

PEOPLE + WATER



“If the Red River Valley were to experience a drought of the magnitude of the 1930s, the people in this region would face a water supply crisis. Today, we are further along than ever in providing a solution to the Red River Valley’s water supply needs.”

Bruce Furness - Former Fargo Mayor and LAWA Chairman

PEOPLE

EXECUTIVE LETTER

At Garrison Diversion, it's our mission to better the lives of North Dakotans through the development of a reliable, high-quality water supply. We advocate for the people that live and work in our state. This includes the farmers, city and rural water system users, recreation enthusiasts and people residing in our 28-member counties. As we invested our resources this year, we've made a difference in the lives of many.

Our Municipal, Rural and Industrial (MR&I) water supply program, in partnership with the State Water Commission, provided over \$8 million to city and rural water systems for development of water infrastructure across the state.

Opportunities for recreation across our member counties were expanded, as over \$100,000 in funding was awarded through our matching recreation grant program. We made tremendous progress on the Red River Valley Water Supply

Project with the release of the Final Environmental Impact Statement in December. By the end of 2007, the studies were complete, a preferred alternative was identified by the affected communities, the state and the federal government, and we are awaiting a Record of Decision by the Secretary of the Interior.

By focusing on the people that rely on the work of Garrison Diversion, we continue to enhance the lives of North Dakotans.



Rick Anderson
Rick Anderson
Chairman



Dave Koland
Dave Koland
General Manager



+ WATER

BOARD OF DIRECTORS



Front Row left to right: Norman Rudel, Wells County; Ken Roysse, Burleigh County; John Leininger, Griggs County; Rick Anderson, McLean County; Norman Haak, Dickey County; Dennis Wendel, LaMoure County; Harlan Opdahl, Barnes County; Maurice Orn, Sargent County; Kenny Rogers, Bottineau County

Middle Row left to right: Bill Krivarchka, Traill County; Jim Burbidge, Renville County; Alan Walter, Ward County; LeRoy Johnson, Pierce County; Maynard Helgaas, Stutsman County; David Johnson, Benson County; Roger Johnson, Nelson County; Jon Lindgren, Cass County; Richard Cayko, McKenzie County

Back Row left to right: Steve Metzger, Foster County; John Peyerl, Ramsey County; Tim Schindler, Sheridan County; Richard Fugleberg, Steele County; Ken Vein, Grand Forks County; Kelly Klosterman, Richland County; Charles Richter, Eddy County; E. Ward Koeser, Williams County; Warren (Bud) Lyons, Ransom County

Not pictured: Cliff Hanretty, McHenry County

STAFF



Front Row left to right: Marty Koeplin, Kristin Esser, Geoff Theurer, Lisa Schafer, Dave Koland, Merri Mooridian, David Johnson, Benjamin Dockter, John Schuh

Middle Row left to right: Matt Ziegler, Curt Nelson, Tom Wagner, Roger Mindt, Renae Duchscherer, Kerry Beckman, Judy Allmaras, Darren Murray, Terry Schindler, Jerry Kellar, Kip Kovar, Charnell Haak

Back Row left to right: Stacey Gussiaas, Michelle Werner, Dave Peterson, Sue Stein, Martha Hagen MacLeod, Vern Lasher, Jerry Baker, LuVerne Albrecht, John Odstrcil, Julee Erdmann, Marlene Smith

Not pictured: Dale Esser, Ernie Mathias





+ WATER



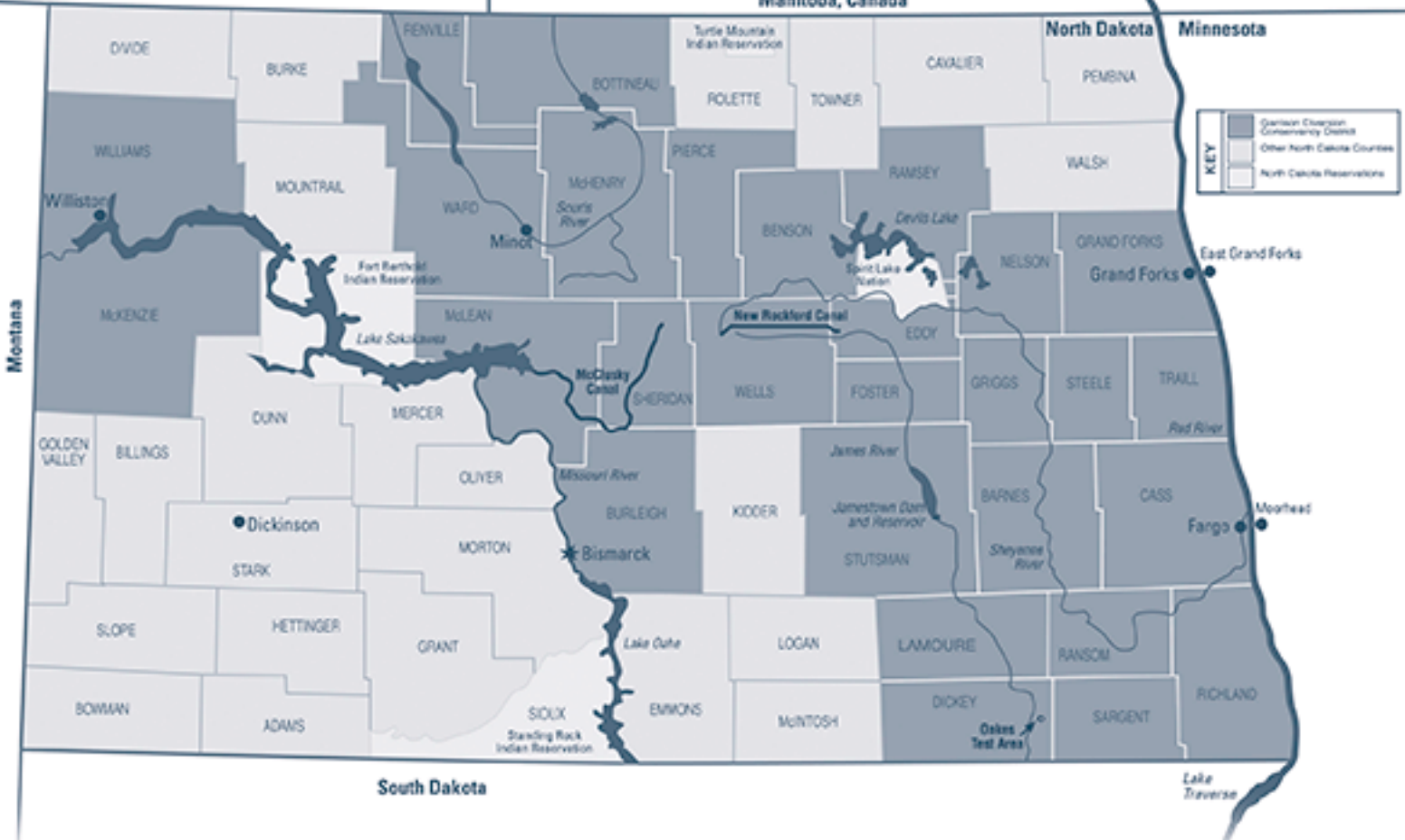
GARRISON DIVERSION MAP

Saskatchewan, Canada

Manitoba, Canada

North Dakota

Minnesota



THE PEOPLE OF GARRISON DIVERSION: DELIVERING A RELIABLE WATER SUPPLY

Our commitment to delivering a reliable, high-quality and affordable MR&I water supply creates opportunities for residents and businesses across the state.

Over \$8 million was distributed this year to city and rural water systems for water infrastructure development through our partnership with the State Water Commission.

Recipients of MR&I funding include:

- All Seasons Rural Water Users District System IV - Bottineau
- City of LaMoure
- McKenzie County Rural Water
- Northwest Area Water Supply - Minot
- Greater Ramsey Water District
- City of Underwood

Recipients of Water Development and Resource Funds include:

- All Seasons Rural Water Users District System V - Rugby
- Park River Water System
- Greater Ramsey Water District
- Stutsman Rural Water District
- Traill Rural Water District
- Walsh Rural Water District
- Williams Rural Water District

The establishment of water conservation and drought management plans is an essential part of managing water supplies. This year, 12 water conservation plans and 9 drought management plans were developed for cities and rural water systems in the Red River Valley through the Water Conservation Plan Program. This program is funded through a partnership between Garrison Diversion and the North Dakota Rural Water Systems Association.



PEOPLE



“ We live on the farm that my husband grew up on. They’ve never had good drinking water; always hauled it. If you’ve never lived that way, you can’t even imagine. When they started talking about connecting to a rural water system, we jumped on the wagon, and it has been wonderful. It has taken me a long time to quit worrying about having enough water.”

Frances Olson - McKenzie County Rural Water Customer





“The Missouri River and McClusky Canal system are valuable assets, as they are fundamentally important to current and future economic development in North Dakota. By properly maintaining the Snake Creek Pumping Plant and McClusky Canal, we are ensuring that one of the best options for providing a future water supply for the RRVWSP and NAWS will remain viable.”

Kerry Beckman - O&M Superintendent, Garrison Diversion

PEOPLE

THE PEOPLE OF GARRISON DIVERSION: MAINTAINING AND IMPROVING OUR FACILITIES

The Garrison Diversion Unit facilities are tremendous resources. Their continued operation and maintenance is essential for their utilization into the future. Our responsibility for the operations and maintenance of the McClusky and New Rockford Canals and the Oakes Test Area, as well as assistance with other associated facilities, is an important role.

Routine maintenance performed along the canals this year included erosion and vegetation control, monitoring and inspection, fence repair, drain and bridge maintenance and water operations. Approximately 5,500 acre-feet of water was delivered through the McClusky Canal, and 1,667 acre-feet of water was delivered for irrigation at the Oakes Test Area.

Many additional projects were completed this year, including construction of a new parking lot at the Carrington headquarters and repair and recoating of the headworks structure of the McClusky Canal.



+ WATER

THE PEOPLE OF GARRISON DIVERSION: ENSURING QUALITY DRINKING WATER FOR THE RED RIVER VALLEY

Studies indicate a real possibility that a 1930s-type drought could occur again in the Red River Valley before 2050. The residents of this area, who rely on the drought-prone Red River or its tributaries for their primary source of water, are facing a potential crisis.

History shows that the Red River ran dry for months at a time during the 1930s. If a drought of this magnitude were to happen today, it would take 1,200 truckloads of water each day to supply the basic indoor water needs of Fargo alone. Developing a supplemental water supply for the Valley, before the time of crisis, is the best way to ensure the future prosperity of the state and region.

The Red River Valley Water Supply Project is a proposed supplemental water supply for the Red River Valley. The preferred alternative for the project, the GDU Import to the Sheyenne River Alternative, utilizes the McClusky Canal and a buried pipeline to transport treated Missouri River water eastward. Using Lake Ashtabula as a regulating reservoir, the water would flow into the Sheyenne River and Red River when needed.

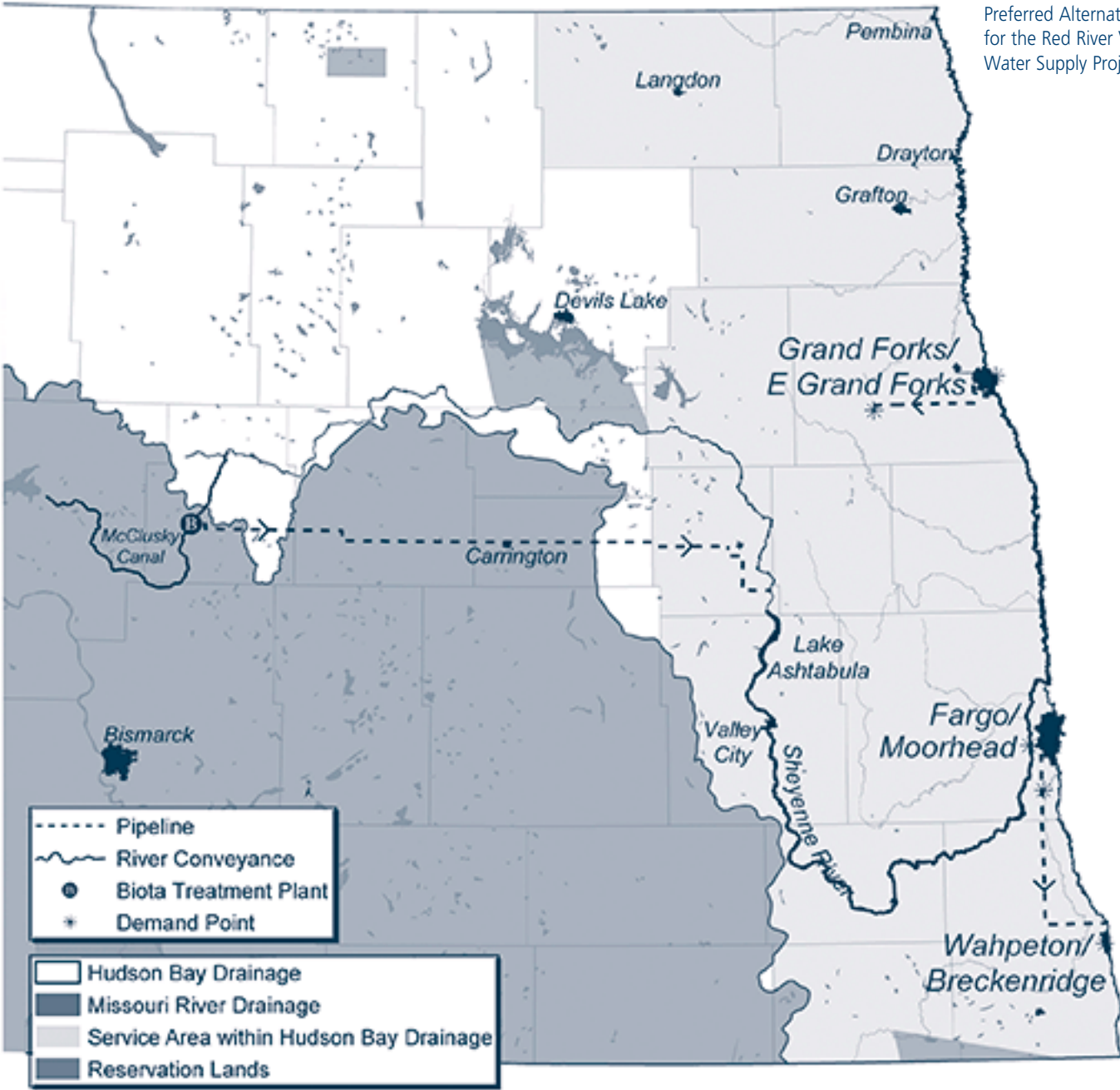
Progress on this project continued throughout the year. The Bureau of Reclamation and Garrison Diversion held public meetings and gathered comments after the release of the Supplemental Draft Environmental Impact Statement in December 2006. These comments were reviewed and considered as part of the Final Environmental Impact Statement that was published in December 2007. The report also included new information on climate change, sedimentation and depletion of the Missouri River and a final biological assessment.

Our support for the project included investing in studies and developing the Final Environmental Impact Statement, mapping the proposed pipeline route and providing administrative, financial and technical support to the Lake Agassiz Water Authority.

Representatives of Garrison Diversion testified before the North Dakota State Legislature during the 2007 Legislative Session to support a bill authorizing funding for the project. The bill passed both houses overwhelmingly and confirmed the state's commitment to the project.



WATER



Preferred Alternative for the Red River Valley Water Supply Project



“The funding from Garrison Diversion provides the backbone of our financial support. With this support, we are able to access other grants and donations to further our research effort. The Oakes Irrigation Research Site provides a pertinent, varietal, cropping system and agronomic studies that address the needs of irrigators in ND.”

Walter Albus - Research Agronomist, North Dakota State University

PEOPLE

THE PEOPLE OF GARRISON DIVERSION: SUPPORTING AGRICULTURAL ADVANCEMENTS

Support for agriculture runs deep through the people of Garrison Diversion. In 2007, we continued this legacy by providing funding for the North Dakota Irrigation Association, NDSU Oakes Irrigation Research Site, NDSU Irrigation Specialist Position and NDSU Extension Irrigation Research & Outreach. This funding is utilized to provide education and continue research and development of irrigation.

Securing the future of the Oakes Test Area is of vital importance to Garrison Diversion. To ensure that this site remains a resource for irrigators well into the future, we have initiated development of a title transfer plan. This is necessary due to language in the Dakota Water Resources Act of 2000 requiring the title transfer within two years of the Record of Decision on the Red River Valley Water Supply Project. In conjunction with the title transfer, we have assisted with the reorganization of the Dickey-Sargent Irrigation District and their efforts to find a reliable water supply for the project.



+ WATER

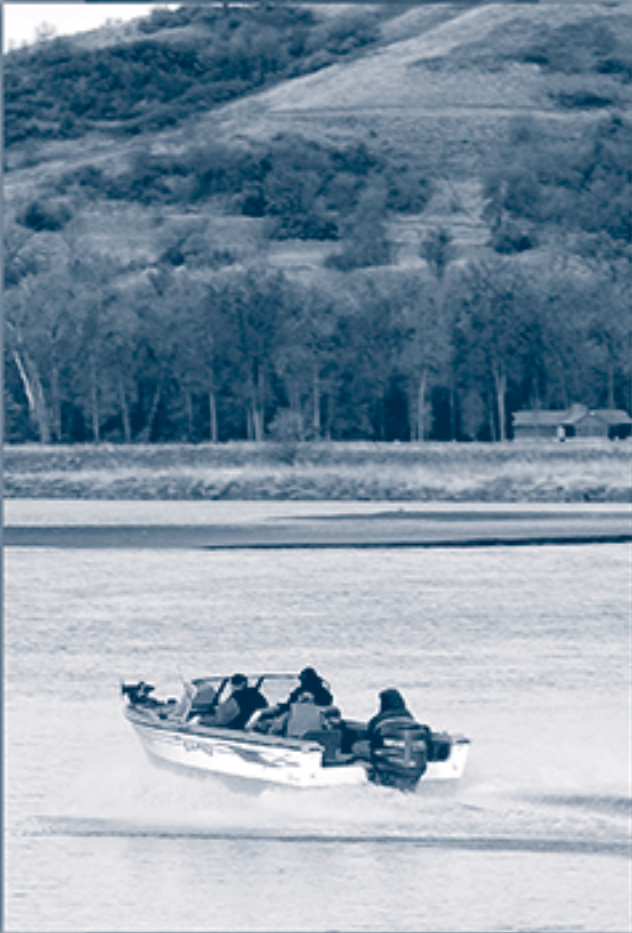
THE PEOPLE OF GARRISON DIVERSION: OFFERING RECREATIONAL OPPORTUNITIES

Our state is filled with natural resources that offer an abundance of recreational opportunities. The ability to utilize these opportunities enhances the lives of the people in our member counties. We have made it our priority to promote development of new recreation facilities and enhancement of existing resources.

The Chain of Lakes area, along the McClusky Canal, has great potential for recreation. This year, we implemented a cooperative agreement with the Bureau of Reclamation for further development of the area.

Our matching recreation grant program is yet another example of our support for recreation development. In 2007, we awarded \$100,271 to 11 projects, including:

- Barnes County - Replacing playground equipment at the Little Yellowstone Park
- Cass County - Adding playground equipment and creating handicap accessible parking at Reiles Acres
- Foster County - Water conservation efforts along the Tri-County Recreation Trail
- McHenry County - Constructing a picnic shelter and purchasing picnic tables for Buffalo Lodge Lake
- McHenry County - Development of the Velva Fitness and Walking Trail
- Renville County - Adding picnic tables and a waterline at the Mohall City Park
- Sargent County - Building a gazebo and installing fencing at Milnor Memorial Park
- Stutsman County - Improving campground pads at Pelican Point Landing
- Stutsman County - Purchasing picnic tables for use at the Jamestown Reservoir
- Ward County - Upgrading wiring and installing new electrical pedestals at Old Settlers Park
- Wells County - Creating handicap seating at the Wells County Fairgrounds





Little Yellowstone Park:

“ We’d invite people to use the park, but the playground was run down. We wanted to make it a fun place for families and campers to use. The funding that we received from the matching recreation grant was so important because we can’t do these projects alone. We need the financial support from Garrison Diversion, our county, local businesses and individuals to develop these recreation facilities.”

Dale Maasjo – Chairman, Barnes County Park Board



MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The North Dakota legislature created the Garrison Diversion Conservancy District (Garrison Diversion) 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 Garrison Diversion each elect a citizen to the Board of Directors and levy a one-mill property tax to support its operations. Annual federal appropriations provide funding for the operations, maintenance and replacement of the McClusky Canal, New Rockford Canal and Oakes Test Area; funding of the municipal, rural and industrial program and the Red River Valley Water Supply Project. 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 39 full-time and seasonal employees.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Garrison Diversion's basic financial statements. Garrison Diversion's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Garrison Diversion's primary focus has changed from irrigation to a multi-purpose project, with emphasis on the development and delivery of municipal, rural and industrial 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.

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.

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

GARRISON DIVERSION NET ASSETS

	Dec. 31, 2007	Dec. 31, 2006
ASSETS		
Cash	\$4,602,117	\$6,232,149
Investments	4,993,700	3,121,105
Due from Employees	0	0
Land	173,667	123,667
Land Improvements	709,638	237,166
Buildings	694,017	694,017
Equipment	2,914,763	2,970,495
Less Accumulated Depreciation	(2,507,147)	(2,503,612)
Total Assets	\$11,580,755	\$10,874,987
LIABILITIES		
Due to Employees	\$1,110	\$3,192
Compensated Absences	228,569	195,763
Total Liabilities	\$229,679	\$198,955
NET ASSETS		
Invested in Fixed Assets	\$1,811,271	\$1,398,066
Operating Fund	1,236,905	1,236,905
O&M Emergency Fund	813,500	813,500
Deficiency Fund	804,146	804,146
Project Development	916,554	916,554
Unrestricted Fund	5,768,700	5,506,861
Total Net Assets	\$11,351,076	\$10,676,032

Assets, Liabilities and Net Assets

The Statement of Assets, Liabilities and Net Assets, as shown above, lists total net assets of \$11,351,076 and \$10,676,032 for the fiscal years ended December 31, 2007, and December 31, 2006, respectively. There was an increase in net assets compared to last fiscal year's net assets. The biggest factors accounting for the increase in net assets were the increase in Fixed Assets (mainly the new parking lot) and the increase in the Unrestricted Fund investments for the fiscal year.

Under the modified cash basis of accounting used by Garrison Diversion, the appropriation for the MR&I program is recognized as revenue in the year it is received and an 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 is recognized as revenue. (Projects receive approval to begin construction when the money for the project is deposited in the MR&I Program Fund bank account.)

GARRISON DIVERSION STATEMENT OF ACTIVITIES

	Dec. 31, 2007	Dec. 31, 2006
PROGRAM EXPENSES		
General Fund	\$1,896,688	\$2,681,385
Municipal, Rural and Industrial	8,164,106	14,876,925
Operations, Maintenance and Replacement	2,625,185	3,566,481
Red River Valley Water Supply Project	346,189	1,096,966
Total District Activities	\$13,032,168	\$22,221,757
PROGRAM REVENUES		
Taxes	\$1,503,084	\$1,480,722
Interest on Investments	440,247	601,792
MR&I Appropriation	8,105,255	7,107,443
Operations, Maintenance and Replacement	3,352,965	3,558,991
Red River Valley Water Supply Project	294,834	1,248,835
Leases	2,135	2,125
Miscellaneous	8,692	5,377
Total Revenue	\$13,707,212	\$14,005,285
Revenue Over (Under) Expenses	675,044	(8,216,472)
NET ASSETS, BEGINNING OF YEAR	10,676,032	18,892,504
NET ASSETS, END OF YEAR	\$11,351,076	\$10,676,032

Statement of Activities

Program Revenue

Total revenue for fiscal years ended December 31, 2007, and December 31, 2006, were \$13,707,212 and \$14,005,285 respectively. This is a decrease of 2.13%, or \$298,073. The decrease from fiscal year 2006 was the net result of \$135,858 less revenue to the General Fund (Administrative), \$206,026 less revenue in the Operations, Maintenance and Replacement Fund, a \$954,001 decrease in the Red River Valley Water Supply Project, offset by \$997,812 more revenue for the Municipal, Rural & Industrial Fund.

Red River Valley Water Supply Project

The Red River Valley studies for the Environmental Impact Statement were completed in the 2007 fiscal year. The revenue from the Bureau of Reclamation decreased from \$1,248,835 in 2006 to \$294,834 in 2007, and the expenses decreased from \$1,096,966 to \$346,189.

The funds were used to support staff working on the project and to fund consultants doing specific studies for the project.

Program Expenses

Total expenses for all programs in the fiscal years ended December 31, 2007, and December 31, 2006, were \$13,032,168 and \$22,221,757 respectively. This is a decrease of 41.35%, or \$9,189,589. The decrease from fiscal year 2006 was the net result of \$784,697 decreased expenses in the General Fund (Administrative), \$6,712,819 less spent in the Municipal, Rural and Industrial Program, \$941,296 less spent on the Operations, Maintenance and Replacement, and \$750,777 decreased spending on the Red River Valley Water Supply Project.

Capital Assets

Garrison Diversion's investment in capital assets as of December 31, 2007, and December 31, 2006, amounts to \$1,984,938 and \$1,521,733 (net of accumulated depreciation) respectively. This investment in capital assets includes the headquarters building site, maintenance buildings at McClusky, Oakes and New Rockford, equipment to maintain our facilities such as mowers, sprayers and tractors, and construction equipment and vehicles to maintain the Garrison Diversion Unit canals and associated structures, including dozers, loaders and other related vehicles. We also carry as an asset recreational development at the Devils Lake State

Park System, which includes 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:

- 2007 Chevrolet Tahoe
- Quantum Data 72 File Server
- 127 acres of land in Eddy County
- Two 2007 Sterling Dump Trucks
- 4000 gallon fuel tank
- 2007 Chevrolet 2500 Pickup
- 2008 Ford 350 4x4 One-ton Pickup
- Two 2007 John Deere 872D Motor Graders
- Tioga Vault Toilet
- 2007 Case IH Puma Tractor
- Headquarters Parking Lot

Major capital assets retired or traded during the current fiscal year included the following:

- 2004 Chevrolet Tahoe
- Compaq File Server
- 1985 Case MW240 Loader
- 1985 Chevrolet Diesel 4x4 Pickup
- 150 gallon fuel tank and pump
- 2000 Chevrolet 2500 ¾ Ton Pickup
- 2000 Chevrolet 350 Pickup
- 2003 CAT 163H Grader
- 1999 CAT 163H Grader
- Case IH 5130 Tractor

Economic Factors and Next Year's Budgets

Personnel

Administrative staff changes were: Kristin Esser hired as Communications Specialist, LuVerne Albrecht hired as temporary Custodian/Groundskeeper and Adrienne Liebel hired as Summer Engineering Intern.

Operations and Maintenance staff changes include: Scott Mehring hired as Master Electrician, Duane Anstrom hired as Operator I, Travis Meier resigned as Equipment Operator II, Robert Oswald (O&M Specialist II) deceased, and Thomas Townley (O&M Specialist II) retired. Three temporary summer workers were also employed: Matthew Ziegler (New Rockford), Shane Swanson and Troy Speten (both at McClusky).

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 those with an interest. 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 General Fund Revenues and Expenditures for the fiscal year ending December 31, 2007.

Income Budget	Budget FY 2007	Actual FY 2007
Municipal, Rural & Industrial Administration	\$118,338	\$118,338
Operations & Maintenance Administration	491,170	458,422
Red River Valley Water Supply Study	51,921	51,921
Interest Income	181,547	181,547
Lease Income	2,135	2,135
Tax Levy	1,402,627	1,402,627
State Aid Distribution	106,216	106,216
Miscellaneous Income	8,692	8,692
Total Income	\$2,362,646	\$2,329,898

Expense Budget	Budget FY 2007	Actual FY 2007
Directors Per Diem	\$51,979	\$51,979
Directors Expenses	77,760	77,760
Employees Salaries	630,000	582,853
Employees Expenses	84,083	61,556
Payroll Taxes and Benefits	217,181	208,399
Operations Expenses	178,169	137,940
Research	262,500	262,500
Public Education	84,100	74,960
Professional Services	579,943	419,378
Legal	23,602	23,602
Maintenance & Repair	46,000	27,149
Irrigation District Expenses	49,755	43,020
Capital Purchases	195,388	154,098
Recreation Matching	210,000	100,468
Natural Resources Trust	19,799	19,799
Total Expenses	\$2,710,259	\$2,245,461



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