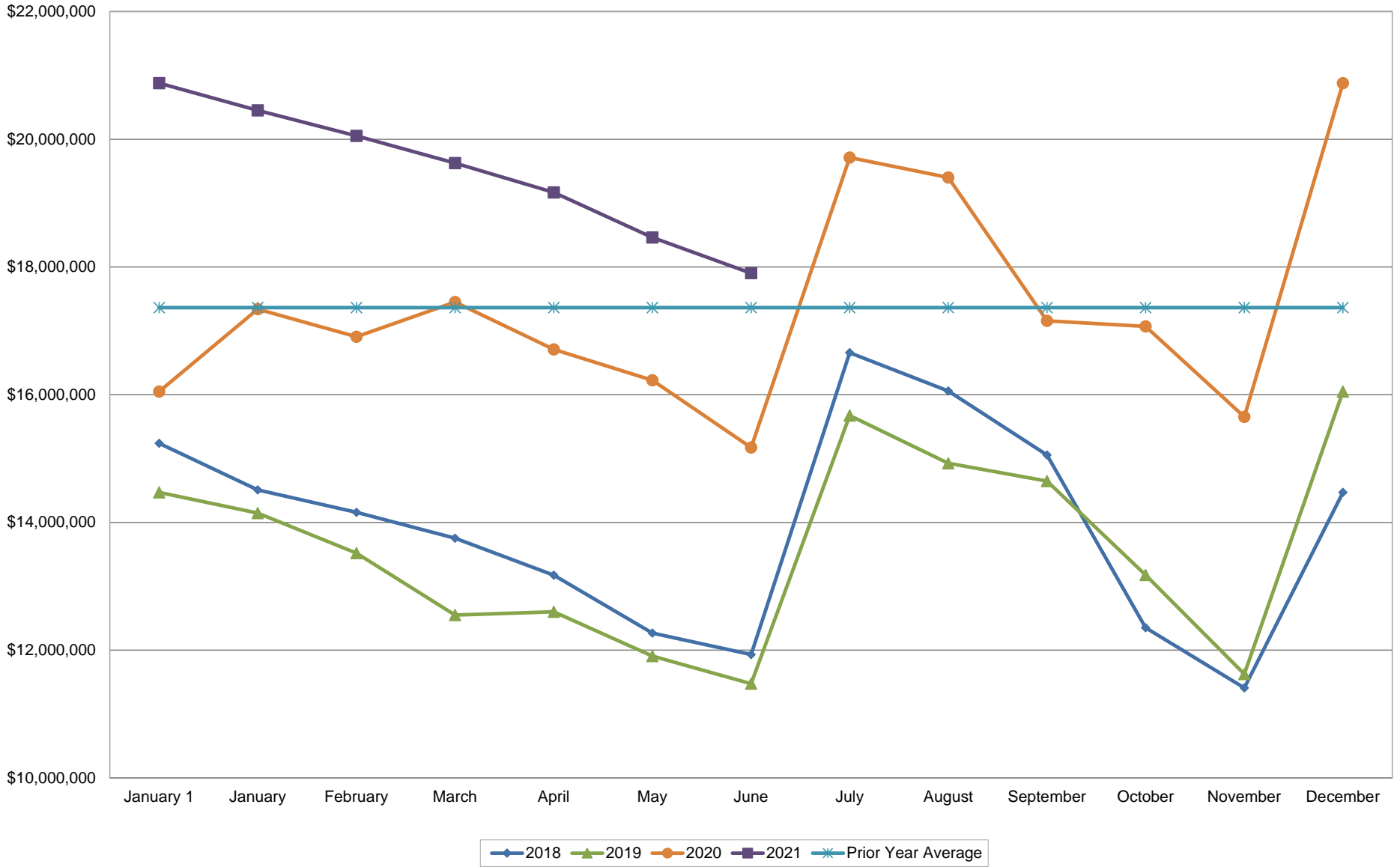
We have reconciled all bank accounts through June 30, 2021 and reviewed activity in all projects within the fund. The following is a summary of our observations. All information presented is unaudited.

**Cash**

The District's cash balances are as follows:

Institution	Description	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	\$ 387,449.11	\$ 2,691,111.18	\$ (3,315,813.22)	\$ 470,000.00	\$ -	\$ 232,747.07	\$ 232,747.07	\$ -
Bremer Bank	General MM - 2755	18,959,641.17	241,365.10	(2,675,000.00)	(470,000.00)	1,922.73	16,057,929.00	16,057,929.00	-
		19,347,090.28	2,932,476.28	(5,990,813.22)	-	1,922.73	16,290,676.07	16,290,676.07	-
Bremer Bank	Surety Checking- 6092	3,869.65	-	(180.00)	-	0.18	3,689.83	3,689.83	-
Bremer Bank	Surety MM - 2788	1,611,948.63	63,017.00	(25,394.46)	-	174.48	1,649,745.65	1,649,745.65	-
		1,615,818.28	63,017.00	(25,574.46)	-	174.66	1,653,435.48	1,653,435.48	-
		<u>\$ 20,962,908.56</u>	<u>\$ 2,995,493.28</u>	<u>\$ (6,016,387.68)</u>	<u>\$ -</u>	<u>\$ 2,097.39</u>	<u>\$ 17,944,111.55</u>	<u>\$ 17,944,111.55</u>	<u>\$ -</u>

Management Planning Fund Cash Balances 2018 - 2021



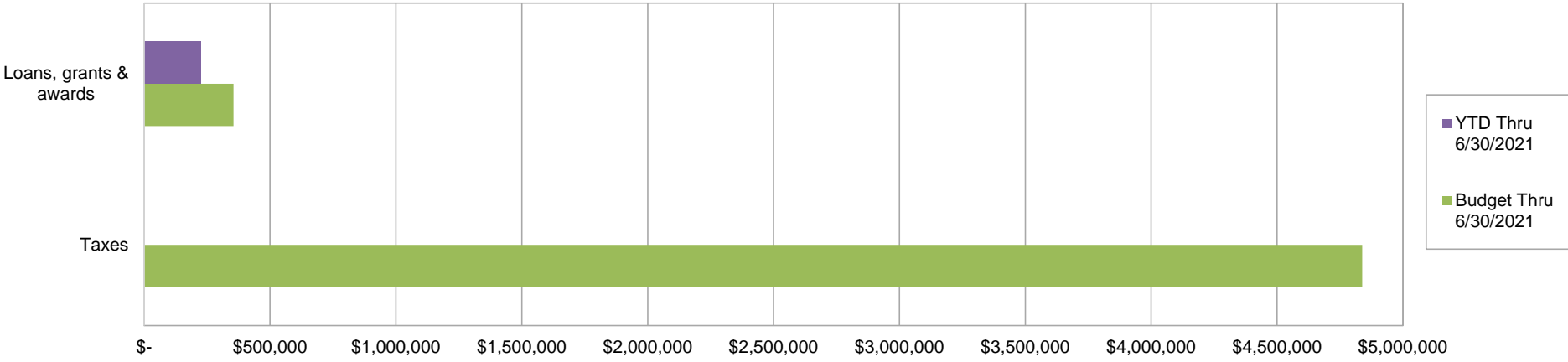
**Management Planning Fund**

Receipts	2020	2021	YTD	YTD	Percent of YTD Budget		
	Actual	Budget	Budget Thru 6/30/2021	Thru 6/30/2021			
Taxes	\$ 9,643,911	\$ 9,675,994	\$ 4,838,000	\$ -	- %	↓	(1)
Miscellaneous revenue	53,036	99,220	49,610	25,507	51.4	↓	(2)
Bond Proceeds	4,881,517	-	-	-	-		
Loans, grants & awards	2,464,304	709,801	354,901	224,639	63.3	↓	(3)
Interest earnings	89,736	70,000	35,000	2,097	6.0	↓	(4)
	<u>\$ 17,132,504</u>	<u>\$ 10,555,015</u>	<u>\$ 5,277,511</u>	<u>\$ 252,243</u>	<u>4.8 %</u>	<u>↓</u>	
<b>Disbursements</b>							
Personnel	\$ 2,203,497	\$ 2,654,166	\$ 1,327,084	\$ 1,072,351	80.8 %	↑	(5)
Staff expenses	7,397	79,000	39,500	1,621	4.1	↑	(6)
Manager expenses	38,907	42,000	21,000	16,989	80.9	↑	(7)
Building & operating expense	94,404	139,500	69,750	37,573	53.9	↑	(8)
Vehicles	10,136	42,000	21,000	625	3.0	↑	(9)
Contracted services	550,764	876,481	438,241	115,143	26.3	↑	(10)
Construction	2,771,673	5,090,775	2,545,388	182,218	7.2	↑	(11)
Accounting & auditing	98,435	92,000	46,000	33,660	73.2	↑	(12)
Engineering	433,666	1,815,173	907,587	439,319	48.4	↑	(13)
Lab analysis	49,325	100,300	50,150	3,869	7.7	↑	(14)
Legal services	255,609	465,200	232,600	135,256	58.1	↑	(15)
Insurance	71,151	85,000	42,500	74,936	176.3	↓	(16)
Debt service	7,419,897	2,818,577	1,409,289	562,602	39.9	↑	(17)
Other miscellaneous	58,518	203,000	101,500	16,556	16.3	↑	(18)
Property/Easement Acquisition	1,800	-	-	-	-		
Dues & Subscriptions	52,158	105,750	52,875	61,910	117.1	↓	(19)
Strategic IT Plan	18,368	76,000	38,000	-	-	↑	(20)
IT Equipment	16,854	31,500	15,750	377	2.4	↑	(21)
Loans, grants & awards given	165,735	-	-	-	-		
Capital Outlay	235,246	-	-	-	-		
	<u>\$ 14,553,540</u>	<u>\$ 14,716,422</u>	<u>\$ 7,358,214</u>	<u>\$ 2,755,005</u>	<u>37.4 %</u>	<u>↑</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 \$5,000,000**



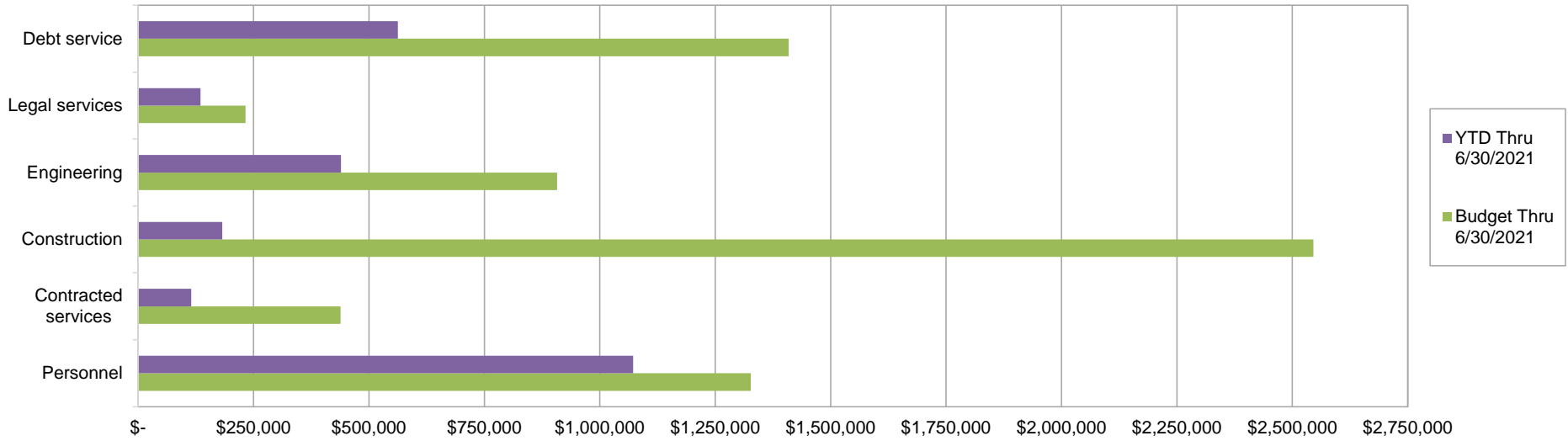
**Receipts Budget to Actual Comparison  
\$0 to \$50,000**



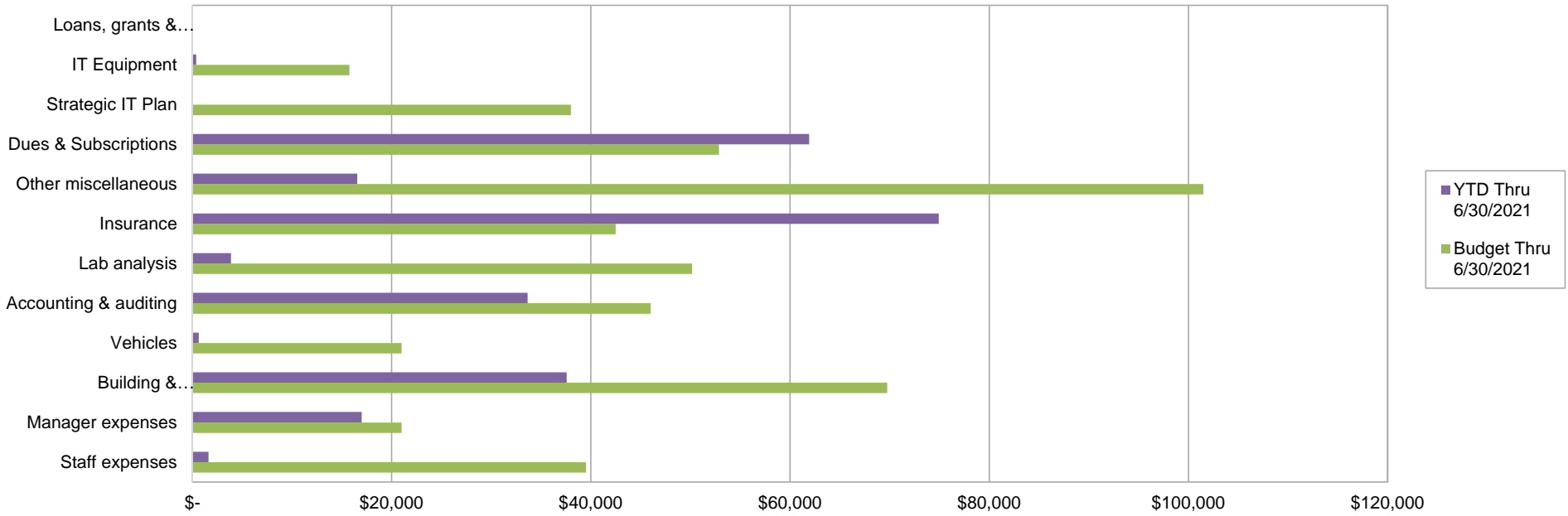
\*\*\* Typically, property taxes are received in July and December (with 70% advance in June).



**Disbursements Budget to Actual Comparison  
\$0 to \$2,750,000**



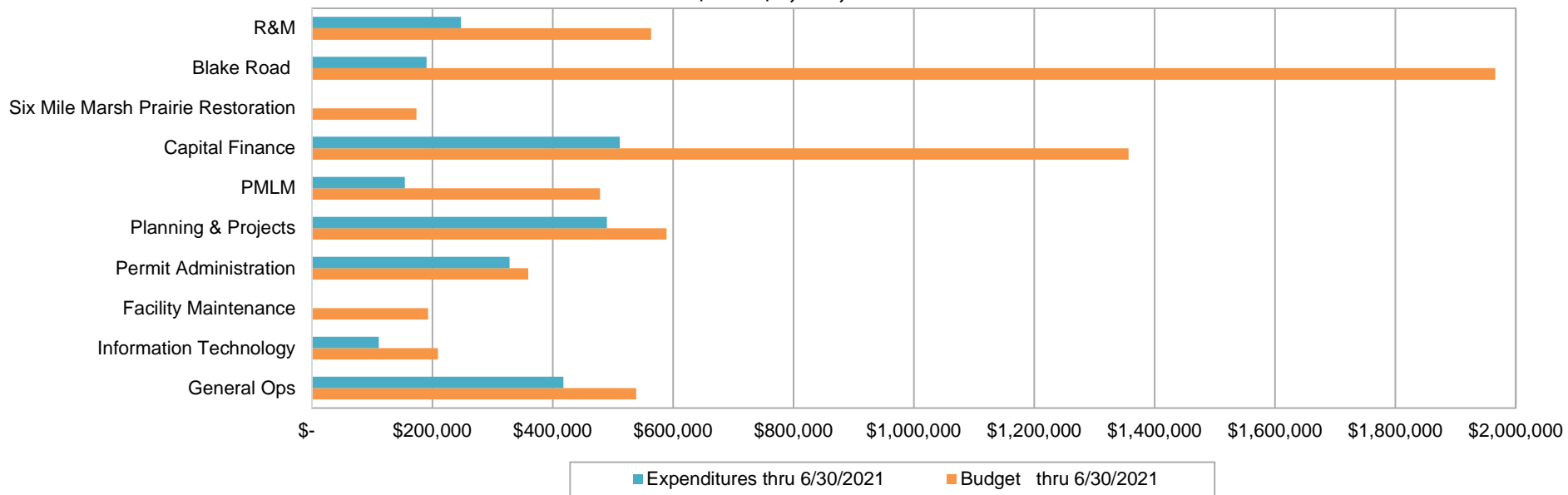
**Disbursements Budget to Actual Comparison  
\$0 to \$120,000**



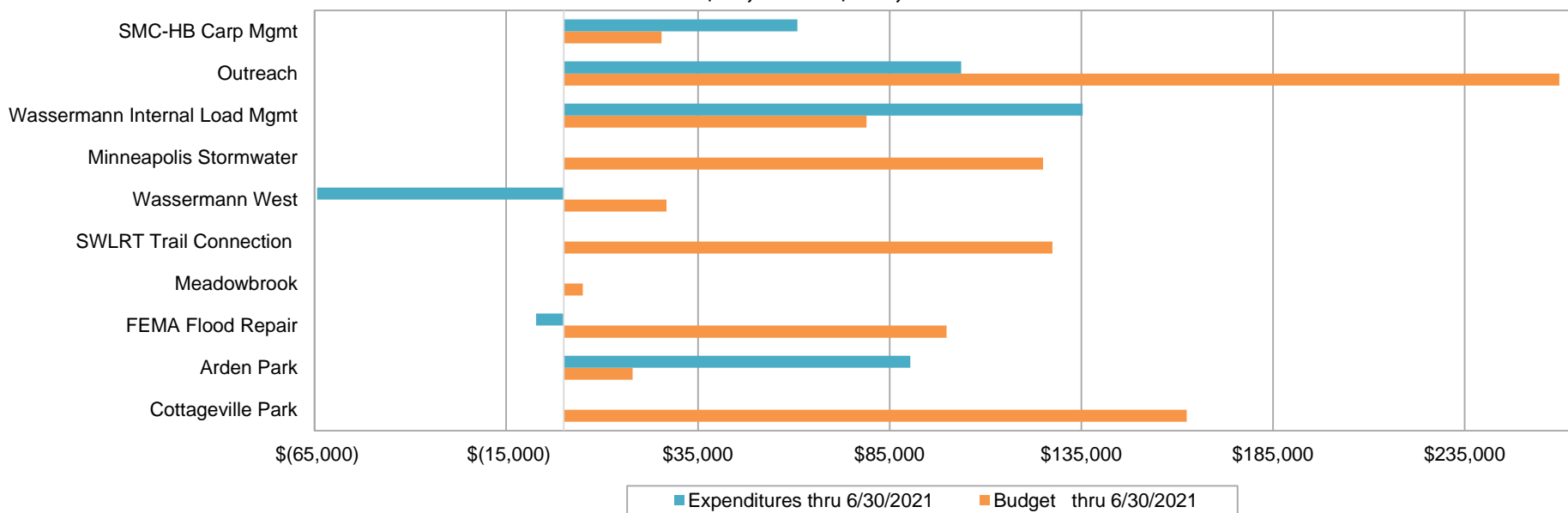
Minnehaha Creek Watershed District  
Statement of Expenditures -  
Budget and Actual -  
For the Six Months Ended June 30, 2021

Fund Name	Project #	2020 Actual Expenditures	2021 Annual Budget	YTD Budget thru 6/30/2021	YTD Expenditures thru 6/30/2021	Variance 6/30/2021	Percent Expended Budget thru 6/30/2021
General Ops	1002	\$ 898,180	\$ 1,077,848	\$ 538,924	\$ 417,798	\$ 121,126	78%
Information Technology	1003	241,220	419,250	209,625	110,983	98,642	53%
Facility Maintenance	1005	57,615	386,000	193,000	-	193,000	0%
Permit Administration	2001	695,017	718,617	359,309	328,208	31,101	91%
Planning & Projects	2002	836,288	1,178,645	589,323	490,114	99,209	83%
PMLM	2003	505,099	957,806	478,903	154,377	324,526	32%
Capital Finance	2004	7,167,756	2,713,653	1,356,827	511,551	845,276	38%
Rules Revision	2007	20,102	-	-	10,500	(10,500)	0%
Six Mile Marsh Prairie Restoration	3106	-	347,851	173,926	672	173,254	0%
Taft/Legion	3140	174,155	-	-	-	-	0%
Blake Road	3145	179,342	3,932,070	1,966,035	190,393	1,775,642	10%
Cottageville Park	3146	-	324,954	162,477	-	162,477	0%
Arden Park	3147	296,386	35,898	17,949	90,414	(72,465)	504%
FEMA Flood Repair	3148	38,253	199,673	99,837	(7,222)	107,059	-7%
Highway 101 Causeway	3149	9,206	-	-	-	-	0%
Meadowbrook	3150	-	10,000	5,000	-	5,000	0%
SWLRT Trail Connection	3152	335	255,000	127,500	-	127,500	0%
Wassermann West	3153	2,277,055	53,603	26,802	(64,320)	91,122	-240%
Minneapolis Stormwater	3155	-	250,000	125,000	-	125,000	0%
Wassermann Internal Load Mgmt	3156	21,288	157,950	78,975	135,336	(56,361)	171%
C. Krieg Stewardship Grant Program	4001	336	-	-	-	-	0%
Outreach	4002	189,609	519,344	259,672	103,679	155,993	40%
Cost Share Grant Program	4005	80,235	-	-	-	-	0%
R&M	5001	698,344	1,127,260	563,630	247,730	315,900	44%
AIS Program	5005	68,983	-	-	-	-	0%
SMC-HB Carp Mgmt	5007	98,736	51,000	25,500	60,918	(35,418)	239%
<b>Total Expenditures</b>		<b>\$ 14,553,540</b>	<b>\$ 14,716,422</b>	<b>\$ 7,358,214</b>	<b>\$ 2,781,131</b>	<b>\$ 4,577,083</b>	<b>38%</b>

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



### Budget To Actual Comparison By Project -\$65,000 to \$300,000



\* \* \* \* \*

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.  

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Going  
Beyond the  
Numbers

**Addendum: Variance Explanations**

1	Property tax revenue is received twice a year, typically July and December. Depending upon timing we may not see revenue in this category until Q3.
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 and awards received through Q2 include monies for Arden Park, FEMA modeling and Blake Road.
4	Interest earnings are below projected and anticipated to remain below given current bank interest rates.
5	Personnel is trending positively due to the budgeted PMLM position vacancy and the newly vacant Outreach Manager position.
6	Staff expenses remain under budget with the driver being staff attendance at conferences (and related expenses) being down. Conference attendance for the most part remains virtual.
7	Manager expenses are trending positively to the budget. This can be a timing issue as to when or how often Board Managers submit for reimbursement of expenses. Would expect to see this trend upwards with the return of in-person meetings.
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 and will likely see expenses incurred accordingly.
9	Vehicle budget includes a new vehicle purchase that has been approved and ordered. Expense will be incurred upon arrival later this year.
10	Contracted services is trending positively to the budget for all programs. This is likely due to timing of services.
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 is not significantly off budget projection however will jump in Q3 with the payment of audit services. Expect to see this at or slightly over budget by year end.
13	Engineering is trending positively to the budget due to the timing or deferral of projects.
14	Lab analysis expenditures are trending positively to the budget. Expenses are more often incurred in Q3 due to timing.
15	Legal expenditures are trending positively to the budget mainly due to timing of projects.
16	Insurance is a one-time payment made in Q2. Expenditure not expected to change for the remainder of the year and category will remain under budget.
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.
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 later in the year.
21	Few IT equipment purchases were made in Q1 or Q2. The Board recently authorized the purchase of replacement equipment (firewall and laptops) which will be acquired in Q3.