

2008 Annual Report



TABLE OF CONTENTS

1. INTRODUCTION	1
2. FINANCIAL REPORT.....	2
2.1. 2008 Audit	2
2.2. 2008 Budget.....	2
2.3. 2009 Budget.....	4
3. ANNUAL ACTIVITY REPORT	5
3.1. Board Members.....	5
3.2. Employees and Consultants	6
3.3. 2008 Annual Work Plan.....	7
3.4. 2009 Projected Work Plan	11
Appendix A.....	A
Appendix B	Error! Bookmark not defined.

1. Introduction

The Cottage Grove Ravine Watershed Management Organization (WMO) was formed in 1984 to manage the resources of the watershed. This WMO was based on a joint powers agreement among the five cities in the watershed. A draft watershed management plan for the WMO was completed in April 1988; however, this plan was never approved or adopted by the WMO.

The WMO was later disbanded, and, in 1993, the Cottage Grove Ravine Watershed District was formed as the 42nd watershed district in Minnesota. The watershed district changed its name to the South Washington Watershed District (SWWD) in 1995. The SWWD was formed under, and operates in accordance with, Minnesota Statutes, Chapter 103B, "Metropolitan Surface Water Management Act", and Chapter 103D, "Watershed Districts."

The SWWD completed development of the watershed plan in 1996, approval of the plan was granted by the State Board of Water and Soil Resources in 1997, and later amended in 2002. Since that time the SWWD has focused its efforts on determining potential flood risk and developing a comprehensive flood relief system. The proposed system is designed in two phases; 1) reduce potential flood damages for existing developed areas of the watershed; 2) develop a comprehensive solution that provides stormwater management and flood control with capacity for the planned growth included in the 2000 comprehensive land use plans.

In April 2003, the SWWD petitioned the Minnesota Board of Water and Soil Resources to enlarge the boundary and include the East Mississippi Water Management Organization. The East Mississippi Water Management Organization included all or portions of Grey Cloud Island Township, Cottage Grove, Woodbury, St. Paul Park, and Newport. The enlargement was completed as a part of recommendations from the Washington County Water Governance Study (1999). The enlargement petition was approved on May 28, 2003 by the Board of Water and Soil Resources (BWSR).

SWWD updated the Watershed Management Plan (WMP) through 2007, with BWSR approval in September of 2007, and SWWD Board adoption in November 2007. The updated plan lays out guidance on the management of water and natural resources through the year 2017. The WMP complies with Minnesota Rules Chapter 8410, "Metropolitan Area Local Water Management," (May 27, 1992), the Metropolitan Surface Water Management Act, and Minnesota Statute 103D.

This report has been prepared in accordance with Minnesota Rules Chapter 8410.0150, Annual Reporting Requirements. Content of this report pertain to the calendar year 2008.

2. Financial Report

2.1. 2008 Audit

- 2.1.1. A complete copy of the 2008 Audit is included Appendix A of this report. The following tables illustrate the funds and approved levies for 2008 and 2009.

2.2. 2008 Budget

- 2.2.1. The District Board annually prioritizes work activities from the long range work plan constituting targeted efforts for the coming year. These work activities translate into the annual work plan and budget for the SWWD. The annual work plan allows the District Board to establish a short term operating budget while maintaining connection to the overall long term management goals of the District. Ten Management areas have been defined through which the SWWD will work to execute the annual work plan. In 2004 the SWWD implemented a stormwater utility fee for the majority of project revenue. 2008 was the fifth year of stormwater utility fee collection for the SWWD. The utility was implemented to provide the SWWD with sub-watershed financing authority. Sub-watershed financing is used to the implementation of the watershed overflow project which splits the cost 75% sub-watershed and 25% entire watershed. The SWWD also manages each watershed unit as a sub-watershed financing unit. The South Washington Watershed and the East Mississippi Watershed have independent watershed project funding. The SWWD works with the Cities each year to update stormwater utility parcel information for consistency between City and Watershed utility charges. Washington County is the collection agent through property tax collections. The fee is listed on property tax statements as a special assessment.

Management Area	2008	Total
1 Flood Plain Management*		\$ -
2 Stormwater Runoff Rate and Volume		\$ 1,945,000.00
3 Water Quality		\$ 242,428.57
4 Wetlands		\$ -
5 Natural Resources and Recreation		\$ 100,000.00
6 Groundwater		\$ 85,000.00
7 Erosion and Sediment Control		\$ 24,952.38
8 Education		\$ 62,380.95
9 Long Range Work Plan Financing		\$ 18,714.29
10 Data Management		\$ 249,523.81
11 General		\$ 227,565.00
Total		\$ 2,955,565.00

**Project overlap.....see page 4*

Budget Summary:

BREAKDOWN	2007	2008	Change from Previous Year (+/-):
Projects:	\$ 2,149,535.00	\$ 2,335,000.00	7.94%
Programs:	\$ 355,835.00	\$ 315,000.00	-12.97%
Administrative:	\$ 248,534.00	\$ 305,565.00	18.66%

Year	Budget	Change from Previous Year (+/-)
2009	\$3,011,222.00	2%
2008	\$2,955,565.00	9%
2007	\$2,693,033.00	2%
2006	\$2,642,338.00	4%
2005	\$2,549,012.00	-6%
2004	\$2,716,083.00	10%
2003	\$2,447,826.00	39%
2002	\$1,488,400.00	10%
2001	\$1,338,800.00	0%

2.3. 2009 Budget

2.3.1. A summary of the 2009 budget is included below. The SWWD continues to collect the majority of the revenue through the stormwater utility fee. The SWWD anticipates the planning, design and construction of the Watershed Overflow in the next few years. Implementation of stormwater conveyance systems, which include Military Road box culvert, CD-P85/86 connection and County Road #19 stabilization, will continue throughout 2009.

Management Area	2009	Total
1 Flood Plain Management		\$ 85,000.00
2 Stormwater Runoff Rate and Volume		\$ 1,869,000.00
3 Water Quality		\$ 224,057.68
4 Wetlands		\$ 20,000.00
5 Natural Resources and Recreation		\$ 100,000.00
6 Groundwater		\$ 100,000.00
7 Erosion and Sediment Control		\$ 23,094.57
8 Education		\$ 48,113.68
9 Long Range Work Plan Financing		\$ 29,509.72
10 Data Management		\$ 279,059.35
11 General		\$ 233,387.00
Total		\$ 3,011,222.00

Budget Summary:

Year	Budget	Change from Previous Year
2009	\$3,011,222.00	2%
2008	\$2,955,565.00	9%
2007	\$2,693,033.00	2%
2006	\$2,642,338.00	3.5%
2005	\$2,534,581.00	-6%
2004	\$2,716,083.00	10%
2003	\$2,447,826.00	39%
2002	\$1,488,400.00	10%
2001	\$1,338,800.00	0%
2000	\$1,341,717.00	21%

3. Annual Activity Report

3.1. Board Members

Manager	Position	Term Expires	City/County
Mr. Jack Lavold 6859 Ideal Avenue South Cottage Grove, MN 55016 651-459-8891	President	05/01/2011	Cottage Grove/Washington
Mr. Dennis Hanna, 9301 Grey Cloud Island Dr. St. Paul Park, MN 55071 651-459-2281	Vice-President	05/01/2010	Grey Cloud Island/Washington
Mr. Brian Johnson 4353 Dorchester Drive Woodbury, MN 55129 651-458-3739	Vice-President	05/01/2010	Woodbury/Washington
Mr. Don Pereira 8232 River Acres Road Cottage Grove, MN 55016 651-769-0429	Secretary	05/01/2009	Cottage Grove/Washington
Mr. Mike Madigan 2366 Hidden Lake Cove Woodbury, MN 55125 651-702-0488	Treasurer	05/01/2011	Woodbury/Washington

3.2. Employees and Consultants

Employees	Position	Address	Telephone	E-mail
Matt Moore	Administrator	Mail: 2302 Tower Drive Woodbury, MN 55125 Office: 2302 Tower Drive Woodbury, MN 55125	Phone: 651-714-3729 Fax: 651-714-3721	mmoore@ci.woodbury.mn.us
Melissa Imse	Administrative Assistant	Mail: 2302 Tower Drive Woodbury, MN 55125 Office: 2302 Tower Drive Woodbury, MN 55125	Phone: 651-714-3715 Fax: 651-714-3721	mimse@ci.woodbury.mn.us
Consultants	Services	Address	Telephone	E-mail/website
Jack W. Clinton, P.A.	Attorney	Suite 200 Currell Centre 7616 Currell Blvd. Woodbury, MN 55125	651-264-3077	jwclinton@usinternet.com
HLB Tautges Redpath, Ltd.	Accounting	4810 White Bear Parkway White Bear Lake, MN 55110	651-426-7000	www.hlbtr.com
BARR Engineering Company	Engineer	4700 West 77 th Street Minneapolis, MN 55435-4803	952-832-2600	www.barr.com
Bonestroo, Rosene, Anderlik & Assoc.	Engineer	2335 West Highway 36 St. Paul, MN 55113	651-636-4600	www.bonestroo.com
Emmons & Olivier Resources	Engineer	651 Hale Avenue North Oakdale, MN 55128	651-770-8448	www.eorinc.com
HDR Engineering, Inc.	Engineer	701 Xenia Avenue Minneapolis, MN 55416	763-591-5400	www.hdrinc.com
Houston Engineering, Inc.	Engineer	6901 East Fish Lake Road Maple Grove, MN 55369	763-493-4522	www.houstonengineeringinc.com
Wenck Associates, Inc.	Engineer	1800 Pioneer Creek Center P.O. Box 249 Maple Plain, MN 55359-0249	763-479-4200	www.wenck.com
Howard R. Green Company	Engineer	2550 University Avenue W, Suite 400N St Paul, MN 55114	651-644-4389	www.hrgreen.com
MSA Professional Services	Engineer	412 Hayward Avenue N Oakdale, MN 55128	608-242-7779	www.msa-ps.com
Ayres and Associates, Inc.	Engineer	3433 Oakwood Hills Parkway P.O. Box 1590 Eau Claire, WI 54702-1590	715-834-3161	www.AyresAssociates.com
Limno-Tech, Inc.	Engineer	1326 Birch Park Ridge Houlton, WI 54062	715-549-6740	www.limno.com
Schoell and Madson, Inc.	Engineer	10580 Wayzata Blvd., Suite 1 Minneapolis, MN 55305-1525	952-546-7601	www.schoellmadson.com
MMKR Certified Public Public Accountants	Accounting	5353 Wayzata Blvd. Minneapolis, MN 55416	952-545-0424	www.mmkrc.com
Washington Conservation District	Technical Services	1380 W Frontage Rd, Hwy 36 Stillwater, MN 55082	651-275-1136	www.mnwcd.org

3.3. 2008 Annual Work Plan

3.3.1. Flood Plain Management

SWWD provided assistance to member cities as part of the FEMA FIRM Washington County Restudy. The SWWD provide floodplain information to the Cities and assisted with individual parcel determinations to reduce the burden on individuals and future conflict for the Cities.

3.3.2. Stormwater Runoff Rate and Volume

The SWWD has participated with the City of Woodbury to address flooding issues on Wilmes Lake. The City has established a fund to assist homeowners to flood proof properties that are at risk from flooding. The SWWD actively participates and provides both technical and financial support to this program. The SWWD has completed design of control structures for detention of stormwater upstream of Wilmes Lake. Construction should be completed in 2009.

The SWWD continued to update the XPSWMM Model for the entire watershed in 2007. HDR Engineering Inc. established and updates the watershed model through information obtained from development reviews submitted to the District, and monitoring data collected throughout SWWD.

3.3.3. Water Quality

Water Quality cost share programs are an effective and innovative approach to reaching cities, companies, and individuals to educate and install structural Best Management Practices (BMP). SWWD developed a new cost share program 2007, with public participation in 2008. The SWWD accepted and approved 15 residential applications for water quality improvement on individual properties in 2008. The SWWD worked with the Cities of Cottage Grove and Woodbury to implement native vegetation and porous pavement projects in City Parks.

Local stormwater management is critical to the quantity and quality of stormwater runoff in the watershed. The SWWD works with development projects to implement management practices beyond traditional techniques. These techniques are directed at volume control and water quality enhancement.

3.3.4. Wetlands

There were no direct wetland projects in 2008. The SWWD continues to participate in wetland projects with Cities as a member of technical evaluation panels and provide technical assistance to general wetland issues.

3.3.5. Natural Resources and Recreation

Restoration of agricultural fields back to an Oak Savannah prairie began in 2007 within the property highlighted in the previous paragraph.

Initial work was the planting of 460 trees and seeding 2.25 acres. An additional 2.75 acres was planted to native prairie in 2008. The prairie establishment is successful, and will be maintained in 2009. SWWD is establishing a buffer area between future trails and private property ultimately planned for medium density residential.

3.3.6. Groundwater

The SWWD participated, when requested, with the Cities, Minnesota Department of Health, and the Pollution Control Agency, in assessing groundwater issues in Southern Washington County. General groundwater information collected by the SWWD was supplied for this effort.

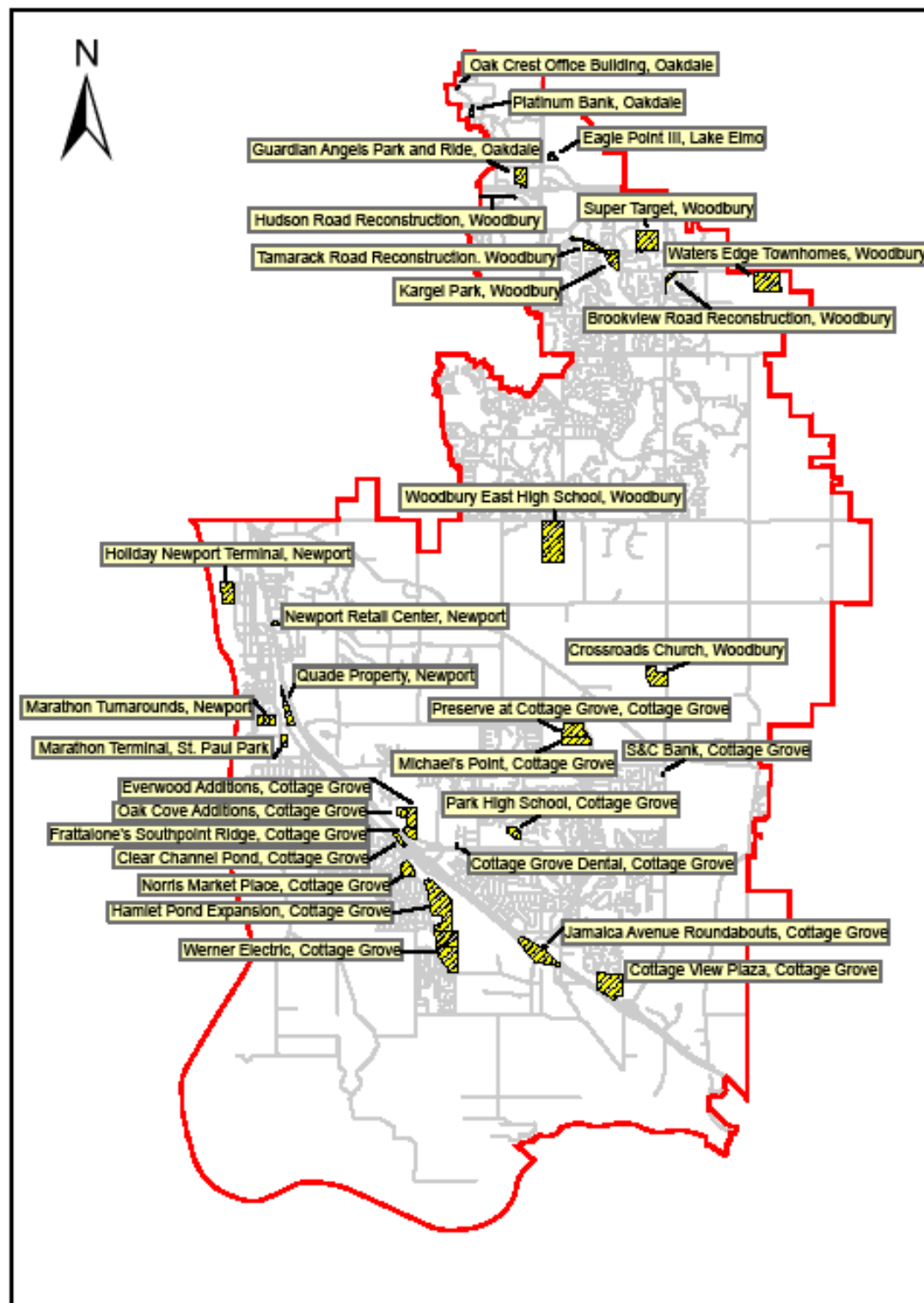
The SWWD continues to participate with Washington County in the groundwater advisory committee. The SWWD provides representatives to both the Citizen and Technical advisory committees.

3.3.7. Erosion and Sediment Control

2008 was the third year of participating in a NPDES Compliance Study. Working with WCD Staff, inspections at construction sites throughout the boundaries of South Washington were conducted four times. Data was analyzed and reproduced in a report ranking sites on a grading system. This report has been a key drive for change in NPDES Permit compliance within SWWD.

The SWWD Board has pursued a process to provide comments on projects to be included in the established permit process of the Cities, since the goal of the SWWD is to NOT duplicate a permit process. The Board is working to strengthen the review process by working more closely with individual cities. The following map illustrates projects reviewed in 2008.

2008 Development Reviews



3.3.8. Education

The SWWD is supporting the Watershed Partners to provide metro wide coverage and information of watershed issues. The Watershed Partners provides an annual report of their activities. The SWWD also developed a web site in 2005 that was launched in March of 2006 www.swwdmn.org. The website is used to communicate with the advisory committees, provide information to residents of the watershed and increase the identity of the watershed.

In addition to Watershed Partners, SWWD has paid for a portion of the shared Water Resources Educator position hosted by Washington Conservation District. This full time position continued in 2008. The shared position developed the East Metro Water Resource Education Program and continues to operate under that title. Since 2006, SWWD has been a partner of EMWREP and through this partnership educational needs are fulfilled for the District. Additional material is administered through local media outlets. The EMWREP annual report is included in Appendix C.

3.3.9. Long Range Work Plan and Financing

A stormwater utility assessment is used for generating project funds within SWWD. The utility fee is established upon the amount of runoff generated by a parcel based upon the percent impervious surface and normalized to a Residential Equivalence Unit. The utility was implemented to provide the SWWD with sub-watershed financing authority. Sub-watershed financing is used to the implementation of the watershed overflow project which splits the cost 75% sub-watershed and 25% entire watershed. Washington County is the collection agent through property tax collections. The fee is listed on property tax statements as a special assessment.

3.3.10. Data Management

SWWD contracts the Washington Conservation District to conduct all water monitoring efforts within the District. The monitoring program started in 1997 with two stream monitoring stations, one lake site, eight lake gage sites, and seven observation wells. Amount of monitoring sites has increased dramatically in the past ten years to include fourteen stream monitoring stations, four lake sites, six observation wells, and twelve lake gage sites that were monitored in 2008. Data that has been collected over the years are a key component in development of the updated WMP. Ongoing monitoring will provide evaluation of programs and projects contained in the WMP.

3.3.11. General

Administration costs for SWWD are budgeted within this category. Such costs include, but not limited to; salaries, rent, office supplies, and equipment.

Consultant services for accounting, legal, and engineering will be solicited in 2009 for the calendar years 2010-2011.

3.4. 2009 Projected Work Plan

3.4.1. Floodplain Management

The SWWD will continue to monitor floodplain projects in 2009. SWWD is partnering with the City of Woodbury to establish a grant program to flood proof properties around Wilmes Lake. This is in relation to the October 2005 rain storm that resulted in high water conditions on Wilmes Lake.. Through numerous studies, non-structural BMP's have been identified as the best option to reduce flood risk. To help with the cost of implementing non-structural BMP's the City is offering grants to defer cost of the projects for the individual property owner.

3.4.2. Storm Water Runoff Rate and Volume

The SWWD has established standards for development to control stormwater runoff. These standards have been incorporated into local surface water management plans prepared by the Cities. The SWWD will coordinate with the Cities for development reviews. Through the use of the SWWD monitoring network evaluation of the standards will begin.

The SWWD will work with the City of Woodbury to develop a watershed plan amendment for the construction of the gravel pit storage area. This project is tributary to Bailey Lake and provides significant storage capacity. The SWWD identified this project as a upstream component of the Central Draw Overflow.

The SWWD anticipates working with the City of Cottage Grove in the construction of local water quality projects. The City will be maintaining certain areas of their stormwater system. The SWWD will compliment these projects with water quality enhancements.

3.4.3. Water Quality

SWWD Cost Share Program became public in 2008. With the program going public, the number of projects within the District will continue to increase. The SWWD saw significant interest in the program in 2008 and anticipates continued success in 2009. The shared Water Resources Educator will also assist in distributing cost share educational materials.

3.4.4. Wetlands

For 2009, no projects are planned for Wetlands,

3.4.5. Natural Resources and Recreation

The SWWD participated with the City of Cottage Grove during the completion of the East Ravine AUAR and master plan for the comprehensive plan update. The City is planning for significant greenway/open space and part of the land use plan. A major portion of the land in the greenway is land purchased by the SWWD for flood control. These areas are being planned as open space available for flood control with compatible land uses. In 2009, SWWD will continue to return areas of open space from agricultural land use to a native prairie.

3.4.6. Groundwater

The SWWD will investigate the potential for expanding the monitoring network surrounding regional infiltration basins. The goal of this project will be to establish baseline water quality.

3.4.7. Erosion and Sediment Control

NPDES Phase II construction site inspections are important to enforcing the permit and ultimately will lead to a better compliance rate within the District. In 2009, SWWD will continue to perform site inspections in tandem with development reviews to increase compliance and to address those that are not in compliance. In addition to site inspections, the NPDES Compliance Study started in 2006 will continue for 2009. Site inspections will occur four times throughout the construction season.

3.4.8. Education

SWWD will continue to fund a portion of the Washington Conservation District's Water Resources Educational Specialist in 2009-2012. This position will be responsible for most of the distribution of educational materials within the District.

3.4.9. Long Range Work Planning and Financing

Stormwater utility fees as defined and administered by SWWD will remain the same in 2009. It is anticipated that in 2010 that the East Mississippi Subwatershed will be included in the Stormwater Utility collection. Funds collected in East Mississippi will be used to fund projects only within the East Mississippi subwatershed. Currently, East Mississippi does not have access to funds generated by the stormwater utility fee. The SWWD will be amending its watershed plan to include an identified project in the East Mississippi watershed.

Washington County has petitioned to expand the SWWD boundary to include a portion of the Lower St. Croix watershed management organization. The SWWD anticipates a decision in May of 2009,

3.4.10. Data Management

To insure that SWWD has the ability to make informed decisions, the water monitoring program will continue for 2009. In addition to the water monitoring program, the SWWD website will be a key component in relating information to the public in an easy to use platform.

Development reviews will become a more focused area of expertise for SWWD as the updated WMP becomes fully integrated into both the District and the Cities. It is the intention of SWWD NOT to duplicate City Permitting programs, but instead give recommendations and comments in regards to our rules and regulations.

3.4.11. General

No major changes will occur within the General Fund for 2009.

Appendix A

2008 South Washington Watershed Audit

SOUTH WASHINGTON WATERSHED DISTRICT

ANNUAL FINANCIAL REPORT

December 31, 2008

- This page intentionally left blank -

SOUTH WASHINGTON WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
INTRODUCTORY SECTION		
List of Appointed Officials		3
FINANCIAL SECTION		
Independent Auditor's Report		7
Basic Financial Statements		
Government-Wide Financial Statements:		
Statement of Net Assets	Statement 1	10
Statement of Activities	Statement 2	11
Fund Financial Statements:		
Balance Sheet - Governmental Funds	Statement 3	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	Statement 4	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	Statement 5	14
Notes to Financial Statements		15
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	Statement 6	34
Budgetary Comparison Schedule - Note to RSI		35
Individual Fund Financial Statements:		
General Fund:		
Comparative Balance Sheet	Statement 7	38
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	Statement 8	39

SOUTH WASHINGTON WATERSHED DISTRICT
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page No.</u>
Planning and Implementation Fund:		
Comparative Balance Sheet	Statement 9	40
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	Statement 10	41
Debt Service Fund:		
Comparative Balance Sheet	Statement 11	42
Comparative Statement of Revenues, Expenditures and Changes in Fund Balance	Statement 12	43
Supplementary Financial Information		
Combined Schedule of Indebtedness	Exhibit 1	46
Taxable Valuations, Tax Levies and Tax Rates	Exhibit 2	49
Special Revenue Fund - Planning and Implementation Fund:		
Combining Balance Sheet	Exhibit 3	50
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	Exhibit 4	52
OTHER REPORTS		
Report on Internal Control		57
Report on Compliance with Minnesota Legal Compliance Audit Guide for Local Government		61

INTRODUCTORY SECTION

- This page intentionally left blank -

SOUTH WASHINGTON WATERSHED DISTRICT

LIST OF APPOINTED OFFICIALS

December 31, 2008

BOARD OF MANAGERS

President	Jack Lavold
Vice-President	Dennis Hanna
Vice-President	Brian Johnson
Treasurer	Mike Madigan
Secretary	Don Pereira

APPOINTED OFFICIALS

Administrator	Matt Moore
---------------	------------

- This page intentionally left blank -

FINANCIAL SECTION

- This page intentionally left blank -



Tautges Redpath, Ltd.

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Managers
South Washington Watershed District
Woodbury, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of the South Washington Watershed District as of and for the year ended December 31, 2008 which collectively comprise the South Washington Watershed District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Washington Watershed District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the South Washington Watershed District as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The South Washington Watershed District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information on pages 34 and 35, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Washington Watershed District's basic financial statements. The introductory section, individual fund financial statements and supplementary financial information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and supplementary financial information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

May 4, 2009

BASIC FINANCIAL STATEMENTS

SOUTH WASHINGTON WATERSHED DISTRICT**STATEMENT OF NET ASSETS**

December 31, 2008

Statement 1

	Governmental Activities	
	2008	2007
Assets:		
Cash and investments	\$10,357,770	\$8,374,304
Cash and investments with escrow agent	2,905,202	2,858,118
Accounts receivable - net	-	3,180
Accrued interest receivable	45,874	-
Taxes receivable:		
Delinquent	119,346	93,878
Due from county	39,125	52,163
Prepaid items	1,420	5,500
Deferred charges	42,757	47,993
Capital assets - net:		
Depreciable	707,156	723,064
Nondepreciable	7,444,970	7,444,970
Total assets	<u>21,663,620</u>	<u>19,603,170</u>
Liabilities:		
Accounts payable	32,587	88,765
Accrued interest payable	100,116	95,245
Unamortized bond premium	91,490	102,693
Compensated absences payable:		
Due within one year	4,373	2,969
Bonds payable:		
Due within one year	365,000	350,000
Due in more than one year	6,390,000	6,755,000
Total liabilities	<u>6,983,566</u>	<u>7,394,672</u>
Net assets:		
Invested in capital assets, net of related debt	4,100,636	3,755,341
Restricted for:		
Debt Service	118,517	34,989
Unrestricted	10,460,901	8,418,168
Total net assets	<u>\$14,680,054</u>	<u>\$12,208,498</u>

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

SOUTH WASHINGTON WATERSHED DISTRICT**STATEMENT OF ACTIVITIES**

For The Year Ended December 31, 2008

Statement 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Totals	
					2008	2007
Primary government:						
Governmental activities:						
General government	\$245,312	\$ -	\$ -	\$ -	(\$245,312)	(\$225,830)
Programs	153,430	-	-	-	(153,430)	(276,447)
Projects	199,250	2,294,358	-	-	2,095,108	1,770,773
Interest on long-term debt	272,141	-	-	-	(272,141)	(229,671)
Total governmental activities	<u>\$870,133</u>	<u>\$2,294,358</u>	<u>\$0</u>	<u>\$0</u>	<u>1,424,225</u>	<u>1,038,825</u>
General revenues:						
Property taxes					635,231	548,128
Grants and contributions not restricted to specific programs					22,352	20,551
Unrestricted investment earnings					376,639	347,931
Miscellaneous other					13,109	11,714
Total general revenues					<u>1,047,331</u>	<u>928,324</u>
Change in net assets					2,471,556	1,967,149
Net assets - January 1, as previously reported					<u>12,208,498</u>	<u>10,241,349</u>
Net assets - December 31					<u>\$14,680,054</u>	<u>\$12,208,498</u>

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

SOUTH WASHINGTON WATERSHED DISTRICT**BALANCE SHEET****GOVERNMENTAL FUNDS**

December 31, 2008

Statement 3

	General Fund	Planning and Implementation	Debt Service	Total Governmental Funds	
Assets				2008	2007
Cash and investments	\$289,096	\$10,048,874	\$19,800	\$10,357,770	\$8,374,304
Cash and investments with escrow agent	-	-	2,905,202	2,905,202	2,858,118
Accounts receivable - net	-	-	-	-	3,180
Accrued interest receivable	-	-	45,874	45,874	-
Taxes receivable:					
Delinquent	5,155	114,191	-	119,346	93,878
Due from county	3,012	36,113	-	39,125	52,163
Prepaid items	1,420	-	-	1,420	5,500
Total assets	<u>\$298,683</u>	<u>\$10,199,178</u>	<u>\$2,970,876</u>	<u>\$13,468,737</u>	<u>\$11,387,143</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$12,408	\$20,179	\$ -	\$32,587	\$88,765
Deferred revenue	5,155	114,191	-	119,346	93,878
Total liabilities	<u>17,563</u>	<u>134,370</u>	<u>0</u>	<u>151,933</u>	<u>182,643</u>
Fund balance:					
Reserved for:					
Prepaid items	1,420	-	-	1,420	5,500
Debt service	-	-	2,970,876	2,970,876	2,877,241
Unreserved:					
Designated:					
General Fund	279,700	-	-	279,700	271,228
Special Revenue Fund	-	10,064,808	-	10,064,808	8,050,531
Total fund balance	<u>281,120</u>	<u>10,064,808</u>	<u>2,970,876</u>	<u>13,316,804</u>	<u>11,204,500</u>
Total liabilities and fund balance	<u>\$298,683</u>	<u>\$10,199,178</u>	<u>\$2,970,876</u>	<u>\$13,468,737</u>	<u>\$11,387,143</u>
Fund balance reported above				\$13,316,804	\$11,204,500
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.				8,152,126	8,168,034
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				119,346	93,878
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(6,908,222)	(7,257,914)
Net assets of governmental activities				<u>\$14,680,054</u>	<u>\$12,208,498</u>

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

SOUTH WASHINGTON WATERSHED DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

Statement 4

	General Fund	Planning and Implementation	Debt Service	Total Governmental Funds	
				2008	2007
Revenues:					
General property taxes	\$223,604	\$386,159	\$ -	\$609,763	\$519,688
Stormwater utility fees	-	1,753,298	541,060	2,294,358	2,094,767
Intergovernmental	1,721	20,631	-	22,352	20,551
Investment income	15,029	180,166	181,444	376,639	347,931
Other	455	12,654	-	13,109	11,714
Total revenues	<u>240,809</u>	<u>2,352,908</u>	<u>722,504</u>	<u>3,316,221</u>	<u>2,994,651</u>
Expenditures:					
Current:					
General government	236,417	2,255	-	238,672	225,679
Programs	-	153,430	-	153,430	276,447
Projects	-	182,946	-	182,946	308,085
Debt service:					
Principal retirement	-	-	350,000	350,000	340,000
Interest	-	-	278,473	278,473	204,953
Professional services	-	-	396	396	47,993
Total expenditures	<u>236,417</u>	<u>338,631</u>	<u>628,869</u>	<u>1,203,917</u>	<u>1,403,157</u>
Revenues over expenditures	<u>4,392</u>	<u>2,014,277</u>	<u>93,635</u>	<u>2,112,304</u>	<u>1,591,494</u>
Other financing sources:					
Bond premium	-	-	-	-	102,693
Refunding bonds issued	-	-	-	-	2,795,000
Total other financing sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,897,693</u>
Net change in fund balance	4,392	2,014,277	93,635	2,112,304	4,489,187
Fund balance - January 1	<u>276,728</u>	<u>8,050,531</u>	<u>2,877,241</u>	<u>11,204,500</u>	<u>6,715,313</u>
Fund balance - December 31	<u><u>\$281,120</u></u>	<u><u>\$10,064,808</u></u>	<u><u>\$2,970,876</u></u>	<u><u>\$13,316,804</u></u>	<u><u>\$11,204,500</u></u>

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

SOUTH WASHINGTON WATERSHED DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

Statement 5

	<u>2008</u>	<u>2007</u>
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Net changes in fund balances - total governmental funds (Statement 4)	\$2,112,304	\$4,489,187
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	25,468	28,440
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(15,908)	(15,909)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Issuance of refunding bonds	-	(2,795,000)
Premium on refunding bonds	-	(102,693)
Bond issuance costs	-	47,993
Principal retirement	350,000	340,000
Amortization of deferred charges	(5,236)	-
Amortization of bond premium	11,203	-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(6,275)</u>	<u>(24,869)</u>
Change in net assets of governmental activities (Statement 2)	<u><u>\$2,471,556</u></u>	<u><u>\$1,967,149</u></u>

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

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the South Washington Watershed District (the District) conform to generally accepted accounting principles applicable to governmental units. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

The District was originally created on August 25, 1993 under the name of Cottage Grove Ravine Watershed District by the Minnesota Board of Water and Soil Resources (the Board) as provided in Minnesota Statutes Chapter 103D. In July 1994, the District changed its name to South Washington Watershed District.

The purpose of the District is to promote public health, safety and welfare and enable its affected area to eventually come into compliance with Minnesota Statutes Section 103B.201 to 103B.255, also known as the Metropolitan Water Management Act. The District is operated by a five member Board of Managers originally appointed by the Board. Subsequent appointments will be made by Washington County.

In accordance with Governmental Accounting Standards Board (GASB) pronouncements and generally accepted accounting principles, the financial statements of the reporting entity include the primary government and its component units. Generally, component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District (primary government) does not have any component units nor is it a component unit of any other governmental unit.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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 or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or *business-type activity*. 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. Property taxes are recognized as revenues in the year for which they are levied. 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 government 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.

Property taxes, 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 government.

The District reports the following major governmental funds:

General Fund - is the general operating fund of the District. It is used to account for financial resources to be used for general administrative expenditures.

Planning and Implementation Fund - is established to account for expenditures related to the preparation and implementation of the Watershed Management Plan.

Debt Service Fund - is established to account for the accumulation of resources for, and the payment of principal, interest and related costs of the \$5,875,000 General Obligation Bonds of 2002 and the \$2,795,000 General Obligation Crossover Refunding Bonds of 2007.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the District. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

D. BUDGETS

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General Fund. Budgeted expenditure appropriations lapse at year end. Excess funds are rolled over each year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the District because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

E. LEGAL COMPLIANCE – BUDGETS

The District prepares annual revenue and expenditure budgets for the District's General Fund. The District monitors budget performance on the fund basis. All amounts over budget have been approved by the Board through the budget extension process. The modified accrual basis of accounting is used by the District for budgeting data. All appropriations end with the fiscal year for which they were made. The District does not prepare an annual expenditure/appropriations budget for its Special Revenue Fund.

F. CASH AND INVESTMENTS

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income is allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value, based upon quoted market prices. Investment income is accrued at the balance sheet date.

G. MARKET VALUE HOMESTEAD CREDIT

Property taxes and homestead property (as defined by State Statutes) are partially reduced by market value homestead credit. This credit is paid to the District by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The credit is recognized as revenue by the District at the time of collection.

H. PROPERTY TAX REVENUE RECOGNITION

The Board of Managers annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the District on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The District has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The District recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the District in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the District the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the District in January is fully offset by deferred revenue because they are not available to finance current expenditures.

I. INVENTORIES

The original cost of materials and supplies has been recorded as expenditures at the time of purchase. These funds do not maintain material amounts of inventories.

J. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

K. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

GASB Statement No. 34 required the District to report and depreciate new infrastructure assets effective with the beginning of the 2004 calendar year. Infrastructure assets include lake improvements, dams and drainage systems. Neither their historical cost nor related depreciation has historically been reported in the financial statements. For governmental entities with total annual revenues of less than \$10 million for the fiscal year ended December 31, 1999 the retroactive reporting of infrastructure is not required under the provisions of GASB Statement No. 34.

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	50 years
----------------	----------

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt is reported as a liability in the applicable governmental activities fund type statement of net assets. Material bond premiums and discounts, as well as issuance costs, are amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

N. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

O. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay benefits that are vested as severance pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

P. 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.

Q. RECLASSIFICATIONS

Certain reclassifications were made to prior year amounts to conform to the current year presentation.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

R. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$6,908,222) difference are as follows:

Bonds payable	(\$6,755,000)
Accrued interest payable	(100,116)
Compensated absences	(4,373)
Deferred charges	42,757
Unamortized bond premium	<u>(91,490)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>(\$6,908,222)</u></u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$25,468 difference are as follows:

General property taxes deferred revenue:	
At December 31, 2007	(\$93,878)
At December 31, 2008	<u>119,346</u>
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u><u>\$25,468</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Another element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this (\$15,908) difference are as follows:

Depreciation expense	<u>\$15,908</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u><u>\$15,908</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this (\$6,275) difference are as follows:

Accrued interest payable:	
At December 31, 2007	\$95,245
At December 31, 2008	(100,116)
Compensated absences payable:	
At December 31, 2007	2,969
At December 31, 2008	<u>(4,373)</u>
Net adjustments to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u><u>(\$6,275)</u></u>

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

Minnesota Statutes require that all of the District’s 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 District’s 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;

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

- 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.

The District does not have deposits at December 31, 2008.

B. INVESTMENTS

Minnesota Statutes authorize the District to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of congress, excluding mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota housing finance agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptances of United States banks.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

government securities to the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or, a bank qualified as a depositor.

- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7; 469.178, subdivision 5; or 475.61, subdivision 6.

As of December 31, 2008, the District had the following investments and maturities:

Investment Type	Rating	Fair Value	Investment Maturities (in Years)			
			Less Than 1	1-5	6-10	Over 10 Years
Federal Home Loan Bank	AAA	\$207,751	\$ -	\$207,751	\$ -	\$ -
Federal National Mortgage Association	AAA	2,654,680	-	2,654,680	-	-
US Treasury State and Local Governments (SLGS)	N/A	42,771	-	42,771	-	-
External investment pool - 4M fund	N/A	10,357,770	10,357,770	-	-	-
Total		<u>\$13,262,972</u>	<u>\$10,357,770</u>	<u>\$2,905,202</u>	<u>\$0</u>	<u>\$0</u>
Total investments						<u>\$13,262,972</u>

Following is a reconciliation of the District's cash and investment balances as of December 31, 2008:

Cash and investments	\$10,357,770
Cash and investments with escrow agent	<u>2,905,202</u>
	<u>\$13,262,972</u>

Credit Risk. The District follows State Statutes in regards to credit risk of investments. The District does not have an investment policy which further limits its investment choices.

The District's external investment pool investment is with the 4M fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated 2a7-like pool and the fair value of the positions in the pool is the same as the value of pool shares.

Interest Rate Risk. The District does not have an investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The District does not have an investment policy which addresses the concentration of credit risk. More than 5% of the District's investments are in various holdings as follows:

Federal Home Loan Bank	1.57%
Federal National Mortgage Association	20.02%

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Custodial Credit Risk. For investments in securities, custodial credit risk is the risk that in the event of a failure of the counterparty, the District will not be able to recover the value of its investments securities that are in the possession of an outside party. As of December 31, 2008, \$10,357,770 of the District's \$13,262,972 of investments were invested in an external investment pool. Investments in external investment pools are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk disclosures. The remaining investments of \$2,905,202 were held in the District's name in a trust account.

Note 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2008 are as follows:

	Major General Funds	Major Planning and Implementation	Total
Delinquent property taxes	\$2,914	\$64,541	\$67,455

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$5,155	\$ -
Delinquent property taxes receivable (Planning and Implementation Fund)	114,191	-
Total	\$119,346	\$0

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	<u>\$7,444,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$7,444,970</u>
Capital assets, being depreciated:				
Infrastructure	<u>793,070</u>	<u>-</u>	<u>-</u>	<u>793,070</u>
Less accumulated depreciation for:				
Infrastructure	<u>70,006</u>	<u>15,908</u>	<u>-</u>	<u>85,914</u>
Total capital assets being depreciated - net	<u>723,064</u>	<u>(15,908)</u>	<u>-</u>	<u>707,156</u>
Governmental activities capital assets - net	<u><u>\$8,168,034</u></u>	<u><u>(\$15,908)</u></u>	<u><u>\$0</u></u>	<u><u>\$8,152,126</u></u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental activities:	
Projects	<u>\$15,908</u>
Total depreciation expense - governmental activities	<u><u>\$15,908</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

Note 5 LONG-TERM DEBT

The District issued a general obligation bond in 2002 to provide funds for capital improvements. The District issued a general obligation crossover refunding bond in 2007 to refund the 2002 bond on March 1, 2010.

GOVERNMENTAL ACTIVITIES

As of December 31, 2008, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/08
General Obligation Bonds:					
\$5,875,000 Bonds of 2002	4.75%	1/29/2002	3/1/2010	\$5,875,000	\$3,960,000
\$2,795,000 Refunding Bonds 2007A	4.00%	12/27/2007	3/1/2017	2,795,000	2,795,000
Total general obligation bonds				<u>8,670,000</u>	<u>6,755,000</u>
Compensated absences payable				-	4,373
Total indebtedness - governmental activities				<u>\$8,670,000</u>	<u>\$6,759,373</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	General Obligation Bonds - Governmental Activities			
	G.O. Bonds		Refunding Bonds	
	Principal	Interest	Principal	Interest
2009	\$365,000	\$176,042	\$ -	\$116,550
2010	3,595,000	84,142	-	116,550
2011	-	-	-	116,550
2012	-	-	420,000	108,150
2013	-	-	435,000	91,050
2014	-	-	455,000	73,250
2015	-	-	475,000	52,275
2016	-	-	495,000	30,500
2017	-	-	515,000	10,300
Total	<u>\$3,960,000</u>	<u>\$260,184</u>	<u>\$2,795,000</u>	<u>\$715,175</u>

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds:					
\$5,875,000 Bonds of 2002	\$4,310,000	\$ -	\$350,000	\$3,960,000	\$365,000
\$2,795,000 Refunding Bonds 2007A	<u>2,795,000</u>	<u>-</u>	<u>-</u>	<u>2,795,000</u>	<u>-</u>
Total general obligation bonds	<u>7,105,000</u>	<u>0</u>	<u>350,000</u>	<u>6,755,000</u>	<u>365,000</u>
Compensated absences payable	<u>\$2,969</u>	<u>\$7,351</u>	<u>(\$5,947)</u>	<u>\$4,373</u>	<u>\$4,373</u>

All long-term bonded indebtedness outstanding at December 31, 2008 is backed by the full faith and credit of the District. Compensated absences are generally liquidated by the General Fund.

CROSSOVER REFUNDING

Series 2007A – On December 27, 2007, the District issued \$2,795,000 in General Obligation Crossover Refunding Bonds, Series 2007A with an average interest rate of 4.18% to refund \$2,810,000 of outstanding 2002 Series Bonds with an average interest rate of 4.5%. The net proceeds of \$2,857,046 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on March 1, 2010.

The District refunded the 2002 Series Bonds to reduce its total debt service payments over the next 10 years by \$100,995 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$82,263.

The District is responsible for the debt service of the refunded bonds through the crossover date (March 1, 2010) and the debt service of the refunding bonds after the crossover date. The District is also responsible for the September 1, 2010, March 1, 2011 and September 1, 2011 debt service of the refunded bonds. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with the escrow agent total \$2,905,202 at December 31, 2008.

The financial statements present each bond issue and the escrow account assets pursuant to GASB No. 7. The effect on the financial statements is to report greater debt than, in substance, the District will be responsible for paying.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

The Refunding Bonds of 2007A are crossover refunding bonds whereby the District and the escrow agent are responsible for debt service payments as follows:

Payment Date	Refunded Bonds	Refunding Bonds	Debt Service Commitment	
	Total	Total	Escrow Account	District
3/1/2009	\$456,899	\$58,275	\$58,275	\$456,899
9/1/2009	84,142	58,275	58,275	84,142
3/1/2010	3,279,143	58,275	2,868,275	469,143
9/1/2010	8,900	58,275	-	67,175
3/1/2011	408,900	58,275	-	467,175
9/1/2011	-	58,275	-	58,275
3/1/2012	-	478,275	-	478,275
9/1/2012	-	49,875	-	49,875
3/1/2013	-	484,875	-	484,875
9/1/2013	-	41,175	-	41,175
3/1/2014	-	496,175	-	496,175
9/1/2014	-	32,075	-	32,075
3/1/2015	-	507,075	-	507,075
9/1/2015	-	20,200	-	20,200
3/1/2016	-	515,200	-	515,200
9/1/2016	-	10,300	-	10,300
3/1/2017	-	525,300	-	525,300
Total	<u>\$4,237,984</u>	<u>\$3,510,175</u>	<u>\$2,984,825</u>	<u>\$4,763,334</u>

Note 6 CONTINGENCIES

A. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Workers compensation coverage for District employees is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The District pays an annual premium to LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the District is not subject to a deductible. The District workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Other insurance coverage is provided through a pooled self-insurance program through the LMCIT. The District pays an annual premium to the LMCIT. The District is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess various amounts. The District retains risk for the deductible portions of the

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

insurance policies. The amount of these deductibles are considered immaterial to the financial statements.

There were no significant reductions in insurance or settlements in excess of insurance coverage for 2008.

B. LITIGATION

The District's attorney has indicated that there are no pending litigation's in which the District is involved that would have a material effect upon the District's financial statements.

Note 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statute, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or 1-800-652-9026.

SOUTH WASHINGTON WATERSHED DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.50% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan will increase to 6.75%, effective January 1, 2009. The District's contributions for the years ending December 31, 2008, 2007 and 2006 were \$6,742, \$5,329 and \$4,481, respectively, equal to the contractually required contributions for the years as set by state statute.

Note 8 DESIGNATIONS OF FUND EQUITY

At December 31, 2008 and 2007, the District had the following fund equity reservations and designations:

	December 31,	
	2008	2007
General Fund:		
Reserved for prepaid items	\$1,420	\$5,500
Designated for cash flow	279,700	271,228
Special Revenue Fund:		
Designated for Watershed plan implementation	10,064,808	8,050,531
Debt Service Fund:		
Reserved for debt service	2,970,876	2,877,241
Total	<u>\$13,316,804</u>	<u>\$11,204,500</u>

Note 9 STORMWATER UTILITY FEES

In 2004 the District implemented a stormwater utility fee pursuant to Minnesota Statutes Chapter 444.

- This page intentionally left blank -

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH WASHINGTON WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Statement 6

For The Year Ended December 31, 2008

With Comparative Actual Amounts For The Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual	Variance with Final Budget - Positive (Negative)	2007 Actual
	Original	Final	Amounts		Amounts
Revenues:					
General property taxes	\$225,844	\$225,844	\$223,604	(\$2,240)	\$184,031
Intergovernmental - MVHC	1,721	1,721	1,721	-	1,249
Investment income	-	-	15,029	15,029	20,629
Other	-	-	455	455	712
Total revenues	<u>227,565</u>	<u>227,565</u>	<u>240,809</u>	<u>13,244</u>	<u>206,621</u>
Expenditures:					
Current:					
Legal	6,400	6,400	6,235	165	6,306
Accounting and auditing	20,800	20,800	26,613	(5,813)	19,890
Salary and benefits	112,009	112,009	119,680	(7,671)	97,263
Contracted services	24,916	24,916	24,916	-	43,901
Manager's per diem and expenses	18,000	18,000	23,127	(5,127)	14,747
Insurance	9,600	9,600	9,501	99	9,817
Dues	3,500	3,500	2,475	1,025	3,365
Rent	24,840	24,840	18,185	6,655	11,215
Equipment	5,000	5,000	-	5,000	3,328
Office supplies and other	2,500	2,500	5,685	(3,185)	2,908
Total expenditures	<u>227,565</u>	<u>227,565</u>	<u>236,417</u>	<u>(8,852)</u>	<u>212,740</u>
Revenues over (under) expenditures	<u>\$0</u>	<u>\$0</u>	4,392	<u>\$4,392</u>	(6,119)
Fund balance - January 1			<u>276,728</u>		<u>282,847</u>
Fund balance - December 31			<u>\$281,120</u>		<u>\$276,728</u>

SOUTH WASHINGTON WATERSHED DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2008

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.

- This page intentionally left blank -

INDIVIDUAL FUND STATEMENTS

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
GENERAL FUND
December 31, 2008
With Comparative Amounts For December 31, 2007

Statement 7

Assets	2008	2007
Cash and investments	\$289,096	\$282,155
Taxes receivable:		
Delinquent	5,155	3,154
Due from county	3,012	3,169
Prepaid items	1,420	5,500
Total assets	<u>\$298,683</u>	<u>\$293,978</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$12,408	\$14,096
Deferred revenue	5,155	3,154
Total liabilities	<u>17,563</u>	<u>17,250</u>
Fund balance:		
Reserved for prepaid item	1,420	5,500
Unreserved:		
Designated for cash flow	279,700	271,228
Total fund balance	<u>281,120</u>	<u>276,728</u>
Total liabilities and fund balance	<u>\$298,683</u>	<u>\$293,978</u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2008
With Comparative Amounts For The Year Ended December 31, 2007

Statement 8

	2008	2007
Revenues:		
General property taxes	\$223,604	\$184,031
Intergovernmental - MVHC	1,721	1,249
Investment income	15,029	20,629
Other	455	712
Total revenues	240,809	206,621
Expenditures:		
Current:		
Professional services:		
Legal	6,235	6,306
Accounting and auditing	26,613	19,890
Salary and benefits	119,680	97,263
Secretarial services	24,916	43,901
Manager's per diem and expenses	23,127	14,747
Insurance	9,501	9,817
Dues	2,475	3,365
Rent	18,185	11,215
Equipment	-	3,328
Office supplies and other	5,685	2,908
Total expenditures	236,417	212,740
Revenues over (under) expenditures	4,392	(6,119)
Fund balance - January 1	276,728	282,847
Fund balance - December 31	\$281,120	\$276,728

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
PLANNING AND IMPLEMENTATION FUND
December 31, 2008
With Comparative Amounts For December 31, 2007

Statement 9

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$10,048,874	\$8,073,026
Accounts receivable	-	3,180
Taxes receivable:		
Delinquent	114,191	90,724
Due from county	<u>36,113</u>	<u>48,994</u>
Total assets	<u>\$10,199,178</u>	<u>\$8,215,924</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$20,179	\$74,669
Deferred revenue	<u>114,191</u>	<u>90,724</u>
Total liabilities	<u>\$134,370</u>	<u>\$165,393</u>
Fund balance:		
Unreserved:		
Designated for watershed plan implementation	<u>10,064,808</u>	<u>8,050,531</u>
Total fund balance	<u>10,064,808</u>	<u>8,050,531</u>
Total liabilities and fund balance	<u>\$10,199,178</u>	<u>\$8,215,924</u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
PLANNING AND IMPLEMENTATION FUND
For The Year Ended December 31, 2008
With Comparative Amounts For The Year Ended December 31, 2007

Statement 10

	<u>2008</u>	<u>2007</u>
Revenues:		
General property taxes	\$386,159	\$335,657
Stormwater utility fee	1,753,298	1,549,814
Intergovernmental:		
Market value homestead credit	20,631	19,302
Investment income	180,166	318,884
Other	12,654	11,002
Total revenues	<u>2,352,908</u>	<u>2,234,659</u>
Expenditures:		
Current:		
Professional services:		
Legal	84	4,549
Engineering	107,084	215,966
Projects and studies	231,463	376,956
Total expenditures	<u>338,631</u>	<u>597,471</u>
Revenues over expenditures	2,014,277	1,637,188
Fund balance - January 1	<u>8,050,531</u>	<u>6,413,343</u>
Fund balance - December 31	<u><u>\$10,064,808</u></u>	<u><u>\$8,050,531</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE BALANCE SHEET
DEBT SERVICE FUND
December 31, 2008
With Comparative Amounts For December 31, 2007

Statement 11

	<u>2008</u>	<u>2007</u>
Assets		
Cash and investments	\$19,800	\$19,123
Cash and investments with escrow agent	2,905,202	2,858,118
Accrued interest receivable	<u>45,874</u>	<u>-</u>
Total assets	<u><u>\$2,970,876</u></u>	<u><u>\$2,877,241</u></u>
Liabilities and Fund Balance		
Liabilities	<u>\$ -</u>	<u>\$ -</u>
Fund balance:		
Reserved for debt service	<u>2,970,876</u>	<u>2,877,241</u>
Total liabilities and fund balance	<u><u>\$2,970,876</u></u>	<u><u>\$2,877,241</u></u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
DEBT SERVICE FUND
For The Year Ended December 31, 2008
With Comparative Amounts For The Year Ended December 31, 2007

Statement 12

	<u>2008</u>	<u>2007</u>
Revenues:		
Stormwater utility fee	\$541,060	\$544,953
Investment income	<u>181,444</u>	<u>8,418</u>
Total revenues	<u>722,504</u>	<u>553,371</u>
Expenditures:		
Debt service:		
Principal	350,000	340,000
Interest	278,473	204,953
Professional services	<u>396</u>	<u>47,993</u>
Total expenditures	<u>628,869</u>	<u>592,946</u>
Revenues over (under) expenditures	<u>93,635</u>	<u>(39,575)</u>
Other financing sources:		
Refunding bonds issued	-	2,795,000
Bond premium	<u>-</u>	<u>102,693</u>
Total other financing sources	<u>0</u>	<u>2,897,693</u>
Net change in fund balance	93,635	2,858,118
Fund balance - January 1	<u>2,877,241</u>	<u>19,123</u>
Fund balance - December 31	<u><u>\$2,970,876</u></u>	<u><u>\$2,877,241</u></u>

- This page intentionally left blank -

SUPPLEMENTARY FINANCIAL INFORMATION

SOUTH WASHINGTON WATERSHED DISTRICT
COMBINED SCHEDULE OF INDEBTEDNESS
December 31, 2008

	Interest Rates	Date	Final Maturity Date
General Obligation Bonds:			
G.O. Bonds of 2002	4.75%	1/29/2002	3/1/2010
Crossover Refunding Bonds of 2007A	4.00%	12/27/2007	3/1/2017

Prior Years		Payable 01/01/08	2008		Payable 12/31/08	Principal Due In 2009	Interest Due In 2009	Interest Payable to Maturity
Original Issue	Payments		Issued	Payments				
\$5,875,000	\$1,565,000	\$4,310,000	\$ -	\$350,000	\$3,960,000	\$365,000	\$176,042	\$260,184
2,795,000	-	2,795,000	-	-	2,795,000	-	116,550	715,175

- This page intentionally left blank -

SOUTH WASHINGTON WATERSHED DISTRICT
TAXABLE VALUATIONS, TAX LEVIES AND TAX RATES

Exhibit 2

	Tax Capacity Values 2008/2009	Tax Capacity Values 2007/2008	Tax Capacity Values 2006/2007
Taxable valuations:			
Real estate	\$108,921,442	\$105,135,946	\$98,369,959
Personal property	1,097,462	1,077,831	1,116,847
Total	110,018,904	106,213,777	99,486,806
Tax increment captured	(2,315,511)	(1,938,319)	(1,928,993)
Fiscal disparities:			
Distribution	12,452,678	10,816,723	9,316,156
Contribution	(8,035,111)	(7,105,726)	(5,514,753)
Total	<u>\$112,120,960</u>	<u>\$107,986,455</u>	<u>\$101,359,216</u>
	2008/2009	2007/2008	2006/2007
	Certified Levy	Certified Levy	Certified Levy
Taxes levied:			
Administration levy	\$233,387	\$227,565	\$182,108
Management plan implementation levy	488,835	393,000	361,390
Total	<u>\$722,222</u>	<u>\$620,565</u>	<u>\$543,498</u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMBINING BALANCE SHEET
SPECIAL REVENUE FUND - PLANNING AND IMPLEMENTATION FUND
December 31, 2008
With Comparative Amounts For December 31, 2007

	1.0 Floodplain Management	2.0 Stormwater Management	3.0 Water Quality	4.0 Wetlands	5.0 Natural Resources
Assets					
Cash and investments	\$100,000	\$7,486,689	\$756,410	\$80,000	\$398,511
Accounts receivable	-	-	-	-	-
Taxes receivable:					
Delinquent	-	-	-	-	-
Due from county	-	25,748	3,209	-	1,324
Total assets	<u>\$100,000</u>	<u>\$7,512,437</u>	<u>\$759,619</u>	<u>\$80,000</u>	<u>\$399,835</u>
Liabilities and Fund Balance					
Liabilities:					
Accounts payable	\$ -	\$ -	\$8,600	\$ -	\$ -
Deferred revenue	-	-	-	-	-
Total liabilities	<u>0</u>	<u>0</u>	<u>8,600</u>	<u>0</u>	<u>0</u>
Fund balance:					
Unreserved:					
Designated	<u>100,000</u>	<u>7,512,437</u>	<u>751,019</u>	<u>80,000</u>	<u>399,835</u>
Total liabilities and fund balance	<u>\$100,000</u>	<u>\$7,512,437</u>	<u>\$759,619</u>	<u>\$80,000</u>	<u>\$399,835</u>

6.0 Groundwater	7.0 Erosion Sediment Control	8.0 Education	9.0 Long Range Workplan	10.0 Data Management	Totals	
					2008	2007
\$524,593	\$106,025	\$194,183	\$98,910	\$303,553	\$10,048,874	\$8,073,026
-	-	-	-	-	-	3,180
-	-	-	-	114,191	114,191	90,724
1,125	330	826	248	3,303	36,113	48,994
<u>\$525,718</u>	<u>\$106,355</u>	<u>\$195,009</u>	<u>\$99,158</u>	<u>\$421,047</u>	<u>\$10,199,178</u>	<u>\$8,215,924</u>
\$ -	\$ -	\$5,000	\$ -	\$6,579	\$20,179	\$74,669
-	-	-	-	114,191	114,191	90,724
<u>0</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>120,770</u>	<u>134,370</u>	<u>165,393</u>
<u>525,718</u>	<u>106,355</u>	<u>190,009</u>	<u>99,158</u>	<u>300,277</u>	<u>10,064,808</u>	<u>8,050,531</u>
<u>\$525,718</u>	<u>\$106,355</u>	<u>\$195,009</u>	<u>\$99,158</u>	<u>\$421,047</u>	<u>\$10,199,178</u>	<u>\$8,215,924</u>

SOUTH WASHINGTON WATERSHED DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
SPECIAL REVENUE FUND - PLANNING AND IMPLEMENTATION FUND
For The Year Ended December 31, 2008
With Comparative Amounts For The Year Ended December 31, 2007

	1.0 Floodplain Management	2.0 Stormwater Management	3.0 Water Quality	4.0 Wetlands	5.0 Natural Resources
Revenues:					
Property taxes	\$ -	\$ -	\$36,777	\$ -	\$ -
Stormwater utility fee	-	1,370,086	201,432	-	98,259
Intergovernmental:					
Market value homestead credit	-	14,709	1,833	-	756
Investment income	-	128,454	16,011	-	6,604
Miscellaneous	-	9,058	-	-	3,596
Total revenues	<u>0</u>	<u>1,522,307</u>	<u>256,053</u>	<u>0</u>	<u>109,215</u>
Expenditures:					
Current:					
Legal	-	84	-	-	-
Engineering	-	21,048	-	-	-
Projects and studies	-	813	50,007	-	2,255
Total expenditures	<u>0</u>	<u>21,945</u>	<u>50,007</u>	<u>0</u>	<u>2,255</u>
Revenues over (under) expenditures	<u>0</u>	<u>1,500,362</u>	<u>206,046</u>	<u>0</u>	<u>106,960</u>
Other financing sources (uses):					
Transfers in	100,000	-	-	80,000	-
Transfers out	-	(410,890)	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>(410,890)</u>	<u>0</u>	<u>80,000</u>	<u>0</u>
Net change in fund balance	100,000	1,089,472	206,046	80,000	106,960
Fund balance - January 1	<u>-</u>	<u>6,422,965</u>	<u>544,973</u>	<u>-</u>	<u>292,875</u>
Fund balance - December 31	<u>\$100,000</u>	<u>\$7,512,437</u>	<u>\$751,019</u>	<u>\$80,000</u>	<u>\$399,835</u>

6.0 Groundwater	7.0 Erosion Sediment Control	8.0 Education	9.0 Long Range Workplan	10.0 Data Management	Totals	
					2008	2007
\$ -	\$24,518	\$61,294	\$18,389	\$245,181	\$386,159	\$335,657
83,521	-	-	-	-	1,753,298	1,549,814
643	189	472	142	1,887	20,631	19,302
5,614	1,648	4,120	1,236	16,479	180,166	318,884
-	-	-	-	-	12,654	11,002
89,778	26,355	65,886	19,767	263,547	2,352,908	2,234,659
-	-	-	-	-	84	4,549
-	-	-	22,768	63,268	107,084	215,966
-	-	29,715	-	148,673	231,463	376,956
0	0	29,715	22,768	211,941	338,631	597,471
89,778	26,355	36,171	(3,001)	51,606	2,014,277	1,637,188
-	80,000	-	-	150,890	410,890	-
-	-	-	-	-	(410,890)	-
0	80,000	0	0	150,890	0	0
89,778	106,355	36,171	(3,001)	202,496	2,014,277	1,637,188
435,940	-	153,838	102,159	97,781	8,050,531	6,413,343
\$525,718	\$106,355	\$190,009	\$99,158	\$300,277	\$10,064,808	\$8,050,531

- This page intentionally left blank -

OTHER REPORTS

- This page intentionally left blank -



Tautges Redpath, Ltd.

Certified Public Accountants and Consultants

REPORT ON INTERNAL CONTROL

To the Board of Managers
South Washington Watershed District
Woodbury, Minnesota

In planning and performing our audit of the financial statements of South Washington Watershed District as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered South Washington Watershed District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Washington Watershed District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Washington Watershed District's internal control.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the South Washington Watershed District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the South Washington Watershed District's financial statements that is more than inconsequential will not be prevented or detected by the South Washington Watershed District's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the South Washington Watershed District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control that we consider to be significant deficiencies as described in the accompanying schedule of findings and responses as items 2008-1 through 2008-2.

South Washington Watershed District
Report on Internal Control

This communication is intended solely for the information and use of the South Washington Watershed District's management, members of the Board and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

May 4, 2009

South Washington Watershed District
Report on Internal Control
Schedule of Findings and Responses

2008-1 Oversight of Financial Statement Preparation

Criteria: Management is responsible for establishing and maintaining effective internal controls. These controls include the responsibility for preparation, or oversight of the preparation of the financial statements in accordance with generally accepted accounting principles.

Condition: Like many similarly sized organizations, the District has requested assistance from us, the auditors, with drafting financial statements and related notes. This is a common practice and an allowable nonaudit service under the AICPA Ethics Interpretation 101-3. However, other than relying on the auditors, the District's staff does not perform sufficient procedures to detect if there were misstatements or omission of disclosures to the financial statements. Statement on Auditing Standards (SAS) No. 112 specifies that an organization may not rely exclusively on its auditors to perform the financial statement process. In our viewpoint, SAS 112 will result in many, if not most, small to mid-size organizations receiving a finding regarding financial statement preparation.

Cause: The District has not established procedures to detect misstatements or omissions of disclosures in the draft financial statements prepared by the auditors.

Effect: By not having such controls, there is an increased risk that errors or omissions in draft financial statements prepared by the auditors would not be detected by District management.

Recommendation: We recommend the District remain aware of this. Any change would need to be viewed from a cost/benefit perspective. Options for the District include:

1. Remain aware of the situation, however due to the increased cost, make the choice to make no changes to current procedures.
2. Implement internal procedures as determined practical. Such procedures could include:
 - a. Complete a disclosure checklist to ensure propriety and completeness of disclosures.
 - b. Trace various trial balance accounts to the draft financial statements to ensure all accounts are included in the financial statements.
 - c. Review GASB 34 conversion entries to ensure that the draft government-wide financial statements are free of misstatement.
3. Hiring additional internal or 3rd party resources to assist with the financial statement process.

Management Response: The District is aware of SAS 112, but a cost/benefit analysis of the issue does not support the allocation of additional employees or resources at this time. Certain other safeguards are successfully maintained (Board oversight and review of the draft financial statements) which provide satisfactory mitigation of the issue.

South Washington Watershed District
Report on Internal Control
Schedule of Findings and Responses

2008-2 Inadequate Documentation of the Components of Internal Control

Criteria: SAS 112 specified that inadequate documentation of the components of internal control is considered a significant deficiency in the design of internal controls.

Condition: The District has established policies regarding the design and operation of internal accounting controls, such as payroll, receipts and capital assets. However, during the year these policies were not in writing and therefore, under the definition of SAS 112, a finding exists. In November 2008, the District created an accounting policies manual.

Cause: There may be an assumption that because the District's accounting system is not complex, there is no need for internal control/accounting manual.

Effect: An implied or verbal policy is subject to greater variation of its meaning and the likelihood of misinterpretation increases when a policy is not written.

Recommendation: We recommend the District continues to review and update the policy manual when changes are needed.

Management Response: In November 2008, the District created an accounting policies manual which adequately documents the components of internal control. The District will continue to review and update this manual on a regular basis.



Tautges Redpath, Ltd.

Certified Public Accountants and Consultants

**REPORT ON COMPLIANCE WITH MINNESOTA LEGAL COMPLIANCE
AUDIT GUIDE FOR LOCAL GOVERNMENT**

To the Board of Managers
South Washington Watershed District
Woodbury, Minnesota

We have audited the basic financial statements of the South Washington Watershed District, as of and for the year ended December 31, 2008 and have issued our report thereon dated May 4, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the South Washington Watershed District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the South Washington Watershed District's management, members of the Board and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.
White Bear Lake, Minnesota

May 4, 2009

- This page intentionally left blank -

Appendix B

Communications



MS4 STORMWATER POLLUTION PREVENTION PROGRAM: East Metro Water Resource Education Program Annual Report (2008)

Background: The East Metro Water Resource Education Program (EMWREP) is a comprehensive water resource education and outreach program for the east metro area of St. Paul, MN. Members of EMWREP in 2008 included Brown's Creek, South Washington, and Valley Branch Watershed Districts, Lower and Middle St. Croix Watershed Management Organizations, the cities of Cottage Grove, Dellwood, Forest Lake, Lake Elmo, Stillwater, and Willernie, Washington County and the Washington Conservation District. The EMWREP region covers all of Washington County as well as a small portion of Ramsey and Anoka Counties. The goal of EMWREP is to reduce non-point source water pollution from storm water runoff and illicit discharges by educating citizens, municipal staff and officials, developers and businesses.

Program Components: The EMWREP education plan includes five areas:

1. **General Education Campaign:** Articles in newspapers and newsletters, displays and presentations at community events, and collaborative work with other groups.
2. **Blue Thumb Program:** Website (www.BlueThumb.org), workshops, neighborhood parties and presentations for community groups.
3. **Stormwater U:** Workshops and field sessions for engineers, planners, public works staff and other municipal and agency employees.
4. **MS4 Toolkit:** A toolkit of materials to help MS4 communities meet their stormwater education requirements. The toolkits will be complete in 2009.
5. **NEMO:** Presentations and workshops for elected officials and decision makers.

2008 Program Activities and Highlights:

Public Education: In 2008, the EMWREP educator continued to write weekly columns about water resource issues, which were published in seven local newspapers. EMWREP's educator also contributed newsletter articles for thirty cities in the EMWREP area, as well as the Washington County newsletter. EMWREP partnered with Washington County Parks and the Sierra Club to lead four hikes during the summer, attended by a total of 50 people. For the third year, EMWREP partners coordinated a joint booth and informative talks at the Washington County Fair. EMWREP also teamed up with several agencies and non-profits to plan the Healthy Waters Fair at William O'Brien State Park, which attracted 2300 visitors.

As a member of the Metro WaterShed Partners steering committee, EMWREP helped to coordinate media campaign activities, which included 26 spring radio ads on Minnesota Public Radio, 60 spring radio ads during MN Twins games, 16 billboards in



the metro area during April and May and more than 200 televised ads on prime time cable during September and October. WaterShed Partners also had a prominent booth in the Minnesota DNR building at the Minnesota State Fair.



Blue Thumb: EMWREP has continued to use the Blue Thumb – Planting for Clean Water program to promote partner BMP (best management practice) programs and has been active in the development of the Blue Thumb partnership. Blue Thumb grew to 55 partners in 2008, and received both the Governor’s MN GREAT! award and the Minnesota Association of Watershed Districts “Program of the Year” award. Tracking data shows that the number of people using the www.BlueThumb.org website has increased exponentially from 2007-2008, with 5500 people visiting the website in April and May of 2008 alone, which is an average of 78 people a day.

EMWREP helped to coordinate four Blue Thumb technical training sessions in 2008. Two raingarden design workshops in the spring had a total of 123 participants, and a third workshop for Washington County Master Gardeners had 40 attendees. In the fall, EMWREP helped to coordinate a Train-the-Trainer session for 40 Blue Thumb program partners.

EMWREP partnered with Metro Blooms to host two raingarden design courses for homeowners in 2008. The two workshops, held in Mahtomedi and St. Paul Park, attracted 87 attendees. In addition, four Blue Thumb neighborhood parties were held in Mahtomedi, Stillwater and Woodbury, the EMWREP educator presented at several community events, and partners sponsored one of 16 Blue Thumb billboards in the metro area during April and May.

EMWREP worked with the University of Minnesota CURA program to conduct focus group sessions in Forest Lake and southern Washington County to explore barriers that currently prevent people from planting Blue Thumb projects. Four sessions were held with 35 people total. In Forest Lake a survey was also distributed to and completed by 55 lakeshore residents. Findings indicate that people are generally receptive to BMP planting projects once they are aware of the resources available and the benefits of the projects. The research also found that aesthetics are very important in persuading people to adopt new landscaping behaviors.

Between 1965 and 2004, the Washington Conservation District helped to install 197 BMP projects in Washington County (roughly five per year). Since 2006, EMWREP program partners have installed 73 projects, 55 of which were in 2008 alone. This marked increase in water quality improvement projects is largely a result of Blue Thumb outreach.

Stormwater U: During 2008, EMWREP created a new Stormwater U series – Stormwater Pond Management - in conjunction with Ramsey-Washington Metro Watershed District and University of Minnesota Extension. The first three workshops in this series addressed outfalls and inventories, visual



assessments and easements and vegetation issues. A total of 135 local public works staff attended the workshops, including representatives from Cottage Grove, Forest Lake, Hastings, Hugo, Lake Elmo, Mahtomedi, Maplewood, Newport, North St. Paul, Oakdale, Stillwater, White Bear Lake, Willernie, and Woodbury.

University of Minnesota Extension has hired two full-time educators to coordinate stormwater outreach and education for city staff and elected officials in the metro area. With these new staff people, UM Extension has been able to take on the role of developing and coordinating Stormwater U workshops across the metro area, with support from local partners like EMWREP.



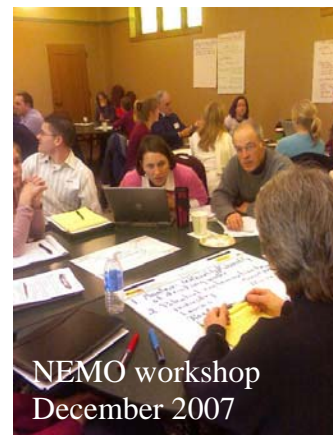
Filming a raingarden maintenance training video for the MS4 toolkit

MS4 Toolkit: During 2008, the EMWREP educator continued to collect and create educational materials for the MS4 Toolkit project. These materials will be accessible on the newly redesigned www.CleanWaterMN.org website in May 2009.

A major project for EMWREP was the filming of two training videos for this toolkit. The videos, designed for parks, grounds keeping and public works staff cover parks maintenance for stormwater pollution

prevention and raingarden maintenance techniques. Shot in August, with support from Stillwater and Washington County Parks, the videos are entertaining and informative.

NEMO: With the creation of two positions at UM Extension to coordinate metro-wide Stormwater U and NEMO activities, EMWREP played less of a role in NEMO outreach in 2008. The Washington County Water Consortium has continued to function as a venue for information sharing and discussion for city, county, watershed and state agency staff and elected officials. EMWREP used several Water Consortium meetings in early 2008 to provide further education on topics introduced at a December 2007 Comprehensive Planning workshop. The EMWREP educator has also continued to sit on the Northland NEMO steering committee.



NEMO workshop
December 2007

MS4 Permit requirements for the Stormwater Pollution Prevention Program:

Requirement (a) – Public Education Program

EMWREP activities used to meet requirements:

- 1) General Education Campaign
- 2) Blue Thumb Program

Requirement (b) - An education program that addresses the six minimum control measures

1: Public education and outreach

- General Education Campaign
- Blue Thumb Program

2: Public participation

- General Education Campaign
- Blue Thumb Program

3: Illicit discharge detection and elimination

- MS4 Toolkit

4: Construction site storm water runoff control

- Stormwater U Training Series
- MS4 Toolkits

5: Post construction storm water management

- Stormwater U Training Series
- MS4 Toolkits
- NEMO Program

6: Pollution prevention and good housekeeping in municipal operations

- MS4 Toolkits

Requirement (c) - For each minimum control measure, list: 1) Audience, 2) Educational goals, 3) Activities used to reach goals, 4) Activity implementation plans, and 5) Available performance measures

* See East Metro Water Resource Education Plan. Individual program areas specify audience, goals, activities and performance measures.

Requirement (d) - Coordination with other local stormwater education programs

The East Metro Water Resource Education Program had thirteen partners in 2008. EMWREP also coordinates with several other public agencies, collaboratives, non-profits and citizen groups in the metro area.

Requirement (e) - One public meeting per year

Forest Lake, Stillwater and Washington County held a joint public meeting in 2008. Other EMWREP partners held individual public meetings.

**East Metro Water Resource Education Program
Progress towards goals in 2008**

GENERAL EDUCATION CAMPAIGN

Minimum Control Measure Addressed

<input checked="" type="checkbox"/> Public education & outreach	<input type="checkbox"/> Construction site runoff controls
<input checked="" type="checkbox"/> Public participation & involvement	<input type="checkbox"/> Post-construction storm water management
<input type="checkbox"/> Illicit discharge detection and elimination	<input type="checkbox"/> Municipal pollution prevention & good housekeeping

Audience: General Public

Program Goals:

1. Determine a structure for implementing a countywide education effort.
 - a. When the EMWREP program began in 2006, it had seven original members. As of January 2009, there will be 17 members in the program. All of the watershed organizations in Washington County are now represented in the program, with the exception of Carnelian Marine St. Croix.
 - b. With the addition of new program partners, the EMWREP program can educate more residents within the county.
2. Develop partnerships with at least five other organizations in Washington County to carry out educational activities.
 - a. Metro WaterShed Partners: The EMWREP program has worked with the WSP media campaign to support radio, television and billboard messages in Washington County. During 2008, the campaign produced:
 - i. 26 spring radio ads on Minnesota Public Radio with a “streets to streams” stormwater pollution prevention message
 - ii. 60 spring radio ads during MN Twins games, urging listeners to keep grass clippings and excess fertilizer off of streets and sidewalks.
 - iii. 16 billboards in the metro area during April and May featuring the “streets to streams” message, two of which were located in the east metro area. The billboard designs were also used for bathroom stall ads during the MN State Fair.
 - iv. More than 200 televised ads on prime time cable during September and October, featuring the “Rubber Ducky” and “Fishbowl” segments.
 - v. A newly redesigned website (www.cleanwatermn.org) to be used as an on-line stormwater education resource center for educators, students, teachers and citizens.





- b. Master Gardeners: EMWREP held one training for Master Gardeners in spring of 2008 and collaborated with MG's for special events and workshops for the public.
 - c. St. Croix Basin Team: EMWREP presented at the St. Croix Basin Conference in 2008 and coordinated with the team on its efforts to meet the phosphorus goal for the river.
 - d. Great River Greening, Carnelian Marine St. Croix WD and DNR State Parks: EMWREP worked with GRG, CMSCWD and state park staff to organize A Million Shades of Autumn: Healthy Waters and Heritage Fair at William O'Brien State Park in September of 2008. The fair featured booth, presentation and activities to educate the public about raingardens, buckthorn, and other resource issues.
 - e. Community and civic groups: EMWREP worked with Stillwater Rotary, Mahtomedi Garden Club, Woodbury and Cottage Grove Chambers of Commerce, St. Croix Lego League and several other community groups during 2008.
- 3. Recruit citizen members to the education and outreach effort.
 - a. EMWREP has worked with citizens on several small projects in the community, but has not yet created a volunteer program to engage citizens as educators.
- 4. Promote EMWREP members and their BMP (best management practices) and cost-share programs.
 - a. Dozens of presentation were given during 2008 to promote BMP and cost-share program and the efforts of EMWREP partners. Presentations were given for garden clubs, school groups, homeowners associations and the rotary.
 - b. EMWREP was present at several community events throughout the year, including city home and garden expos, landscaping workshops, the Washington County Fair, the annual conservation district tree sale and school events.
 - c. EMWREP's educator wrote weekly articles for seven local newspapers, discussing a range of water resource topics and issues. Articles were also sent to 25-30 cities within the area to include in their newsletters.



Educational Goals:

Learning

- 1. Increase the overall understanding and awareness of water resources and storm water runoff among the general public.
 - a) In 2006, we used an on-line survey and a paper questionnaire at the Washington County Fair to begin assessing base-line knowledge for people

living in Washington County. We also used a paper questionnaire at the EMWREP annual public meeting in April 2008. Because of the small sample size for all three surveys, it would be hard to draw any conclusions about knowledge gain during the first two years of the program.

2. Increase understanding of the connection between individual actions and water resource quality among the general public.
3. Increase awareness of storm water best management practices among the general public.
4. Increase in awareness of the role of watershed districts among the general public.

Behavior Change

1. Engage the public in the prevention of storm water pollution at home.
 - a. EMWREP has used the Blue Thumb Program to help residents prevent stormwater pollution at their homes by installing native gardens, raingardens and shoreline plantings.
 - b. EMWREP has also collaborated with citizen groups, such as the Mahtomedi Area Green Initiative and the Millstream Association, which have become advocates for stormwater pollution prevention in the east metro area.
2. Increase the utilization of storm water best management practices and adoption of desirable clean water practices among the general public.
 - a. During 2008, EMWREP program partners installed 55 BMP projects with the help of education and outreach and newly available watershed cost-share grant programs. This was a marked increase from previous years.
 - b. At least a dozen additional projects were installed by non-profits, homeowners and cities in the east metro area as a result of EMWREP educational outreach.
3. Unite government, non-profit and community based organizations with a common clean water theme.
 - a. The creation of the EMWREP program has allowed greater collaboration between cities, watersheds and the county. The protection of water quality is a priority for many entities working in the East Metro.
4. Develop leaders among citizens and other water related organizations that can carry water resource education to the general public.
 - a. We continue to work with Master Gardeners and other citizens to educate the public.

Water Quality Improvement

1. Prevent non-point source water pollution through storm water runoff.
 - a. Through its outreach activities, EMWREP has educated thousands of local residents on ways that they can prevent stormwater pollution.

2. Protect ground water quality and quantity.
 - a. EMWREP has strived to integrate groundwater and surface water education for the public.
 - b. Several newspaper and newsletter articles written by EMWREP have specifically addressed groundwater issues.
 - c. During public presentations, residents are encouraged to plant native gardens and raingardens not just to protect surface water from stormwater pollution, but also to reduce irrigation needs and encourage groundwater recharge.



BLUE THUMB PROGRAM

Minimum Control Measure Addressed

<input checked="" type="checkbox"/> Public education & outreach	<input type="checkbox"/> Construction site runoff controls
<input checked="" type="checkbox"/> Public participation & involvement	<input type="checkbox"/> Post-construction storm water management
<input type="checkbox"/> Illicit discharge detection and elimination	<input type="checkbox"/> Municipal pollution prevention & good housekeeping

Audience: General Public

Program Goals:

1. Prepare and distribute Blue Thumb homeowner packets through EMW partner BMP and cost-share programs.
 - a. Blue Thumb homeowner packets were distributed at workshops, neighborhood parties, during focus group sessions and to interested individuals.

2. Implement BMP's in targeted areas within EMW partner communities.



Raingarden in Middle St. Croix
2008 residential BMP project

- a. More than 50 new BMP projects were installed in the EMWREP area during 2008.

3. Install raingardens at 5-10 public buildings (including City Offices and Libraries), 5-10 churches and in 10 homes each in three targeted neighborhoods within the first year of the program.

4. Stabilize shorelines along 10 residential lots within the first year of the program.

5. Catalyze the creation of 25 raingardens at public buildings, 25 church raingardens, 30 shoreline stabilization projects and 100 residential raingardens within three years.

- a. Newly constructed raingardens between 2006 and 2008 at public buildings and parks include:

- i. Washington County Fairgrounds – 4 demonstration gardens
 - ii. Big Marine Regional Park – several raingardens
 - iii. Washington County South Service Center – several raingardens
 - iv. Lakeland City Hall



South Service Center raingarden

- v. Crosswinds Art and Science School (Woodbury)
- vi. Washington Square Park (Stillwater)
- b. Newly constructed raingardens between 2006 and 2008 at churches include:
 - i. St. Andrew's Lutheran Church, Mahtomedi
 - ii. First Presbyterian Church, Oak Park Heights
 - iii. White Bear Unitarian Church



- c. New shoreline projects in 2008 included:
 - i. Geyen - Lake St. Croix Beach
 - ii. Anderson – Stillwater
 - iii. King - Stillwater
 - iv. Hewitt – Stillwater
 - v. Forest Heights – White Bear Lake
 - vi. Metelak – Mahtomedi
 - d. More than 50 new raingardens were installed at homes during 2008.
 - i. In the Legend's neighborhood of Stillwater, a target for the BCWD, 18 projects have been installed or scheduled.
 - e. EMWREP partners are continuing to identify priority neighborhoods for outreach in 2009.
6. Create sustainable raingarden programs for churches and cities and a sustainable shoreline stabilization program that can continue with limited assistance from the EMWREP educator after the first three years.
 - a. While the public interest in raingardens has increased over the past three years, it will be quite a while before citizens, municipalities and other groups are able to coordinate Blue Thumb projects without support from EMWREP.
 7. Coordinate with landscapers, nurseries, Master Gardeners, and others to implement the Blue Thumb program in the EMWREP region.
 - a. EMWREP helped to coordinate four Blue Thumb technical training sessions in 2008.
 - b. Two raingarden design workshops were held for landscape professionals in the spring. 123 contractors, landscapers and nursery staff attended.
 - c. A workshop for Washington County Master Gardeners in the spring had 40 attendees. All of the Master Gardeners who attended received a copy of the Blue Thumb Guide to Raingardens and were trained to use the book as well as other EMWREP education and outreach materials to help educate the public.

- d. In the fall, EMWREP helped to coordinate a Train-the-Trainer session for 40 Blue Thumb program partners. Partners learned how to give a Blue Thumb introductory presentation for citizens.
8. Publicize and utilize demonstration gardens created by the program to increase educational benefit. Create signage, conduct tours and highlight demonstration projects.
- a. During July 2008, EMWREP conducted a tour of the new Big Marine Park, highlighting stormwater BMP's. Several tours were also given during the grand opening event for the park.
 - b. The Cottage Grove public access channel featured a segment on raingardens with footage shot at the South Service Center.
 - c. The St. Paul Pioneer Press ran a story about raingardens with interviews and photos taken at homeowner raingardens in BCWD, MSCWMO and VBWD.
 - d. The Mahtomedi Garden Club featured the Griggs shoreline project in their annual garden tour. The Griggs' distributed Blue Thumb info to people on the tour.
 - e. The Washington Water Consortium visited several BMP project sites in October 2008.



Educational Goals:

Learning

1. Provide a visible “hook” to discuss and encourage people to think about stormwater and water resources.
 - a. Native plantings, raingardens and restored shorelines are now in place at dozens of public locations throughout the EMWREP area. Many of these projects include interpretive signs or brochures to help the public make the connection between landscaping, stormwater and water quality.
 - b. During focus group sessions conducted in Forest Lake and southern Washington County, residents and business owners indicated that seeing photos of local Blue Thumb planting projects motivated them to plant projects on their own properties. Several of the people who attended the sessions are now working on designs for 2009.

2. Increase understanding of raingardens and shoreline stabilization as best management practices for clean water.
 - a. EMWREP has used Blue Thumb to educate thousands of local residents about water quality issues as well as the benefits of native gardens, raingardens and shoreline plantings.

Behavior Change

1. Engage the public in preventing non-point source water pollution.
 - a. Every homeowner, business owner or citizen volunteer that plants and Blue Thumb project is actively engaged in preventing non-point source water pollution.
2. Involve local businesses and non-profit organizations as active partners in the creation of Blue Thumb landscaping.
 - a. Several local businesses, such as Bradshaw Funeral Home in Stillwater and Marathon Oil Refinery in St. Paul Park, have installed raingardens or other Blue Thumb landscaping projects.
 - b. Non-profits, like Great River Greening, have also been active in promoting and creating Blue Thumb projects.
3. Increase the utilization of raingardens and shoreline stabilization by homeowners, churches and municipalities.
 - a. Between 1965 and 2004, the Washington Conservation District helped to install 197 BMP projects (roughly five per year). Since 2005, WCD has helped to install 80 projects, 55 of which were in 2008 alone.

Water-quality Improvement

1. Reduce non-point source water pollution from storm water runoff.
 - a. During 2008, EMWREP program partners installed 55 BMP projects at private and municipal properties.
 - i. Modeling estimates predict potential load reductions to Long Lake in Stillwater (Brown's Creek Watershed District) to be:
 1. 376 pounds per year - total suspended sediments
 2. 6 pounds per year – total phosphorus
 3. 11.5 pounds per year – total nitrogen
 - ii. Potential load reductions within Middle St. Croix WMO (including Stillwater):
 1. 224 pounds per year – total suspended sediments
 2. 2.5 pounds per year – total phosphorus
 3. 6.5 pounds per year – total nitrogen
 - iii. Potential load reductions within South Washington Watershed District (including Cottage Grove):
 1. 290 pounds per year - total suspended sediments
 2. 4.25 pounds per year – total phosphorus
 3. 8.75 pounds per year – total nitrogen

- iv. Potential load reductions within Valley Branch Watershed District (including Lake Elmo):
 - 1. 5131 pounds per year – total suspended sediments
 - 2. 31 pounds per year – total phosphorus
 - 3. 89 pounds per year – total nitrogen
- b. Additional BMP projects were installed in the following EMWREP partner communities:
 - i. Forest Lake (Comfort Lake Forest Lake Watershed District)\
 - ii. Lower St. Croix WMO (Denmark Twp.)

STORMWATER U TRAINING

Minimum Control Measure Addressed

<input type="checkbox"/> Public education & outreach	<input checked="" type="checkbox"/> Construction site runoff controls
<input type="checkbox"/> Public participation & involvement	<input checked="" type="checkbox"/> Post-construction storm water management
<input type="checkbox"/> Illicit discharge detection and elimination	<input type="checkbox"/> Municipal pollution prevention & good housekeeping

Audience: City planners and engineers; commercial developers; builders and contractors

Program Goals:

1. Provide technical training needed to enable new development and construction projects in Washington County to meet local volume control standards.
 - a. Stormwater U workshops held in 2007 taught 90 attendees from local cities, watersheds and consulting firms how to meet volume control standards with infiltration techniques.
2. Create locally specific trainings to help cities, developers and builders understand their local watershed regulations, and avoid duplication of existing trainings.
 - a. EMWREP has developed trainings to address several unmet education needs.
 - i. The infiltration design workshops for engineers were developed after several people requested training on how to design bio-retention facilities. The workshops specifically addressed new volume control standards introduced by local watershed agencies and provided attendees with the tools to meet the new requirements.
 - ii. A raingarden maintenance course, offered in 2007, and the stormwater pond management series, created in 2008, were in direct response to requests from city public works staff for more training on these topics. Workshops were held at local facilities and taught by EMWREP program partners and other local experts.
 - iii. A comprehensive planning workshop, held in December of 2007, helped planners and city officials to develop plans that include watershed regulations and priorities, as well as incorporating groundwater and surface water protections.
3. Create a menu of training options and package it for use by city staff, developers, builders and contractors.
 - a. EMWREP does not yet have a menu of training options, but hopes to add this feature to the Washington Conservation District webpage soon.



4. Tailor and distribute the Storm Water U training package for use in other metro area communities.
 - a. With UM Extension taking the lead in Stormwater U trainings, trainings developed by EMWREP can now be used by other metro area communities.
5. Encourage attendance of city engineers and planners from all MS4 communities in Washington County at the Storm Water U training series.
 - a. Stormwater U trainings have been well attended by MS4 communities in and around Washington County.
6. Encourage attendance of developers, builders and contractors from large development projects in Washington County at the Storm Water U training series.
 - a. EMWREP did not hold any trainings in 2008 for development professionals.
7. Develop new Stormwater U trainings as the program evolves.
 - a. EMWREP has continued to develop new trainings and has at least two stormwater pond maintenance workshops planned for 2009.

Educational Goals:

Learning

1. Increase awareness of current trainings and workshops provided by various organizations in the metro area.
 - a. EMWREP has used the Washington Water Consortium meetings and list-serve to promote local workshops.
2. Increase understanding of non-point source water pollution and water resource connections among city planners and engineers and private developers, builders and contractors.
 - a. Participant surveys collected at Stormwater U workshops indicate that the planners, engineers, public works staff and contractors attending the workshops have better understanding of local water management and stormwater pollution.
3. Increase understanding in the target audiences of their role in achieving and maintaining clean water in Washington County.



- a. Through Stormwater U workshops, EMWREP has helped target audiences to understand their role in preventing stormwater pollution.
 - i. As a result of the comprehensive planning workshop, most local cities have included language in their plans that will allow them to better prevent stormwater pollution.
 - ii. After the infiltration design workshops, several cities built infiltration projects on municipal property and in street improvement projects.
 - iii. The raingarden maintenance and stormwater pond maintenance workshops are helping public works staff to better maintain stormwater features that help to prevent water pollution.

Behavior Change

1. Encourage planners, engineers, developers and builders to coordinate and embrace new volume control standards.
 - a. New projects in 2008 have reflected changes in volume control standards. Stillwater and St. Paul Park, for example, have built raingardens during street improvement projects to meet new standards.



2. Through training, enable all new development projects in Washington County to meet volume control standards.
 - a. New development projects are also mostly meeting new standards.
3. Through training, enable at several new development projects to exceed volume control standards.
 - a. Some new projects, such as Big Marine Park and the Washington County South Service Center, have exceeded volume control standards and are exemplary demonstration projects.

Water-quality Improvement

1. Reduce non-point source water pollution from new construction and redevelopment in Washington County.
 - a. Several new construction and reconstruction projects in 2008 have included infiltration basins and other stormwater control measures that will significantly reduce pollution in the future.

MS4 Toolkit

Minimum Control Measure Addressed

<input checked="" type="checkbox"/> Public education & outreach	<input checked="" type="checkbox"/> Construction site runoff controls
<input checked="" type="checkbox"/> Public participation & involvement	<input checked="" type="checkbox"/> Post-construction storm water management
<input checked="" type="checkbox"/> Illicit discharge detection and elimination	<input checked="" type="checkbox"/> Municipal pollution prevention & good housekeeping

Audience: MS4 staff, public works employees, building inspectors, restaurant owners, construction employees and other specific audiences

Description: The MS4 toolkits will be toolboxes filled with educational materials such as brochures, videos, pod casts, and power points designed to help MS4 staff educate a variety of audiences about storm water and water resources.

***Program Goals:**

1. Provide simple and effective materials to MS4 staff to use when educating public works employees, building inspectors, restaurant owners, construction employees and other target audiences.
2. Create comprehensive MS4 toolkits for all MS4 communities in Washington County.
3. Create a MS4 toolkit design plan and “clearinghouse” on the CleanWater MN web site so that materials can be distributed in other metro area communities.

***Educational Goals:**

Learning

1. Increase understanding of best management practices for clean water among the target audiences.
2. Increase understanding among the target audiences of the sources of non-point source water pollution and their role in achieving and maintaining clean water in Washington County.

***Behavior Change**

1. Engage municipalities and MS4 staff as active partners toward reducing non-point source water pollution from storm water runoff and illicit discharges.
2. Increase the utilization of best management practices for clean water among the target audiences.
3. Increase the detection and elimination of illicit discharges to storm water systems.

4. Increase the utilization of best management practices for municipal operations, such as street sweeping, salt application, and landscaping operations.

***Water-quality Improvement**

1. Prevent non-point source water pollution through storm water runoff.
2. Prevent non-point source water pollution through illicit discharges.

Activities used to reach goals:

*Progress on the MS4 Toolkits is still underway. The completed toolkits will be web-based and accessible on the www.cleanwatermn.org website in May 2009.

NEMO WORKSHOPS

Minimum Control Measure Addressed

<input type="checkbox"/> Public education & outreach	<input type="checkbox"/> Construction site runoff controls
<input type="checkbox"/> Public participation & involvement	<input checked="" type="checkbox"/> Post-construction storm water management
<input type="checkbox"/> Illicit discharge detection and elimination	<input type="checkbox"/> Municipal pollution prevention & good housekeeping

Audience: MS4 staff and elected officials

Description: NEMO (Non-point Education for Municipal Officials) workshops will be conducted with selected MS4 communities in Washington County to educate municipal staff and officials about water resources, storm water management, and cities' role in creating rules and ordinances that support best management practices for clean water.

Program Goals:

1. Work with the Twin Cities metro working group of Northland NEMO to hire a NEMO coordinator.
 - a. UM Extension hired a full-time NEMO coordinator in 2007.
2. Work with the Twin Cities metro working group of Northland NEMO to develop a strategic plan, charter and organizational structure.
 - a. Northland NEMO has developed a strategic plan, charter and organizational structure.
3. Hold NEMO workshops for several MS4 communities in Washington County.
 - a. EMWREP had one NEMO workshop in Lake Elmo in 2008.
 - b. EMWREP has used the Washington Water Consortium to follow-up on water resource topics introduced at a December 2007 comprehensive planning workshop. Elected officials as well as city and watershed staff attend these meetings.
 - c. Three NEMO workshops for St. Croix River communities are planned for 2009.



Educational Goals:**Learning**

1. Increase understanding of water resources and storm water management among municipal decision makers.
 - a. Participants who attended the 2007 comprehensive planning workshop reported better understanding of water resource issues and management.
2. Increase understanding among municipal decision makers of the role of zoning and city planning in enabling clean water practices.
 - a. EMWREP has not yet developed workshops that address the role of zoning and ordinances in promoting clean water.

Behavior Change

1. Increase the implementation of city ordinances, zoning and planning practices that enable low impact development, “smart growth,” and utilization of best management practices.
 - a. Many cities have incorporated water resource protections into their comprehensive plans, but most have not yet modified ordinances and zoning to reflect these plans.

Water-quality Improvement

1. Prevent non-point source water pollution from new development and redevelopment.