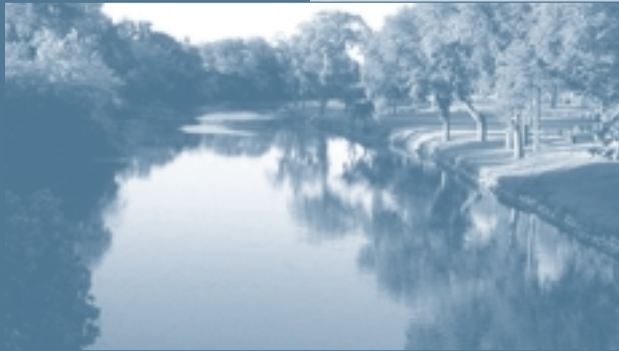


2003 / Garrison Diversion Annual Report



water
our
vital
resource





District Directors • 2002-2003

Back Row Left to Right: Jon Lindgren, Cass County; Bill Krivarchka, Traill County; Mike Polovitz, Grand Forks County; Ward Koeser, Williams County; John Leininger, Griggs County; Warren Lyons, Ransom County; Dave Johnson, Benson County; Steve Metzger, Foster County.

Middle Row Left to Right: Jim Burbidge, Renville County; LeRoy Johnson, Pierce County; John Peyerl, Ramsey County; Harvey Melstad, Burleigh County; Roger Johnson, Nelson County; Charles Richter, Eddy County; Maynard Helgaas, Stutsman County; Norman Haak, Dickey County; Maurice Orn, Sargent County; Richard Cayko, McKenzie County.

Front Row Left to Right: Richard Fugleberg, Steele County; Dennis Wendel, LaMoure County; Rick Anderson, McLean County; Lester Johnson, Richland County; Kenny Rogers, Bottineau County; Norman Rudel, Wells County; Harlan Opdahl, Barnes County; Alan Walter, Ward County.

Not pictured: Tim Schindler, Sheridan County; Cliff Hanretty, McHenry County.

An eventful year

Executive Letter

Water plays a vital role in North Dakota's future for individuals, families and the economic viability of the state. Garrison Diversion is a leader in building North Dakota's water infrastructure and managing this priceless resource to benefit our state and everyone who lives and works here.

2003 was an eventful year for Garrison Diversion, with McKenzie and Williams Counties joining the Garrison Diversion Conservancy District. All approved MR&I projects were in active construction, and in November and December, the operations and maintenance crews were called to assist with the water supply crisis at Fort Yates.

When the President's 2003 budget was released, it did not include funding for rural water projects in North Dakota. Garrison Diversion and other North Dakota entities worked together to successfully secure funding for North Dakota and Indian rural water projects. We will continue to work with our congressional

delegation, Governor and state leaders to include appropriations for high quality affordable water for the rural and municipal areas of North Dakota. Garrison Diversion continues to have a secure financial future, and the mill levied by our member counties will continue to be disbursed wisely.

Garrison Diversion is a living testament to what can be accomplished when cooperation, communication and compromise are used on complex issues. At Garrison Diversion, our mission is to provide a reliable, high quality and affordable water supply for the benefit of North Dakota. We are unwavering in that commitment.



Mission

To provide a reliable, high quality and affordable water supply for the benefit of North Dakota.



Richard Fugleberg
Chairman



Dave Koland
Manager



Water regulates the Earth's temperature. It also regulates the temperature of the human body, carries nutrients and oxygen to cells, cushions joints, protects organs and tissues, and removes wastes.

Vital Growth

Agriculture

We value agriculture and high-value irrigation research, production, processing and marketing for the future development and sustainability of North Dakota.

Garrison Diversion has formed partnerships with numerous entities to provide leadership, development and funding for irrigation efforts. In 2003, Garrison Diversion invested \$233,000 in agricultural research and development; this included the Oakes field trials, partial funding of an irrigation specialist and investing in the North Dakota Irrigation Caucus.

Since 2001, Garrison Diversion has designated Elk Charbon, Nesson Valley, Horsehead and Sioux Irrigation areas as Garrison Diversion Unit Projects.

We are diligently working to access project pumping power for all Garrison Diversion projects.



ACCESS

RESEARCH

LEADERSHIP



The city of Minot will get its water from the Northwest Area Water Supply Project. Like the Southwest Pipeline and the other MR&I programs, the \$165 million Northwest Area Water Supply project will be funded at 65 percent federal funds from the MR&I program and 35 percent local funds.

Vital Structure

Municipal, Rural & Industrial Water Delivery and Supply

We value providing municipal, rural and industrial (MR&I) water delivery and supply for areas of need in North Dakota. We value working with the North Dakota Rural Water Systems Association and the Bureau of Reclamation to enhance the support of rural water systems.

Garrison Diversion is the fiscal agent for the state MR&I program. Working cooperatively with the State Water Commission, we have helped dozens of systems deliver needed water to homes and businesses across North Dakota. Projects funded in 2003 include All Seasons Water Users District, Langdon Rural Water District, McKenzie County Water Resource District, Northwest Area Water Supply Project, Ramsey County Rural Utilities and Tri-County Rural Water District.

Through future funding, several new and existing regional projects and the four Indian reservations in North Dakota will benefit from a reliable, high quality and affordable water supply. Much more than convenience, clean reliable water can mean the difference between success and failure for small towns, industry and family farms.



Vital Stewardship

Natural Resources

We value working to form partnerships with public and private wildlife, conservation and public interest groups to enhance and develop North Dakota's natural resources as part of future economic and educational opportunities for the citizens of the state.

Thanks in part to mutual efforts and partnerships of numerous natural resource entities, the environment is benefiting. One such effort is creating a habitat test plot to enhance wildlife production. Garrison Diversion, along with other entities, is planning two initial 50-acre plots along the McClusky Canal right-of-way.

Garrison Diversion is continuing to develop new programs for public land and habitat, along with maintaining careful stewardship of North Dakota's natural resources.



HABITAT

EDUCATION

AWARENESS



A major portion of the Garrison Diversion project is an investment in recreation development. For this reason, Garrison Diversion has dedicated two-tenths of its one-mill levy to the recreation program. District funding is used as a matching grant for the development of new facilities and enhancement of others.

Vital Activity

Recreation

We value the use and development of Garrison Diversion lands and other related areas of the state for a variety of recreational opportunities.

From parks and lakes to wildlife management areas, Garrison Diversion has been careful to set aside public land accessible to people with a wide variety of recreational interests. We have placed an emphasis on continuing to help create and develop recreational

areas for a variety of interests through a recreation matching grant program. This program is available to member counties for new recreation projects and enhancement or expansion of existing recreation projects. To date, Garrison Diversion has awarded over two million dollars for recreation development in North Dakota through this program.





The purpose of the Red River Valley Water Supply Project is to deliver a reliable, quality water supply that meets the municipal, rural and industrial needs of the Red River Valley through the year 2050.

Vital Supply

Red River Valley Water Supply Project

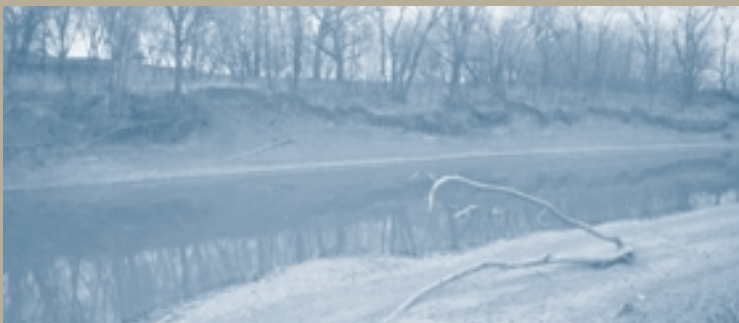
We value meeting the water quantity and quality needs of the Red River Valley in a timely and accurate manner.

Anticipated water supply and quality problems in the Red River Valley basin over the next five decades are of great concern. Previous studies have estimated, in the event of a 1930s type drought, people in the Red River Valley would have about 55% of the water they would need. The projected increase in population and industry is the impetus for the study.

The Dakota Water Resources Act (DWRA) mandated a complete study of the water quality and quantity needs of the Red River Valley and the preparation of an

Environmental Impact Statement (EIS). The purpose of the EIS is to provide full disclosure of the environmental impacts of any water supply alternatives.

Garrison Diversion, as the state lead in the Red River Valley Water Supply Project, is working with numerous federal, state, and local government entities, as well as environmental groups, to complete the draft EIS due December 2005.



Engineering, Operations and Maintenance

Garrison Diversion operates and maintains the existing Garrison Diversion Unit (GDU) facilities under a cooperative agreement with the Bureau of Reclamation. Garrison Diversion also assists with the operation and maintenance of other constructed GDU facilities operated by the United States Bureau of Reclamation and the United States Fish and Wildlife Service.

In addition to routine operations and maintenance, our employees assist in non-routine functions. One such event occurred in November and December of 2003 at Fort Yates along Lake Oahe. Garrison Diversion crews assisted the Bureau of Reclamation in the construction of a temporary intake for the Fort Yates water supply.



Statement of O&M Fund

Year Ending December 31, 2003

	2003 Budget	2003 Actual
Personnel	\$1,186,400	\$954,287
Contractual Services	\$61,000	\$56,270
Maintenance	\$1,610,200	\$281,251
Other Charges	\$680,500	\$959,253
Capital Outlay	\$830,000	\$642,300
Totals	\$4,368,100	\$2,893,361



In 1986, the federal government authorized a change in the Garrison Diversion project that gave it responsibility for delivering water to North Dakota cities, towns, rural communities and growing industrial users.

Vital Info

Management Discussion and Analysis

Introduction

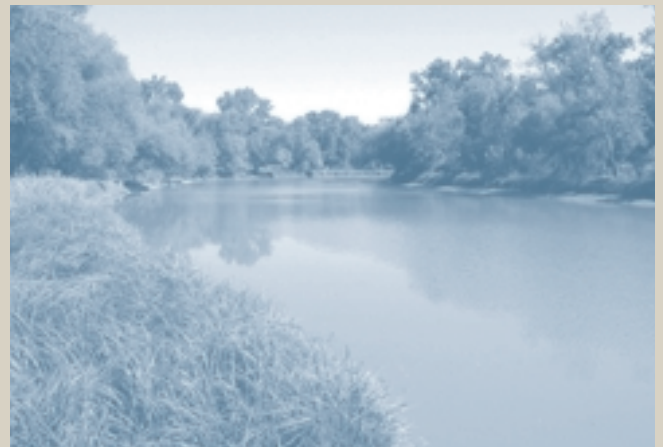
The North Dakota legislature created Garrison Diversion Conservancy District in 1955 to utilize the water behind Garrison Dam for the benefit of the citizens of North Dakota. The 28 North Dakota counties that comprise the district each elect a citizen to the Garrison Diversion Conservancy District Board of Directors and levy a one-mill property tax to support its operations. Additional funding is obtained through annual federal appropriations for the operations, maintenance and replacement (OM&R) of the McClusky Canal, New Rockford Canal, and Oakes Test Area; funding of the municipal, rural and industrial program (MR&I) and the Red River Valley Water Supply Project (RRVWSP). Our headquarters are located in Carrington, North Dakota. Operation and maintenance offices are located in McClusky, New Rockford and Oakes, North Dakota. Currently, Garrison Diversion has 34 full-time and seasonal employees.

Garrison Diversion's primary focus has changed from irrigation to a more multipurpose program, with emphasis on the development and delivery of municipal and rural water supplies. Garrison Diversion's initiatives also include natural resources and recreation development, Red River Valley Water Supply Project, and the enhancement of high-value irrigation.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Garrison Diversion's basic financial statements, which comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial audit statements. The complete financial reports are contained in the annual audit report.

The consolidated district-wide reports presented here are intended to give the reader an overview of the financial condition of Garrison Diversion and a report on the General Fund income and expenditures compared to the budget for the fiscal year ended June 30, 2003.



Vital Info

Management Discussion and Analysis (continued)

District-wide financial statements

The *district-wide financial statements* are designed to provide readers with a broad overview of Garrison Diversion's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Garrison Diversion's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Garrison Diversion is improving or deteriorating.



GDCD Net Assets

June 30, 2003

Assets

Cash	\$23,832,148
Prepaid Expenses	\$2,479
Investments	\$4,062,866
Land and Buildings	\$1,027,253
Equipment	\$2,689,791
Less accumulated depreciation	\$(1,959,305)
Total Assets	\$29,655,232

Liabilities

Due to employees	\$2,809
Compensated absences	\$201,355
Total Liabilities	\$204,164

Net Assets

Investments in fixed assets	\$1,757,739
Operating fund	\$1,519,348
O&M emergency fund	\$822,818
Deficiency fund	\$804,146
Project development	\$916,554
Unrestricted fund	\$26,630,463
Total Net Assets	\$29,451,068

SECURE

COOPERATE

SUPPORT

Assets, Liabilities and Net Assets:

The Statement of Assets, Liabilities and Net Assets as previously shown lists total net assets of \$29,451,068 for the fiscal year ended June 30, 2003. There was a reduction in net assets compared to last fiscal year's net assets. The two biggest factors accounting for the reduction in net assets were the appropriation for the MR&I Program being \$5,230,420 less than the amount spent on construction for the fiscal year and depreciation of \$1,959,305 acknowledged for the first time under the new accounting rules.

Under the Modified Cash Basis of accounting used by Garrison Diversion Conservancy District, the appropriation for the MR&I program is recognized as revenue in the year it is received and the expenditure in the year it is actually paid to reimburse an eligible expenditure by a project sponsor. Normally that expenditure is not until 1-2 years after the appropriation was recognized as revenue. (Projects receive approval to begin construction when the money for the project is deposited in the MR&I Fund bank account.)

The Governmental Accounting Standards Board (GASB) has issued several statements that have been implemented by Garrison Diversion Conservancy District this fiscal year, including the requirement to record and report depreciation of our capital assets.

Capital Assets

Garrison Diversion's investment in capital assets as of June 30, 2003, amounts to \$1,757,739 (net of accumulated depreciation). This investment in capital assets includes the headquarters building site, maintenance buildings at McClusky and Oakes,

equipment to maintain our facilities including mowers, sprayers, and tractors, construction equipment and vehicles to maintain GDU facilities including dozers, loaders and other related vehicles. We also carry as an asset recreational development at Grahams Island, Black Tiger Bay, and Shelters Grove. Improvements to the various buildings and office equipment are also carried as assets.

Major capital assets purchased during the current fiscal year included the following:

- Outdoor wildlife learning site at headquarters
- Global positioning system equipment
- CAT 325 LR Excavator
- CAT D8R Track-type Tractor
- CAT 950G Wheel Loader
- TM25 Front Wheel Assist
- Nordberg CV90 Rock, Gravel Screen
- AEBI Terratrak TT70S Tractor
- 2003 Chevrolet 3/4-ton Extended Cab Pickup
- 2003 Chevrolet 4x4 1-ton Pickup
- Improvements at the New Rockford office



GDCD Statement of Activities

June 30, 2003

Program Expenses

General Fund	\$1,581,967
Municipal, Rural and Industrial	\$12,363,773
Operation, Maintenance & Replacement	\$2,756,667
Red River Valley Water Supply Project	\$350,886
Total District Activities	\$17,053,293

Program Revenues

Taxes	\$1,109,444
Interest on Investments	\$477,207
MR&I Appropriation	\$7,133,353
Operation, Maintenance & Replacement	\$3,373,636
Red River Valley Water Supply Project	\$617,461
Leases	\$11,510
Miscellaneous	\$3,421
Total Revenue	\$12,726,032
Revenue Over (Under) Expenditures	\$(4,327,261)

Statement of Activities

The *statement of activities* present information showing how the district's net assets changed during the most recent fiscal year. Changes in net assets are reported under the modified cash basis of accounting.

Program Expenses

Total expenditures for all programs were \$17,053,293 in the fiscal year ended June 30, 2003.

Red River Valley Water Supply Project

A distribution of \$617,461 received from the Bureau of Reclamation to reimburse Garrison Diversion Conservancy District for its work on the Needs and Options Report and the Environmental Impact Statement for the Red River Valley Water Supply Project included \$417,623 for expenses incurred during prior fiscal years.

Program Revenue

Total revenues for fiscal year ended June 30, 2003, were \$12,726,032. The increase over fiscal year 2002 was the net result of \$1,522,533 more revenue in the Operations, Maintenance and Replacement (OM&R) Fund and a \$617,461 increase in the Red River Valley Water Supply, offset by \$1,085,316, less appropriations received in the Municipal, Rural and Industrial (MR&I) Working Fund and \$16,094 less revenue to the General Fund.

Economic Factors and Next Year's Budget

Personnel

Changes made to the administrative staff include the addition of an assistant communications director and an assistant district engineer. These additions were to accommodate the increased activity needed for the Red River Valley Water Supply Project. Warren Jamison's retirement as manager and the promotion of Dave Koland into that position resulted in the elimination of the deputy manager position.

There were no significant staffing changes to any of the other programs.

Garrison Diversion does not have any business-type activities that generate significant amounts of revenue.

Requests for Information

This financial report is designed to provide a general overview of Garrison Diversion's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Garrison Diversion Conservancy District, PO Box 140, Carrington, ND 58421.

General Fund Income and Expenditures

Statement of Revenues, Expenditures and General Fund Balance, for the year ending June 30, 2003

Income Budget Analysis Statement for July 1, 2002 to June 30, 2003

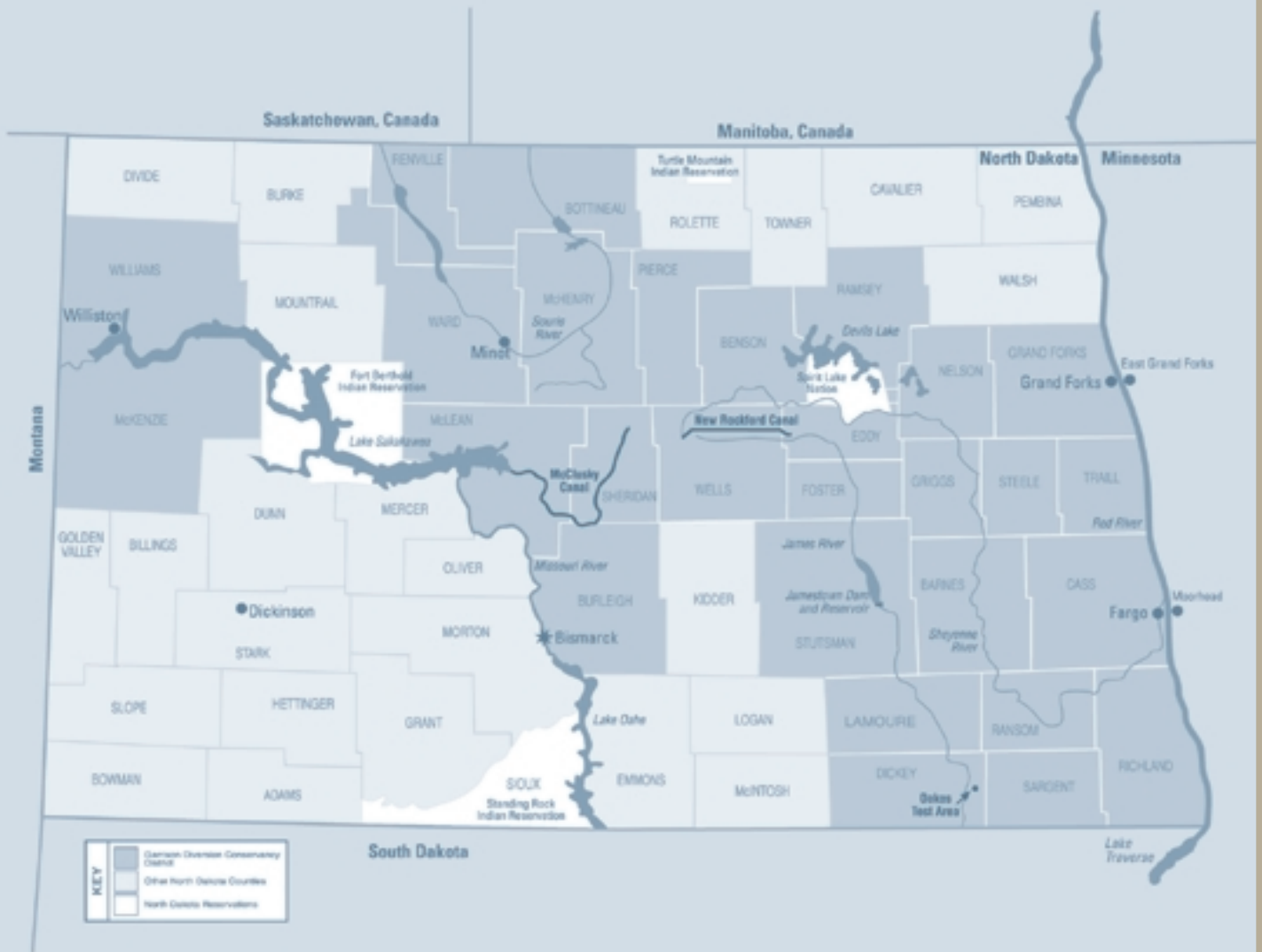
	<i>BUDGET</i>	<i>ACTUAL</i>
	FY 2002 - 03	FY 2002 - 03
MR&I Administration	\$106,000	\$112,089
O & M Administration	\$356,000	\$373,490
Lease Income	\$2,850	\$2,846
Miscellaneous Income	\$500	\$3,421
Interest Income	\$166,000	\$173,098
Tax Levy	\$932,000	\$1,038,112
State Aid Distribution	\$55,000	\$71,332
Red River Valley Water Supply Project	\$250,000	\$199,838
Total Income	\$1,868,350	\$1,974,226
Less Tax Discounts	\$46,600	-
Operating Reserve	(\$404,363)	(\$87,676)
Total	\$2,226,113	\$2,061,993

Expense Budget Analysis Statement for July 1, 2002 to June 30, 2003

	<i>BUDGET</i>	<i>ACTUAL</i>
	FY 2002 - 03	FY 2002 - 03
Directors Per Diem	\$25,500	\$27,188
Directors Expenses	\$75,000	\$55,689
Employees Salaries	\$661,000	\$583,343
Employees Expenses	\$104,500	\$56,958
Operations Expenses	\$130,500	\$130,496
Payroll Taxes & Benefits	\$230,000	\$229,905
Research	\$190,000	\$190,000
Public Education	\$109,600	\$115,666
Professional Services	\$328,000	\$319,547
Legal	\$15,000	\$12,980
Maintenance & Repair	\$26,000	\$27,199
Irrigation District Expenses	\$6,000	\$3,081
Capital Purchases	\$57,500	\$41,315
Recreation Matching	\$180,000	\$126,683
Wetlands Trust	\$15,513	\$15,513
Red River Basin Board	\$45,000	\$45,000
RRVWSP Administration	-	\$52,222
Other Charges	\$27,000	\$27,208
Total Expenses	\$2,226,113	\$2,061,993



GARRISON DIVERSION MAP





Garrison Diversion
Conservancy District
P.O. Box 140
Carrington, ND 58421