



2016 ANNUAL ACTIVITY REPORT

This annual activity report by the Lower Mississippi River Watershed Management Organization (LMRWMO) is for activities performed during calendar year 2016 and was prepared pursuant to MN Rules Chapter 8410, part 8410.0150, Subpart 3.

LMRWMO Board of Managers, Alternates, and Advisors

A joint powers agreement was executed on October 25, 1985, which established and empowered the Lower Mississippi River Watershed Management Organization (LMRWMO). The organization is comprised of seven cities in northern Dakota County and Ramsey County. The Board of Managers and their member cities (as of 12-31-16) are below:

Representative

Sharon Lencowski (Vice-Chair)
Bob Bullard (Chair)
Mary Jeanne Schneeman (Secretary/Treasurer)
Richard Williams
Scott Deyo

Member City

Inver Grove Heights Manager
Lilydale Manager
Mendota Heights Manager
Sunfish Lake Manager
West St. Paul Manager

The Dakota County Soil and Water Conservation District (SWCD) serves as the Administrator for the LMRWMO. A complete contact list including addresses and phone numbers of the Board of Managers, administrator, alternates, advisors, engineering consultant, and attorney to the LMRWMO is attached.

2016 Completed Activities

The LMRWMO's 2011 Watershed Management Plan (Plan) includes an implementation program. Tables 1, 2, and 3 below contain a list of implementation activities identified in the Plan and the status of the activities listed. Additional LMRWMO activities in 2016 include:

- Contracted with the Dakota County Soil and Water Conservation District (SWCD) to provide administrative, education, technical assistance, project management, and Watershed Plan implementation services and to act as the public liaison for the organization.

- Assisted BWSR staff in completion of a Performance Review and Assistance Program Level II Performance Review to assess the organizational effectiveness of the LMRWMO and identify areas for improvement.
- Submitted a FY 2018-2019 Biennial Budget Request for projects identified for implementation in 2018 and 2019.
- Organized presentations for the LMRWMO Board on stormwater BMPs, aluminum sulfate treatments for lake water quality, and the organizational structure of the LMRWMO as it relates to the Metropolitan Surface Water Management Act.
- Participated in the Dakota County SWCD's Landscaping for Clean Water (LCW) workshop series and funded three classes within the LMRWMO. Through this program, 29 people attended an introduction class to learn about the benefits of raingardens, native gardens, and native shoreline plantings. Along with the other LCW classes, this effort resulted in 24 residents of the LMRWMO attending the LCW design workshops to create project 17 project designs. The LMRWMO then provided \$250 grants for 7 conservation projects which were installed by those participants. The LMRWMO also funded technical provided by the Dakota SWCD for those watershed residents in partnership with the. See www.dakotaswcd.org/gis_app.html for locations and descriptions of completed projects.
- Participated in and provided funding to the Metro WaterShed Partners Clean Water MN program, a coalition of public, private and non-profit organizations in the Twin Cities metro area that promotes public understanding through collaborative educational outreach that inspires people to take action to protect and improve their local water resources.
- Distributed stormwater educational articles from Clean Water MN to Member cities for use in social media, newsletter, website, and print public education and outreach materials.
- Maintained an up to date LMRWMO website to communicate water resource related information and additional educational information to the public regarding the current activities of the LMRWMO, available programs, as well as relevant information on the Mississippi River and other organizations. Updated the website to include water monitoring information to be publicly available.
- Applied for multiple 2016 Metropolitan Council stormwater management grants in partnership with member cities. Received 2016 Metropolitan Council stormwater management grant for a SAFL Baffle project in the city of Lilydale.
- Assisted Ramsey County and city of St. Paul staff in obtaining disaster relief funds for the Lilydale Park North Knob Erosion Control project to reduce erosion through a steep and severely eroded ravine and bluff.
- Applied for a FY2017 Clean Water Fund grant for projects associated with the completed WRAPS study and the Cherokee Heights Culvert Analysis and Erosion Control Feasibility Study in Lilydale Park.
- Coordinated with BWSR to finalize grant work plans and execute a grant agreement for FY2016 Clean Water Fund grants for aluminum sulfate treatments on Sunfish Lake and Lake Augusta and for stormwater improvements on Thompson Lake.

- Coordinated with Met Council to finalize grant work plan and execute a grant agreement for a 2016 Stormwater Grant to install a SAFL Baffle in Lilydale.
- Began grant implementation process for the FY-2016 Thompson Lake Stormwater Improvement Clean Water Fund grant which included coordination of a joint powers agreement between project partners, obtaining funding for the PAH remediation portion of the project, creating an engineering scope of work, soliciting engineering consultants, and holding preliminary stakeholder project meetings.
- Began the grant implementation process for the FY-2016 Sunfish Lake and Lake Augusta Aluminum Sulfate Treatment Clean Water Fund grant project which included coordination of a joint powers agreement between project partners, obtaining matching funding from 31 lake owners on Sunfish Lake, obtaining matching funding from Mendota Heights, creating a scope of work, soliciting consultants, and engaging a consultant for the alum dosing, creating a scope of work, soliciting consultants, and engaging a consultant for the shoreline survey, creating a scope of work, soliciting consultants, and engaging a consultant for the rainbarrel program, holding a stakeholder meeting for residents of Sunfish Lake, coordinating access agreements for the alum treatment on Lake Augusta and Sunfish Lake, coordinating access agreements for long term monitoring on Lake Augusta and Sunfish Lake, and coordinating a joint powers agreement between the LMRWMO and Mendota Heights for project implementation.
- Evaluated monitoring needs for LMRWMO waterbodies. Recruited citizen volunteers to monitor lakes in the LMRWMO through the Metropolitan Council's Citizen Assisted Monitoring Program and wetlands through the Dakota County Wetland Health Evaluation Program. (See 2016 Lake monitoring and Wetland Health monitoring results in Tables 4 and 5 below.)
- Continued monthly grant tracking program with sources of funding for all state and local stormwater related grant programs to assist the LMRWMO and member cities in identifying additional funding sources for implementation of projects.

2017 Work Plan

The LMRWMO Board plans to conduct the following activities in 2017:

- Implement work plan activities for awarded FY-2016 Thompson Lake Stormwater Improvement Clean Water Fund grant project.
- Implement work plan activities for awarded FY-2016 Lake and Lake Augusta Aluminum Sulfate Treatment Clean Water Fund grant projects.
- Continue to work with the city of St. Paul regarding issues identified in the Cherokee Heights Culvert Analysis and Erosion Control Feasibility study for Lilydale Regional Park. This may also include assisting member cities with calculating allowable flow and cost allocations for potential projects.
- Continue to collaborate with member cities to identify opportunities to partner and cost share to complete various water quality and quantity projects.
- Continue to prioritize implementation projects and programs, apply for grants, and assist member cities in obtaining grants through consistent use of monthly grant tracking program.

- Continue to maintain and update the LMRWMO website with information relevant to the public.
- Continue to provide educational workshops through participation in the Landscaping for Clean Water education program for residents and evaluate new educational opportunities as they arise.
- Continue to provide educational presentations, training, and industry conference opportunities to improve the capacity of the LMRWMO Board and staff.
- Continue cost sharing the installation of residential raingardens and other stormwater management projects through Landscaping for Clean Water and other SWCD cost share programs.
- Continue to monitor lakes through the Met Council Citizen Assisted Monitoring Program (CAMP), including Pickerel Lake, Lake Augusta, Sunfish Lake, and Thompson Lake and assist member cities in monitoring other lakes through reimbursement of CAMP fees.
- Continue to monitor the status of TMDLs and their impact on the LMRWMO and its members.
- Review local water management plans as they are submitted.

All of the above activities have been included in the approved 2017 LMRWMO budget, which is attached to this document. In addition to the planned activities listed above, member cities will continue to perform various water resources management, water quality, and educational activities implemented through individual city programs and services.

Table 1. Implementation Status of Project List from 2011 Watershed Management Plan

Planned Actions or Activities	Proposed Timeframe	Actual Timeframe	Accomplishments to Date	Next Steps
Local government to construct BMPs to reduce negative impacts of development upstream of Hornbean Lake.	2014	Pending development	To be constructed in coordination with new development.	Current development standards to drive water quality projects with future development.
Local government to construct improvements to reduce flooding/erosion at Marie Ave/Dodd Rd (feasibility study has been completed).	2012	2013	A project has been completed that was different than the initial feasibility study, but is meant to yield the same result. A rate control pond was constructed at NE corner of Dodd and Marie to control flow downstream, reducing erosion and allowing sediment to settle out of suspension and be removed.	Project complete.

Local government to construct improvements to provide rate control and stream bank stabilization north of Marie Ave in Interstate Valley Creek Watershed	2017	2017 to 2020	Some streambank stabilization projects have been constructed on the unnamed reaches of the Interstate Valley Creek headwaters. These have been constructed on an individual basis. LMRWMO's Landscaping for Clean Water program can help provide funding for landowner projects in coordination with the Dakota SWCD.	None planned at this time. Additional improvements to be constructed as needed in cases of most severe erosion. Continue LMRWMO's Landscaping for Clean Water program.
Local government to construct improvements to stabilize erosion-prone areas along the Mississippi River.	2020	2018 to 2020	Inver Grove Heights completed a feasibility study for Stormwater Facilities in Areas Tributary to the Mississippi River in 2016 which identified 11 prioritized and targeted projects. The city/WMO is currently pursuing State and Met Council grant opportunities for implementation of water quality projects and erosion stabilization projects. Feasibility study completed in 2015 for the Cherokee Heights ravine. Sought Clean Water Funds twice for stabilization of eroded ravine.	Continue to seek funding to implement those projects identified in the study.
Local government to construct Lexington Avenue-Trunk Highway 13 Drainage and Erosion Improvements.	2015	2015 to 2016	Feasibility study completed in 2010 and identified cost share amounts for participating cities. Project implemented in 2015 with substantial completion in 2016. Have applied for and received funding through 2016 Met Council stormwater program for sediment reduction improvements.	Implement sediment reduction grant with city of Lilydale.
Local government to construct Seidls Pond/Lake lift station.	2016	Unknown	Feasibility study was completed in 2004. Applied and turned down for Clean Water Fund grant in 2014.	Applying for state bonding funds for lift station. Will apply for grant funds for water quality improvement projects near Seidls lake.
Local government to construct Dawn Way Storm Sewer Improvement Project	2019	2018 to 2019	Allowable flow cost apportionment was completed in 2008. Funds have been allocated in 2018 budgets by the participating cities.	Finalize proposed approach for project implementation.

Stormwater BMPs or education to improve stormwater management upstream of Rogers Lake	2020	2011 to 2012	WRAPS Study completed in 2014. Stormwater BMPs planned to be implemented in conjunction with development / redevelopment. Raingardens and sump manholes installed with reconstruction of Robert Trail. Door knocking education campaign completed by St. Thomas Academy students. Educational material mailing campaign to watershed residents. LMRWMO's Landscaping for Clean Water program can help provide funding for projects and stormwater education within watershed going forward.	Current development standards to drivewater quality projects with future development. Continue LMRWMO's Landscaping for Clean Water program.
Ravine/bluff stabilization in Ivy Creek, Lilydale Park, and/or near Pickerel Lake	2019	2014 to 2020	Pickerel Lake was part of the 2014 WRAPS Study. Feasibility study initiated in 2014 and completed in 2015 in the Cherokee Heights portion of Lilydale Park near Pickerel Lake. Have received BWSR flood relief funds for repair of severely eroded "North Knob" area.	Continue to seek funding and coordinate with City of St. Paul, Ramsey County, and BWSR on implementing improvements to Lilydale Park area. Implement portions of project already awarded funding.
Phosphorus treatment in Sunfish Lake	2017	2017 to 2018	Part of the 2014 WRAPS Study. Awarded FY2016 CWF grant dollars for implementation.	Implement Clean Water Fund grant work plan.
Thompson Lake Stormwater/Sediment Improvement Project	2016	2017 to 2018	Separate Thompson Lake PAH contamination feasibility study completed in 2014. Part of the 2014 WRAPS Study. Awarded FY2016 CWF grant dollars for implementation.	Implement Clean Water Fund grant work plan.
Phosphorus treatment in Augusta Lake	2016	2017 to 2018	Part of the 2014 WRAPS Study. Awarded FY2016 CWF grant dollars for implementation.	Implement Clean Water Fund grant work plan.

Cherokee Heights culvert analysis and erosion control improvement project	2016	2016 to 2020	Feasibility study completed in 2015 for the upper Cherokee Heights ravine portion of Lilydale Park. Applied for but did not receive FY2016 and FY2017 CWF grant dollars for implementation.	Continue to seek funding for project implementation.
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Table 2. Implementation Status of Programs List from 2011 LMRWMO Watershed Management Plan

Planned Actions or Activities	Proposed Timeframe	Actual Timeframe	Accomplishments to Date	Next Steps
Address BWSR performance standards	Every year	Every year	On-going implementation. PRAP Level II Review Completed in 2016.	Continue to address on an annual basis.
Transition to an all citizen Board	TBD	TBD	All LMRWMO Board members are citizens.	Completed.
Revise JPA to reflect 3rd Generation Plan	2011	2011	JPA revised and approved by communities in 2012 - 3rd revision due to change in WMO boundary approved by communities in 2014.	Completed.
Revise JPA to broaden membership of formal Technical Advisory Committee	2011	2011	JPA revised and approved by communities in 2012.	Completed.
Revise JPA to include a water quality cost allocation formula.	2011	2011	Cost share allocation formula was developed and approved in 2012; JPA revised and approved by communities in 2012.	Completed.
Implement permanent Citizen Advisory Committee (CAC)	Every year	Every year	Involved citizens are kept informed of LMRWMO activities via an email list, informed about pertinent LMRWMO programs and projects via email, and invited to LMRWMO events as necessary.	None planned at this time.
Maintain LMRWMO website to communicate water resource related information	Every year	Every year	On-going implementation; all meeting agendas, materials, and minutes are posted regularly. Created water monitoring web page in 2016.	Continue to update website with relevant information.
WMO administration	Every year	Every year	On-going.	Continue as planned.

WMO annual insurance premiums	Every year	Every year	On-going.	Continue as planned.
WMO attorney and audit expenses	Every year	Every year	On-going.	Continue as planned.
Publish annual WMO newsletter for public distribution	Every year	Every year	Published on an annual basis and distributed to member Cities for public posting and distribution.	Continue as planned.
Review annual evaluation reports from member cities	Every year	Every year	Cities may report activities at monthly LMRWMO meetings.	Continue as planned.
Review member City local plan updates for consistency with WMO Plan	2012 & 2013	2012 to 2018	3 of 7 cities have approved plans. Provided guidance to cities in 2016 on timeline for approval with revised State statutes.	Continue to review City local plans as updated.
Develop water resource educational content	Every year	Every year	Education opportunities available to residents through yearly Landscaping for Clean Water classes. Watershed education provided through WRAPS citizen engagement process. Funded development and fabrication of educational sign in 2012 describing Seidl's Lake bio-infiltration cell. Educational signs provided yearly for projects funded by LMRWMO. Provide yearly support for the Metro Watershed Partners. Watershed education provided through FY16 CWF grant efforts in 2016-2018.	Continue support and funding of Landscaping for Clean Water program to install raingardens, Native Gardens, and Native Shorelines. Continue to support Watershed Partners education efforts. Engage residents in upcoming FY16 CWF grant education efforts.
Coordinate/conduct non-certification training for member city staff to address items in MS4 permit	2012 & 2017	-	Member City representatives present to the LMRWMO Board on activities related to the MS4 permit.	Continue informal presentations by member City staff on MS4 activities and requirements.
Participate in Landscaping for Clean Water Program (formerly Blue Thumb program)	Every year	Every year	Provide yearly introduction and design courses to LMRWMO residents and have provided grants for 35 projects since 2012.	Continue to participate/provide program to residents of the LMRWMO

Assist member cities in addressing the South Metro Mississippi TMDL and other TMDLs as they are completed	2012 to 2020	2012 to 2020	LMRWMO member Cities and staff have been engaged with agency staff on both the South Metro Mississippi TMDL and the Upper Mississippi River Bacteria TMDL. LMRWMO Engineers have assisted in data transmittals, as requested.	None planned at this time. Will continue involvement as requested.
Develop annual water quality monitoring program for water bodies and outfalls to the Mississippi River	2011	2012	The LMRWMO developed a lake monitoring program in 2012. An outfall monitoring program may be developed in partnership with the City of St. Paul after implementation of proposed projects in Lilydale Park.	Completed. Can continue to evaluate opportunities for outfall monitoring after project implementation.
Implement water quality monitoring program to assess water bodies and outfalls to the Mississippi River	2012 to 2020	2012 to 2020	The LMRWMO implemented a lake monitoring program in 2012. The LMRWMO has conducted or financially supported monitoring numerous lakes within the watershed since 2012, often through the CAMP. Annual evaluation of water monitoring is performed by the Board.	Ongoing. Will continue annual evaluation and prioritization of waterbodies for water monitoring. Consider adding outfalls to monitoring schedule.
Develop outreach program to assist member cities with MS4 permit renewal	2012	-	No activity to report. There has not been a need for this program.	None planned at this time.
Pursue locations to conduct wetland restoration for a wetland bank program	2014	-	No activity to report. There has not been a need for this program.	None planned at this time.
Conduct or facilitate joint certification training for member city staff on designing and inspecting erosion control plans and inspecting erosion control measures	2013 and 2018	-	There is no longer a need for this task. All cities in the WMO have staff that assures proper certifications through the MnDOT certification program.	None planned at this time.
Develop a pond and BMP maintenance program	2012	-	No activity to report. New MS4 permit requirements will drive this program.	None planned at this time.

Assist member cities in pursuing grants available to watersheds	Every year	Every year	On-going. Documents that track grant opportunities are presented to Board members at monthly meetings. The LMRWMO has assisted member cities in preparing and submitting grant applications in since 2012.	Continue monthly tracking and assist member cities in pursuing grant opportunities.
Monitoring of Pickerel Lake and/or inflows to Pickerel Lake	2015 to 2020	2015 to 2020	Monitoring done in 2015 through contract with Dakota SWCD and coordinated through CAMP program in 2016.	Continue monitoring through CAMP program in years that it does not flood by the Mississippi River.

Table 3. Implementation Status of Studies List from 2011 LMRWMO Watershed Management Plan

Planned Actions or Activities	Proposed Timeframe	Actual Timeframe	Accomplishments to Date	Next Steps
Utilize MIDS, once complete, to determine effectiveness of existing BMPs throughout the WMO.	2013	-	No activity to report.	None planned at this time.
Complete feasibility study to address PAHs in Thompson Lake.	2012	2013 to 2014	Project initiated in 2013 and was completed in 2014.	None planned at this time.
Complete feasibility study to investigate debris and floatables in Simley Lake.	2012	-	This study is no longer considered necessary or appropriate.	None planned at this time.
Evaluate landlocked basins with flood concerns or future flood potential or on an as needed basis.	2014	2014 to 2020	This activity has and will continue to be pursued by individual Cities as needed.	None planned at this time.
Complete feasibility study to provide rate control and streambank stabilization north of Marie Ave. in Interstate Valley Creek Watershed.	2013	-	Study may no longer be needed. Some stabilization improvements have been completed. City staff is assessing situation.	None planned at this time.

Investigate opportunities to implement access points to improve access to water resources (e.g. fishing pier, observation platform).	2015	2015 to 2020	Opportunities have been investigated at Rogers Lake.	None planned at this time. Will investigate as opportunities arise.
Evaluate DNR protected water bodies with known or potential problems and pursue shoreland restoration where needed.	2014 to 2020	2014 to 2020	A shoreline assessment of Sunfish Lake is planned for implementation in 2017 as part of the FY16 CWF Grant. Grants for shoreline restoration are available from the LMRWMO through the Landscaping for Clean Water Program.	Implement Sunfish Lake shoreline assessment. Continue providing shoreline restoration grants through Landscaping for Clean Water program.
Work with ACOE to identify location/extent of erosion problems on Mississippi River.	2013	-	No activity to report.	None planned at this time.
Monitor shoreland erosion around Golf Course pond and determine if remedial action is necessary.	2012	2011 to 2012	City of Inver Grove Heights worked with golf course staff to remediate shoreland erosion in 2009. No additional erosion problems have occurred at that site. Additionally, in 2011 and 2012 improvements were completed where the pond outlets near Babcock Trail to correct drainage and erosion issues.	Completed.
Verify the existing electronic and GIS boundary of the WMO matches the legal description from the JPA.	2011	-	No longer necessary. There is no legal description of boundary in JPA. BWSR now allows GIS boundary to serve as legal boundary.	None planned at this time.
Establish stormwater volume reduction requirements.	2013	-	No activity to report. New MS4 permit requirements will drive this program and will be implemented by member cities.	None planned at this time.
Set aside funding for 4th Generation Watershed Management Plan.	Every year	Every year	On-going. Currently \$5,000 per year is set aside for this purpose.	Continue as planned.

Cherokee Heights culvert analysis and erosion control feasibility study	2014	2015	Study completed in 2015.	Completed.
Feasibility Studies to evaluate ravine/bluff stabilization in Ivy Creek, Lilydale Park, and/or near Pickerel Lake	2018	2015	Studies performed by the City of St. Paul for Lilydale park erosion issues.	None planned at this time. Could consider additional study at Ivy Creek.

2016 Lake Monitoring Data

The LMRWMO has conducted or financially supported monitoring numerous lakes within the watershed. Six lakes within the LMRWMO were monitored through the Metropolitan Council's Citizen Assisted Monitoring Program (CAMP) in 2016. The LMRWMO coordinates with the citizen volunteers and will perform the monitoring in the event that the volunteers are unable to do so. The LMRWMO also reimburses cities to cover monitoring fees as requested. The results shown on the following page are calculated using preliminary data, as they have not undergone the Met Council's QA/QC process.

Table 4. Results of 2016 CAMP Monitoring in LMRWMO

Lake	City	Number of sampling trips	Secchi Depth (m) average	Chlorophyll- <i>a</i> (µg/l) average	Total Phosphorus (µg/l) average
Horseshoe Lake	Sunfish Lake/ Inver Grove Heights	14	2.43	7.87	24.27
Hornbean Lake	Sunfish Lake/ Inver Grove Heights	14	1.02	33.56	72
Sunfish Lake	Sunfish Lake	13	1.52	32.25	54.77
Rogers Lake	Mendota Heights	10	1.44	1.51	36.70
Lemay Lake	Mendota Heights	3	1.37	9.93	50.33
Pickerel Lake	St. Paul	7	1.16	48.21	52.43
Thompson Lake	West St. Paul	7	1.16	11.13	54
Lake Augusta	Mendota Heights	7	0.22	115.57	172.71

2016 Wetland Monitoring Data

Some cities in the LMRWMO have been involved with Dakota County's Wetland Health Evaluation Program (WHEP). WHEP uses citizen teams, led by a trained team leader, to collect plant and invertebrate samples from local wetlands to evaluate the health of the wetland. Over the years, participation by member cities has

fluctuated due to the availability of funding and volunteers. In 2016, eight wetlands in the LMRWMO were monitored with the following results. A complete 2016 WHEP report is available at www.mnwhep.org under *'WHEP Reports and Data'*.

Table 5. Results of 2016 Wetland Health Evaluation Program Monitoring in LMRWMO

Wetland	City	Invertebrate (aquatic bug) Score (Trend)	Macrophyte (vegetation) Score (Trend)
MH-2 Copperfield	Mendota Heights	Moderate (Variable, but stable)	Excellent (Variable, but stable)
MH-8 Victoria Pond	Mendota Heights	Poor (Not enough data)	Poor (Not enough data)
SSP-3 LeVander Pond	South St. Paul	Poor (Variable)	Poor (Declining)
SSP-4 Villaume Pond	South St. Paul	Moderate (Not enough data)	Poor (Not enough data)
WSP-1 Mud Lake	West St. Paul	Moderate (Improving)	Poor (Variable)
WSP-7 Humboldt Pond	West St. Paul	Moderate (Not enough data)	Moderate (Not enough data)
WSP-10 Emerson Pond South	West St. Paul	Moderate (Not enough data)	Poor (Not enough data)
WSP-12 Wentworth Pond	West St. Paul	Poor (Not enough data)	Poor (Not enough data)

Permits and Variances

The LMRWMO does not have a permitting program. The individual member cities provide permitting of projects for land use, construction stormwater management, post-construction stormwater management, floodplain management, and Wetland Conservation Act enforcement.

Status of Local Plan Adoption and Implementation

All of the member cities have prepared local water management plans that conform to the 2001 LMRWMO Plan and have been formally approved by the LMRWMO. Table 6 summarizes the status of local plans developed in compliance with the 2011 LMRWMO Watershed Management Plan. Updated requirements to MN Statutes 8410.0105, subdivision 9 and 8410.0160 subdivision 6 for the adoption of Local Water Management Plans will be followed by LMRWMO member Cities.

Table 6. Cities with approved local water management plans

Member City	LMRWMO Approval Date for conformance with 2011 Watershed Plan	LMRWMO Approval Date for conformance with 2001 Watershed Plan
Inver Grove Heights	December 2014	June 2008
Lilydale	December 2013	March 2008
Mendota Heights	Not submitted to date	February 2006
South St. Paul	April 2012	January 2005
St. Paul	Not submitted to date	September 2006
Sunfish Lake	Not submitted to date	February 2009
West St. Paul	Not submitted to date	September 2006

Consultant Services Selection

As required, every two years solicitations are made to retain legal services, auditor services, and engineering consulting services. On April 8th, 2015, the LMRWMO Board retained services from the following consultants for 2015 and 2016:

Engineer: Barr Engineering
Attorney: Campbell Knutson, PA
Auditor: HLB Tautges Redpath, Ltd.

Fund Balance

The LMRWMO maintains a checking account for current expenses of the organization. As shown in the attached financial audit, engineering expenses include work such as review of local plans, review of construction plans, calculation scenarios for allowable flow, grant writing, meeting attendance, technical assistance, and grant tracking work.

General government expenses include annual insurance premium, annual audit, administrative services, expenses, legal counsel, and other non-engineering services.

Wetland Banking

The LMRWMO does not have a wetland banking program.

Attachments

- 2016 Financial Audit
- 2017 Budget
- 2017 Newsletter
- 2016 Board of Managers, Alternates, and Advisors Contact List

**LOWER MISSISSIPPI RIVER WATERSHED
MANAGEMENT ORGANIZATION**

ANNUAL FINANCIAL REPORT

December 31, 2016

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LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
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INTRODUCTORY SECTION

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LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION

ORGANIZATION

December 31, 2016

Board of Managers:

	City
Sharon Lencowski (Vice Chair)	Inver Grove Heights
Vacant (Alternate)	Inver Grove Heights
Bob Bullard (Chair)	Lilydale
Marilyn Lundberg (Alternate)	Lilydale
Mary Jeanne Schneeman (Secretary/Treasurer)	Mendota Heights
Jill Smith (Alternate)	Mendota Heights
Vacant	St. Paul
Vacant (Alternate)	St. Paul
Vacant	South St. Paul
Chris Hartzell (Alternate)	South St. Paul
Richard Williams	Sunfish Lake
Molly Park (Alternate)	Sunfish Lake
Scott Deyo	West St. Paul
Vacant (Alternate)	West St. Paul

Advisors:

Joe Barten - Dakota County Soil and Water Conservation District - Administrator

Greg Williams - Barr Engineering - Engineer

Roger Knutson - Campbell, Knutson, Scott & Fuch, P.A. - Attorney

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
Lower Mississippi River Watershed Management Organization
Mendota Heights, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of Lower Mississippi River Watershed Management Organization, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Lower Mississippi River Watershed Management Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lower Mississippi River Watershed Management Organization, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 27 and 28, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lower Mississippi River Watershed Management Organization's basic financial statement. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

February 1, 2017

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BASIC FINANCIAL STATEMENTS

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION**STATEMENT OF NET POSITION**

December 31, 2016

Statement 1

	Governmental Activities
	<u>2016</u>
Assets:	
Cash and investments	\$521,110
Prepaid items	<u>1,456</u>
Total assets	<u>522,566</u>
Liabilities:	
Accounts payable	15,948
Unearned revenue	<u>391,851</u>
Total liabilities	<u>407,799</u>
Net position:	
Unrestricted	<u>114,767</u>
Total net position	<u><u>\$114,767</u></u>

The accompanying notes are an integral part of these financial statements.

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION

STATEMENT OF ACTIVITIES

For The Year Ended December 31, 2016

Statement 2

		Program Revenues			Net (Expense)
		Charges For	Operating	Capital	Revenue and
	Expenses		Grants and	Grants and	Net Position
		Services	Contributions	Contributions	Governmental
					Activities
					2016
<u>Functions/Programs</u>					
Governmental activities:					
General government	\$19,780	\$ -	\$ -	\$ -	(\$19,780)
Programs	60,123	-	21,149	-	(38,974)
Total governmental activities	<u>\$79,903</u>	<u>\$0</u>	<u>\$21,149</u>	<u>\$0</u>	<u>(58,754)</u>
General revenues:					
Grants and contributions not restricted to specific programs					76,230
Unrestricted investment earnings					298
Other					1,727
Total general revenues					<u>78,255</u>
Change in net position					<u>19,501</u>
Net position - January 1					<u>95,266</u>
Net position - December 31					<u>\$114,767</u>

The accompanying notes are an integral part of these financial statements.

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016

Statement 3

	<u>Total</u> <u>General Fund</u> <u>2016</u>
Assets	
Cash and investments	\$521,110
Prepaid items	<u>1,456</u>
Total assets	<u><u>\$522,566</u></u>
Liabilities and fund balance	
Liabilities:	
Accounts payable	\$15,948
Unearned revenues	<u>391,851</u>
Total liabilities	<u><u>407,799</u></u>
Fund balance:	
Nonspendable	1,456
Assigned for watershed plan development	25,000
Unassigned	<u>88,311</u>
Total fund balance	<u><u>114,767</u></u>
Total liabilities and fund balance	<u><u>\$522,566</u></u>
Fund balance reported above	\$114,767
Adjustments	<u>-</u>
Net position of governmental activities	<u><u>\$114,767</u></u>

The accompanying notes are an integral part of these financial statements.

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For The Year Ended December 31, 2016

Statement 4

	Total General Fund 2016
Revenues:	
Member contributions	\$76,230
Intergovernmental	21,149
Investment income	298
Other	1,727
Total revenues	<u>99,404</u>
Expenditures:	
Current:	
General government:	
Administrative	17,249
Insurance	2,275
Professional fees	256
Programs:	
Engineering	29,224
FY 16 CWF Grant	21,149
Other	9,750
Total expenditures	<u>79,903</u>
Revenues over (under) expenditures	19,501
Fund balance - January 1	<u>95,266</u>
Fund balance - December 31	<u><u>\$114,767</u></u>
Revenues over (under) expenditures reported above	\$19,501
Adjustments	-
Change in net position of governmental activities	<u><u>\$19,501</u></u>

The accompanying notes are an integral part of these financial statements.

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LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lower Mississippi River Watershed Management Organization (the WMO) was established by a Joint Powers Agreement on October 25, 1985 between the cities of Inver Grove Heights, Lilydale, Mendota Heights, St. Paul, South St. Paul, Sunfish Lake, and West St. Paul, Minnesota. The WMO was formed to meet the requirements of the Metropolitan Surface Water Management Act (Chapter 509, Laws of 1982; Minnesota Statutes 473.875-473.883). The Act requires, among other things, the preparation of Watershed Management Plans in the Minneapolis-St. Paul Metropolitan area.

The purpose of the Watershed Management Plan is to:

- Protect, preserve, and use natural surface and groundwater storage and retention systems.
- Minimize public capital expenditures needed to correct flooding and water quality problems.
- Identify and plan for the means to effectively protect and improve surface and groundwater quality.
- Establish more uniform local policies and official controls for surface and groundwater management.
- Prevent erosion of soil into surface water systems.
- Promote groundwater recharge.
- Protect and enhance fish and wildlife habitat and water recreational facilities.
- Secure the other benefits associated with the proper management of surface and groundwater.

The WMO comprises 35,548 acres, and includes all or part of the cities of Inver Grove Heights, Lilydale, Mendota Heights, St. Paul, South St. Paul, Sunfish Lake, and West St. Paul, Minnesota.

The WMO submitted its Watershed Management Plan to the Minnesota Board of Water and Soil Resources on July 19, 1988. That Board, which has final approval authority for Watershed Management Plans, formally approved the Watershed Management Plans of the WMO on July 26, 1989. Each municipality within the WMO has developed, or is in the process of developing, a specific local water management plan to accomplish the various watershed management objectives of the WMO. On September 29, 2011, the WMO adopted its third generation Watershed Management Plan.

The WMO is governed by a seven member Board of Managers. The Board consists of seven representatives appointed by each of the member municipalities.

The financial statements of the WMO have been prepared in conformity with generally accepted accounting principles as applied to government units by the Governmental Accounting Standards Board (GASB). The WMO's accounting policies are described below:

A. FINANCIAL REPORTING ENTITY

The WMO's policy is to include in the financial statements all funds, account groups, departments, agencies, boards, commissions, and other component units for which the WMO is considered to be financially accountable.

Component units are legally separate entities for which the WMO (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the WMO.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by member contributions and intergovernmental revenues, are reported separately from *business-type activities*. There are no *business-type activities*, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the WMO considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the WMO.

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

The WMO reports the following major governmental fund:

General Fund (Administrative Fund) is the general operating fund of the WMO. It is used to account for financial resources to be used for general administrative expenditures and programs of the WMO.

D. BUDGETS

Budgets are adopted annually by the Board of Managers. During the budget year, supplemental appropriations and deletions are or may be authorized by the Board. The amounts shown in the financial statements as "Budget" represent the original budgeted amounts plus all revisions made during the year and/or for the year. Encumbrance accounting, under which purchase orders, contracts and other commitments of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the WMO.

The WMO monitors budget performance on the fund basis. All amounts over budget have been approved by the board through the disbursement approval procedures.

At December 31, 2016, the WMO's actual expenditures exceeded final budget by \$3,903.

E. CASH AND INVESTMENTS

Cash and investment balances are invested to the extent available in authorized investments.

In accordance with the provisions of GASB Statement No. 31, the WMO reports investments at fair value in the financial statements. In accordance with the provisions of GASB No. 31, the WMO has reported all investment income, including changes in fair value of investments, as revenue in the operating statements.

F. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. The WMO does not maintain significant amounts of inventories of materials and supplies.

G. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

H. PREPAID ITEMS

Certain payments to vendors (insurance) reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

I. FUND BALANCE CLASSIFICATIONS

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – consists of amounts that are not in spendable form, such as prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of internally imposed constraints. These constraints are established by Resolution of the WMO Board.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the WMO's intended use. These constraints are established by the WMO Board and/or management.

Unassigned – is the residual classification for the general fund.

When both restricted and unrestricted resources are available for use, it is the Board's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the Board's policy to use resources in the following order; 1) committed 2) assigned and 3) unassigned.

J. MINIMUM UNASSIGNED FUND BALANCE POLICY

The WMO has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The most significant revenue source of the General Fund is member dues and intergovernmental revenue. It is the WMO's goal to begin each fiscal year with sufficient working capital to fund operations throughout the year.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs of 40% of the budgeted operating expenditures. At December 31, 2016, the unassigned fund balance of the General Fund was 117% of the budgeted expenditures.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*,

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the WMO maintains deposits at those depository banks authorized by the WMO Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all WMO deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the WMO Treasurer or in a financial institution other than that furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes and treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- d) General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- f) Time deposits that are fully insured by any federal agency.

At December 31, 2016 the carrying amount of the WMO's deposits was \$521,110 and the bank balance was \$521,110.

Custodial Credit Risk - Deposit: Custodial credit risk is the risk that in the event of a bank failure, the WMO's deposits may not be returned to it. State statutes require that insurance, surety bonds or collateral protect all WMO deposits. The market value of collateral pledged must equal 110% of deposit not covered by insurance of bonds. The WMO has no additional deposit policies addressing custodial credit risk. Of the \$521,110 bank balance at December 31, 2016, \$271,110 was neither insured, collateralized nor covered by FDIC.

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

B. INVESTMENTS

The WMO may also invest funds as authorized by Minnesota Statutes, as follows:

- a) United States securities, governmental bonds, notes, bills and mortgages (excluding high-risk mortgage backed securities).
- b) State and local securities which are rated "A" or better by a national bond rating service.
- c) Bankers' acceptances of United States banks.
- d) Commercial paper, issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- e) Time deposits. Funds may be invested in time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States banks.
- f) High-risk mortgage-backed securities that are:
 - 1) interest-only or principal-only mortgage-backed securities; and
 - 2) any mortgage derivative security that:
 - a. has an expected average life greater than ten years;
 - b. has an expected average life that:
 - i. will extend by more than four years as the result of an immediate and sustained parallel shift in the yield curve of plus 300 basis points; or
 - ii. will shorten by more than six years as the result of an immediate and sustained parallel shift in the yield curve of minus 300 basis points; or
 - iii. will have an estimated change in price of more than 17 percent as the result of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

The WMO did not invest in any of the above listed investments during 2016.

Note 3 MEMBER CONTRIBUTIONS

In accordance with the provisions of the Joint Powers Agreement (Section 9, Subd. 2), members agreed to contribute each year to the General Fund. Each member's percentage share is based on an average of the following two percentages:

- (1) The percentage of the total assessed valuation of all real property within WMO which lies within the member's boundaries; and
- (2) The percentage of the total area in WMO which lies within the member's boundaries.

For 2016, the WMO assessed the members \$76,230 in member contributions.

Note 4 MEMBER REIMBURSEMENTS

Members reimburse the WMO for amounts expended for projects that indirectly benefit them. The WMO depends on member reimbursements in order to carry out its project activities.

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Note 5 GRANTS

The WMO receives financial assistance from governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the WMO at December 31, 2016.

Note 6 RISK MANAGEMENT

The WMO is exposed to various risks of loss for which the WMO carries commercial insurance policies.

Property and casualty insurance coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The WMO pays an annual premium to the LMCIT. The WMO is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts.

There were no reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

Note 7 COMMITMENTS AND CONTINGENCIES

The WMO is not aware of any existing or pending lawsuits, claims or other actions in which the WMO is a defendant.

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REQUIRED SUPPLEMENTARY INFORMATION

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LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION

REQUIRED SUPPLEMENTARY INFORMATION

Statement 5

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For The Year Ended December 31, 2016

		2016		Variance with Final Budget - Positive (Negative)
		Budgeted Amounts		Actual Amounts
		Original	Final	
Revenues:				
Member contributions		\$76,230	\$76,230	\$ -
Intergovernmental		-	-	21,149
Investment income		75	75	223
Other		660	660	1,067
Total revenues		76,965	76,965	22,439
Expenditures:				
Current:				
General government:				
Administrative		17,400	17,400	151
Insurance		2,500	2,500	225
Professional fees		6,000	6,000	5,744
Programs:				
Engineering/plan revisions		38,100	38,100	8,876
FY 16 CWF Grant		-	-	(21,149)
Other		12,000	12,000	2,250
Total expenditures		76,000	76,000	(3,903)
Revenues over expenditures		\$965	\$965	\$18,536
Fund balance - January 1			95,266	
Fund balance - December 31			\$114,767	

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2016

Note A BUDGETS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level for the General Fund.

OTHER REPORTS

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REPORT ON INTERNAL CONTROL

To the Board of Managers
Lower Mississippi River Watershed Management Organization
Mendota Heights, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Lower Mississippi River Watershed Management Organization as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Lower Mississippi River Watershed Management Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lower Mississippi River Watershed Management Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Lower Mississippi River Watershed Management Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control as described in the accompanying Schedule of Findings and Responses as item 2016-001 to be a significant deficiency.

Lower Mississippi River Watershed Management Organization
Report On Internal Control

Lower Mississippi River Watershed Management Organization's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Lower Mississippi River Watershed Management Organization's Board of Managers and others within the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

February 1, 2017



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Managers
Lower Mississippi River Watershed Management Organization
Mendota Heights, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of Lower Mississippi River Watershed Management Organization, as of and for the year ended December 31, 2016, and the related notes to the financial statements which collectively comprise the Lower Mississippi River Watershed Management Organization's basic financial statements, and have issued our report thereon dated February 1, 2017.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except we did not test for compliance with the provisions for contracting and bidding and tax increment financing because Lower Mississippi River Watershed Management Organization has no applicable contracts or tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Lower Mississippi River Watershed Management Organization failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, except as described in the Schedule of Findings and responses as item 2016-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Lower Mississippi River Watershed Management Organization's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of Lower Mississippi River Watershed Management Organization and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

February 1, 2017

Lower Mississippi River Watershed Management Organization
Schedule of Findings and Responses

2016-001 Segregation of Duties

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition: Substantially all accounting procedures are performed by one person.

Cause: This condition is common to organizations of this size due to the limited number of staff.

Effect: The lack of an ideal segregation of duties subjects the WMO to a higher risk that errors or fraud could occur and not be detected in a timely manner.

Recommendation: Any modification of internal controls in this area must be viewed from a cost/benefit perspective. We recommend that a detailed review of the bank statements be performed by someone other than the person reconciling the account. This should include reviewing the bank reconciliation along with the bank statement.

Management Response: The WMO will investigate the adequacy of its policy and procedures in place to compensate for the lack of segregation of duties recognizing that all disbursements are approved by the Board of Managers.

Lower Mississippi River Watershed Management Organization
Schedule of Findings and Responses

2016-002 Deficiencies in collateral for deposits

Criteria: Minnesota Statute 118A.03 provides certain specific collateral requirements for deposits as follows:

118A.03 WHEN AND WHAT COLLATERAL REQUIRED.

Subdivision 1. For deposits beyond insurance.

To the extent that funds on deposit at the close of the financial institution's banking day exceed available federal deposit insurance, the government entity shall require the financial institution to furnish collateral security or a corporate surety bond executed by a company authorized to do business in the state. For the purposes of this section, "banking day" has the meaning given in Federal Reserve Board Regulation CC, Code of Federal Regulations, title 12, section 229.2(f), and incorporates a financial institution's cutoff hour established under section 336.4-108.

Subd. 2. In lieu of surety bond.

The following are the allowable forms of collateral in lieu of a corporate surety bond:

- (1) United States government Treasury bills, Treasury notes, Treasury bonds;
- (2) issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- (3) general obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- (4) general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- (5) irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- (6) time deposits that are fully insured by any federal agency.

Subd. 3. Amount.

The total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, except that where the collateral is irrevocable standby letters of credit issued by Federal Home Loan Banks, the amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution's banking day. The financial institution may furnish both a surety bond and collateral aggregating the required amount.

Subd. 4. Assignment.

Any collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged. Interest earned on assigned collateral will be remitted to the financial institution so long as it is not in default. The government entity may sell the collateral to recover the amount due. Any surplus from the sale of the collateral shall be payable to the financial institution, its assigns, or both.

Lower Mississippi River Watershed Management Organization Schedule of Findings and Responses

Subd. 5. Withdrawal of excess collateral.

A financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the government entity and receiving confirmation. The authority to return any delivered and assigned collateral rests with the government entity.

Subd. 6. Default.

For purposes of this section, default on the part of the financial institution includes, but is not limited to, failure to make interest payments when due, failure to promptly deliver upon demand all money on deposit, less any early withdrawal penalty that may be required in connection with the withdrawal of a time deposit, or closure of the depository. If a financial institution closes, all deposits shall be immediately due and payable. It shall not be a default under this subdivision to require prior notice of withdrawal if such notice is required as a condition of withdrawal by applicable federal law or regulation.

Subd. 7. Safekeeping.

All collateral shall be placed in safekeeping in a restricted account at a Federal Reserve bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection shall be approved by the government entity.

Condition / context: At December 31, 2016, the WMO held deposits of \$521,110. Deposits up to \$250,000 are insured by the FDIC. Deposits require collateral of at least ten percent more than the amount on deposit in excess of that covered by FDIC insurance. The collateral refund was \$298,221 (271,111 x 110%). The WMO was unable to provide evidence that such deposits were properly collateralized in accordance with State Statutes.

Cause: Unknown.

Effect: The effect of noncompliance is not determinable.

Recommendation: We recommend the WMO obtain sufficient collateral to comply with Minnesota Statute 118A.03.

Management Response: Management will investigate steps necessary to correct the lack of collateral.

Lower Mississippi River Watershed Management Organization

Proposed 2017 Budget

6/1/2016

ESTIMATED REVENUES AND ASSETS	2017 Budget
Use of Fund Balance	\$0
Dues from Members	\$83,853
Interest	\$75
Other/Grant Match	\$0
LMCIT Rebate	\$750
TOTAL	\$84,678
ESTIMATED EXPENSES AND LIABILITIES	2017 Budget
Consulting Engineering	
Technical Assistance	\$5,500
Meetings	\$6,000
Plan Reviews	\$3,500
Watershed Plan Amendment	\$0
Subtotal	\$15,000
Project Implementation	
Plan Implementation	\$7,500
WQ Cost Allocation Formula Development	\$0
Cost Share Program - Blue Thumb installs	\$7,500
Water Monitoring	\$6,000
Subtotal	\$21,000
Education	
Blue Thumb Program Workshops	\$4,500
General Education Activities	\$2,000
MN Waters Membership	\$3,000
Website	\$1,600
CAC Coordination	\$1,000
Subtotal	\$12,100
Administration	
General Administration	\$17,500
Accounting Services	\$1,400
Insurance	\$2,500
Attorney and Audit	\$6,000
Subtotal	\$27,400
Grant Match Funds	\$0
Set Aside for 4th Generation Mgmt Plan Dev.	\$5,000
TOTAL	\$80,500
Cumulative Set Aside for 4th Generation Plan Amendment	\$30,000
40% of Operating Costs in Unencumbered Reserves	\$32,200
Year End Fund Balance	\$62,143
Unencumbered Year End Fund Balance	\$32,143

LMRWMO

LOWER MISSISSIPPI RIVER WATERSHED MANAGEMENT ORGANIZATION

2017 NEWSLETTER

MISSION: Water resources and related ecosystems are managed to sustain their long-term health and integrity through member city collaboration and partnerships with other water management organizations with member city citizen support and participation.

ALUMINUM SULFATE TREATMENTS TO IMPROVE LAKE WATER QUALITY

The LMRWMO was awarded funding from the Minnesota Board of Water and Soil Resources (BWSR) through the Clean Water, Land and Legacy Amendment for aluminum sulfate treatments on Sunfish Lake and Lake Augusta. This project will address the cause of the water quality problems in these lakes which is excess phosphorus causing algae growth.

This project was identified through a multi-year study addressing water quality and pollution sources. The study showed that Lake Augusta and Sunfish Lake have similar depth and watersheds and identified the source of phosphorus, which is the pollutant in the lakes causing algae blooms. Phosphorus can come from a variety of sources but monitoring and modeling results indicated that the majority, 87% Lake Augusta and 90% for Sunfish Lake, comes from the sediments at the

bottom of the lake or “internal loading.”

The solution for this type of internal phosphorus is an application of aluminum sulfate (alum) into the lake. This non-toxic material is commonly used to treat and clarify drinking water and has the same effect on a lake. The alum binds

with phosphorus particles in the water and makes them unusable for plants, thereby reducing the production of algae in the lake.

The alum treatment is scheduled for the spring of 2017

and will occur over two or three days at each lake. The alum is injected into the lake several feet below the water surface as it settles to the bottom of the lake it interacts with and binds up the phosphorus in a form that is unusable to grow algae. Lake transparency is expected to improve dramatically with the alum treatments with noticeable results in just a few hours.



Alum treatment equipment on Lake Riley in Eden Prairie

BECOME A CITIZEN WATER QUALITY MONITOR

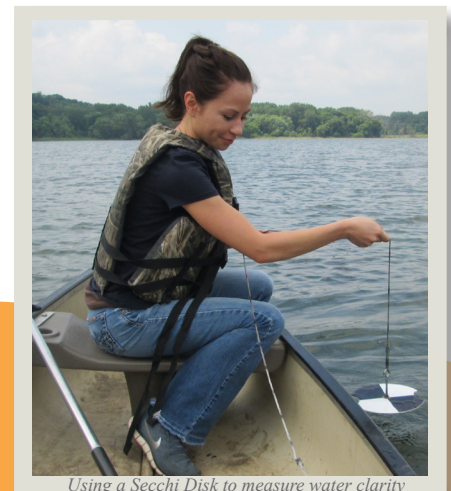
Citizen involvement is vital to ensuring the lasting health of Minnesota's waters and volunteers are needed to monitor the lakes within the LMRWMO.

Monitoring involves Secchi disk measurements to measure transparency of the water as well as measurements of phosphorus and chlorophyll in a lake. These give an indication of how excess nutrients in the lake are causing algae growth and making lakes unusable.

If you would like to learn how to become a water monitor, contact the LMRWMO administrator.

(651) 480-7777

joe.barten@co.dakota.mn.us



Using a Secchi Disk to measure water clarity

WATERSHED MANAGEMENT ORGANIZATION FACTS:

- WMOs are funded by the cities within their jurisdiction.
- WMOs are governed by a citizen board appointed by the member cities.
- The WMO was formed in 1985 after the Metro Surface Water Mgmt. Act was passed.

EVERY HOME IS WATERFRONT PROPERTY

CLEAN WATER STARTS AT HOME

The Landscaping for Clean Water program makes it easy for residents of the Lower Mississippi River Watershed Management Organization to turn their yards into an attractive force for clean water rather than a contributor to water pollution. Each of us has the opportunity to create a landscape on our property which will benefit our lakes, streams, and wetlands by soaking water into the ground, providing pollinator habitat, and stabilizing eroded slopes and shorelines. Through this program, we give you the tools and knowledge to transform your yard for the better. Register today to attend an introductory Landscaping for Clean Water workshop to learn about low-maintenance native gardens, raingardens, and native shoreline planting projects.

The workshop provides an overview of water quality challenges in Dakota County and provides beautiful and practical ways to transform conventional urban yards into beautiful and beneficial landscapes. You will also learn about \$250 grants available to participants. After the introductory workshop, you can sign up for a \$25 Landscaping for Clean Water Design workshop where you will work with professionals to design a project specific to your property.



Example of a Residential Raingarden

Workshops are held annually from March to June and attendance at the introductory workshop is free. Register or find out more by calling (651) 480-7777 or visiting www.dakotacountyswcd.org

ABOUT THE WATERSHED

The Lower Mississippi River Watershed, located in northern Dakota County and southern Ramsey County, covers 35,548 acres and includes Inver Grove Heights, St. Paul, South St. Paul, West St. Paul, Lilydale, Mendota Heights, and Sunfish Lake. The LMRWMO was established by a Joint Powers Agreement to meet the requirements of the Metropolitan Surface Water Management Act of 1982.

The premise of the Surface Water Management Act is that rain and storm-water runoff are not contained within municipal boundaries. Rain that falls in one community may run through another causing flooding, erosion, or the degradation of water quality downstream. The LMRWMO addresses intercommunity stormwater issues and ensures that all stormwater projects and studies follow accepted engineering standards. The costs incurred are allocated proportionately to member cities. Other efforts of the LMRWMO include protection of surface waters, water monitoring, and public education.

The public is welcome to attend LMRWMO board meetings held on the second Wednesday of each month at 3:00 p.m. (No meetings typically held in January or July.) Meetings are located at the member city halls. For upcoming meeting information, contact your Board of Managers representative or visit: www.dakotaswcd.org/watersheds/lowermisswmo/agendas.html

DID YOU KNOW?

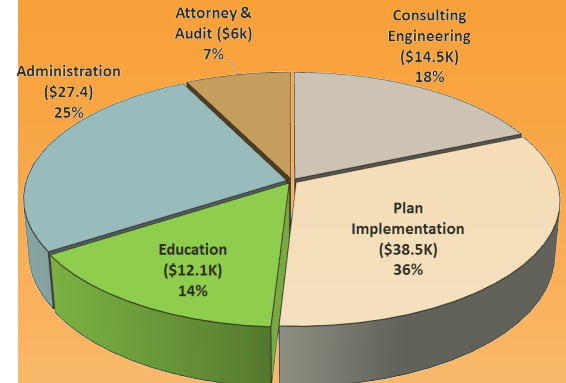
The LMRWMO Board of Managers is made up of citizen appointees who set the budget and direction of the organization. Two citizens from each of the seven cities below make up the LMRWMO Board.

- Inver Grove Heights
- Lilydale
- Mendota Heights
- Sunfish Lake
- South St. Paul
- St. Paul
- West St. Paul

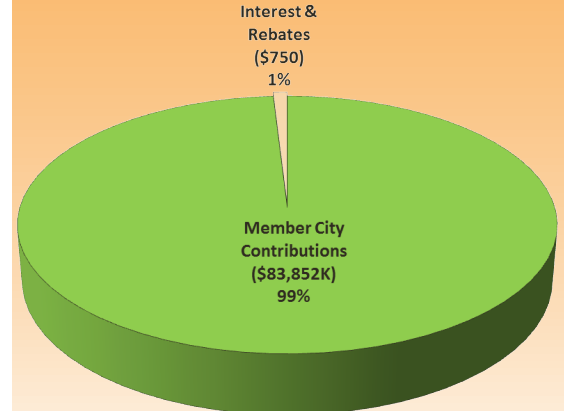
2017 BUDGET

The LMRWMO is funded through dues from its member cities based on area within the watershed and valuation of that area. Grant assistance is also provided through partnerships entities to fulfill the mission of the LMRWMO. See below for more detail.

EXPENDITURES



REVENUE



The Board of Managers is comprised of two appointed representatives from each member city.

2017 LMRWMO Representatives:

Sharon Lencowski (Board Chair) - Inver Grove Heights
 Scott Deyo (Vice Chair) - West St. Paul
 Mary Jeanne Schneeman (Sec/Tres) - Mendota Heights

Jill Smith (Alternate) - Mendota Heights
 Max Wallin (Member) - South St. Paul
 Chris Hartzell (Alternate) - South St. Paul

Tom Sutton (Member) - Lilydale
 Richard Williams (Alternate) - Sunfish Lake
 Administrator - Joe Barten (651) 480-7777

Contact the Administrator if you are interested in serving on the LMRWMO Board of Managers