

2016

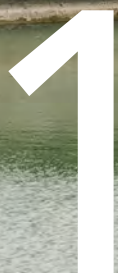


Annual

Report

Our Mission:

to provide a reliable, high
quality and affordable water
supply to benefit the
people of North Dakota



Our Mission

2016 Annual Report Executive Letter

Last year was a year of considerable progress for the Garrison Diversion Conservancy District (Garrison Diversion) as we worked to meet our mission to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota. However, our focus goes beyond a dependable drinking water supply. We also aim to provide opportunities for agriculture, recreation, industry and development of our natural resources.

Agriculture and Natural Resources

Garrison Diversion's dedication to providing a reliable water source for agriculture has resulted in many irrigation projects over the years. In 2016, Garrison Diversion provided funding for irrigation trials, supported irrigation development and presented the McClusky Canal Irrigation Master Plan to the Bureau of Reclamation (Reclamation), the State Water Commission (SWC) and the North Dakota Irrigation Association. We also continued to work with the N.D. Game and Fish Department and U.S. Fish and Wildlife Service. In addition, we continued assisting with the maintenance of some of our state's important wildlife areas, such as Audubon & Arrowwood National Wildlife Refuges and the Lonetree Wildlife Management Area.

Operations and Maintenance (O&M)

The O&M staff ensures the Principal Supply Works of the Garrison Diversion Unit (GDU) operate efficiently and reliably. Because of the staff's proven expertise, our O&M team assists other agencies and organizations with operations and maintenance at major facilities like the Jamestown Dam and Devils Lake Outlets.

Red River Valley Water Supply Project (RRVWSP)

Garrison Diversion continues its work as the state lead in the state and local RRVWSP. After years of preliminary planning, we took further steps that will lead to the future construction of the RRVWSP.

Recreation

A total of \$485,733 was awarded to 28 projects in our member counties and expended \$239,072 to previously approved projects in 2016 through Garrison Diversion's Matching Recreation Grant Program. These grants are part of Garrison Diversion's continued support of local recreation projects in communities across the state.

Municipal, Rural and Industrial (MR&I)

In 2016, Garrison Diversion developed 25 drought management plans and 25 water conservation plans for local communities as part of our statewide MR&I projects. We also awarded \$15.2 million from the MR&I Fund in cooperation with the SWC for water system expansions.

These are just a few highlights of some of the significant projects Garrison Diversion worked on in 2016.

I couldn't be prouder of our 2016 accomplishments in my second year as the General Manager. I look forward to continuing our important work in the years ahead.

Thanks for reading.



A handwritten signature in black ink that reads "Duane DeKrey".

Duane DeKrey
General Manager



A handwritten signature in black ink that reads "Kenneth Vein".

Kenneth Vein
Board Chairman

Board of Directors



Front Row: Odell Flaagan, Nelson County; Norman Haak, Dickey County; Ken Royse, Burleigh County; Mark Cook, Renville County; Kenny Rogers, Bottineau County; Jay Anderson, Ransom County; Roger Bischoff, Barnes County (deceased); John Peyerl, Ramsey County

Middle Row: Steve Metzger, Foster County; Richard Cayko, McKenzie County; Bill Ongstad, Wells County; Bill Krivarchka, Traill County; Geneva Kaiser, Stutsman County; Ward Koeser, Williams County; Jeff Breker, Sargent County; Rick Anderson, McLean County

Back Row: Dennis Wendel, LaMoure County; Dave Anderson, Pierce County; Dave Johnson, Benson County; Cliff Hanretty, McHenry County; Mike Tweed, Eddy County; Ken Vein, Grand Forks County; Kelly Klosterman, Richland County; Alan Walter, Ward County

Not Pictured: John Wakefield, Griggs County; Roger Fenstad, Cass County; Tim Schindler, Sheridan County



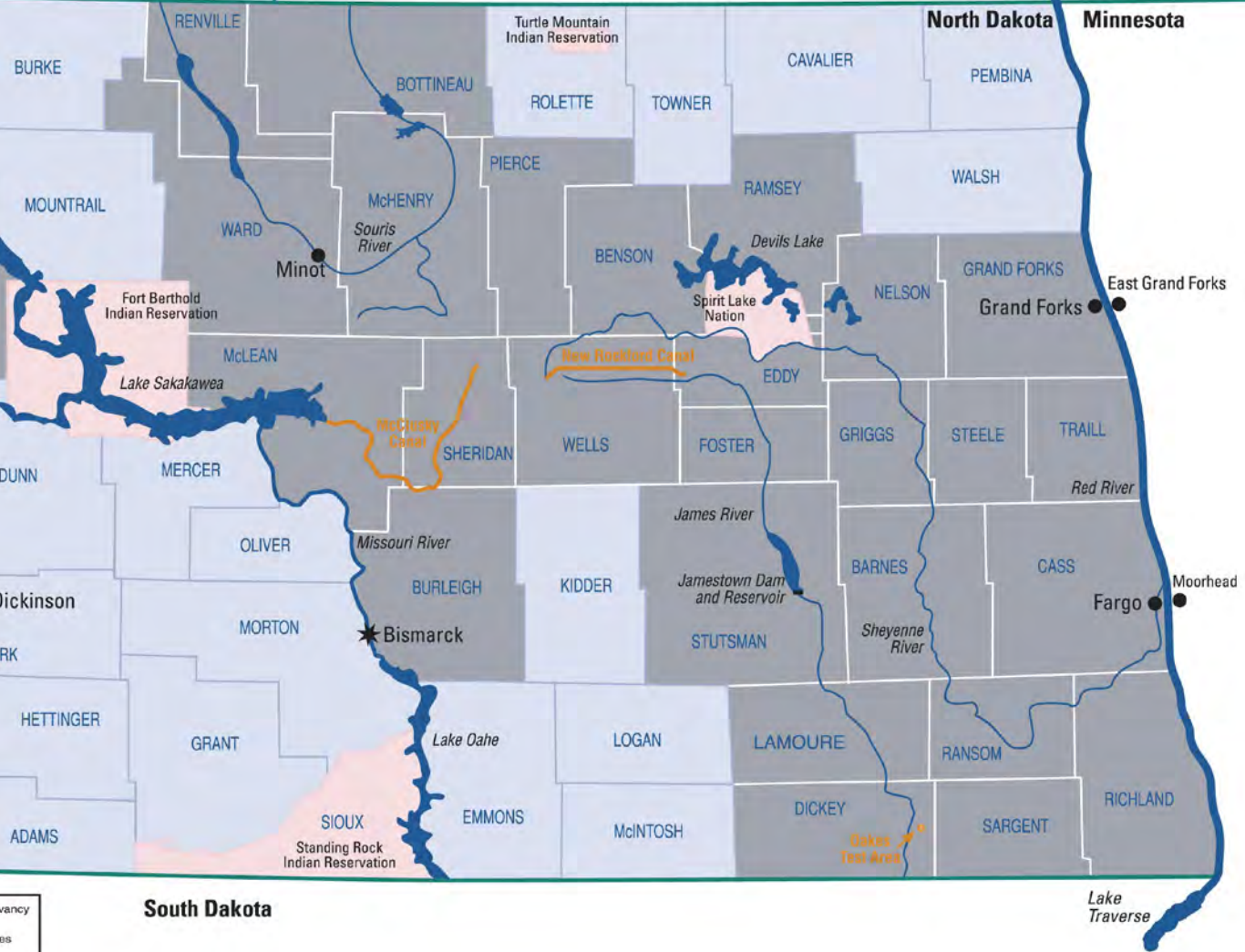


GARRISON DIVERSION MAP

Saskatchewan, Canada

Manitoba, Canada

North Dakota Minnesota



South Dakota

Lake Traverse

Agriculture and Natural Resources

Garrison Diversion's roots are in agriculture, and though we are now a multipurpose project, we have not forgotten those roots. In 2016, Garrison Diversion continued to support irrigation development across the state by providing funding for agricultural and irrigation trials and development through the North Dakota Irrigation Association and the North Dakota State University (NDSU) Oakes Irrigation Research Site (OIRS) Robert Titus Research Farm.

Garrison Diversion also worked to maintain, enhance and protect North Dakota's natural resources by assisting with maintenance at the Audubon & Arrowwood National Wildlife Refuges, Lonetree Wildlife Management Area and mitigation features as requested by Reclamation.

Last year, Garrison Diversion provided \$267,875 in funding for irrigation trials, and \$51,112 towards irrigation development.

Garrison Diversion also provided \$50,000 in funding to support the North Dakota Irrigation Association.

Work continued on the Irrigation Master Plan for the McClusky Canal, and upon completion, Garrison Diversion presented the plan to Reclamation, the SWC and at the North Dakota Irrigation Association's Irrigation Workshop. The Irrigation Master Plan will help to plan for future irrigation growth in the McClusky Canal area. Garrison Diversion's vision is to work with landowners and producers to develop authorized irrigable acres to bring increased local returns and economic benefits to the State of North Dakota.

Operations and Maintenance

Garrison Diversion was created by the N.D. Legislature to establish, construct, develop, maintain and operate the GDU and all its parts, which includes the McClusky Canal, New Rockford Canal and Oakes Test Area. Garrison Diversion's O&M staff is able to assist federal and state government agencies in diverse ways because of their expertise in canal maintenance, earth moving and other construction areas.

A very busy 2016 included the large and complex undertaking of coating the inside of the #2 discharge pipe at the Snake Creek Pumping Plant (SCPP). This project took several employees nearly two months to complete. The discharge pipe runs from the SCPP underneath Hwy 83 into Lake Audubon and is approximately 12 ft. in diameter and around 800 ft. long.

Garrison Diversion's O&M crew maintained irrigation facilities within the McClusky Canal Irrigation Project, a 5,000-acre irrigation project which includes pumping stations and delivery pipes.

Cooperative agreements between Garrison Diversion and the SWC, Reclamation, N.D. Game & Fish and U.S. Fish & Wildlife Service benefit all agencies and help to complete a wide variety of projects each year.

One example is the O&M crew's work on the GDU facilities, as they worked in cooperation

with Reclamation to ensure the longevity of the McClusky Canal, New Rockford Canal and Oakes Test Area by keeping the facilities in good working condition.

They assisted the SWC with monitoring and operating the Devils Lake Outlets, along with water sampling, mowing and spraying as part of routine operations at the Devils Lake Outlets. The crew also cleaned the downstream channel at Jamestown Dam.

Other 2016 tasks included a signed McClusky Canal Pre-Slide Repair Cooperative Agreement, and completion of 60% of final design drawings for the major slide repair. The crew kept facilities in top shape with work on projects such as the walkway fall protection safety improvements at Painted Woods weir, slope reshaping and rip-rapping for Meyers Dike at Audubon National Wildlife Refuge, and water quality sampling for the Lake Agassiz Water Authority (LAWA).

Garrison Diversion O&M staff includes co-superintendents, a professional engineer, a master electrician, certified diesel mechanic, painting and coating specialists, vegetative management specialists and multiple heavy equipment operators out of four locations – Carrington, New Rockford, Oakes and McClusky.

Red River Valley Water Supply Project

Last year was a year of considerable progress for the RRVWSP. This necessary project will protect communities and economies in central North Dakota and the Red River Valley from the devastating effects of drought by providing a safe and secure source of water. Upon its completion, the RRVWSP will help meet the water supply needs of up to 50% of North Dakota's population, ensuring the continued prosperity of central and eastern North Dakota.

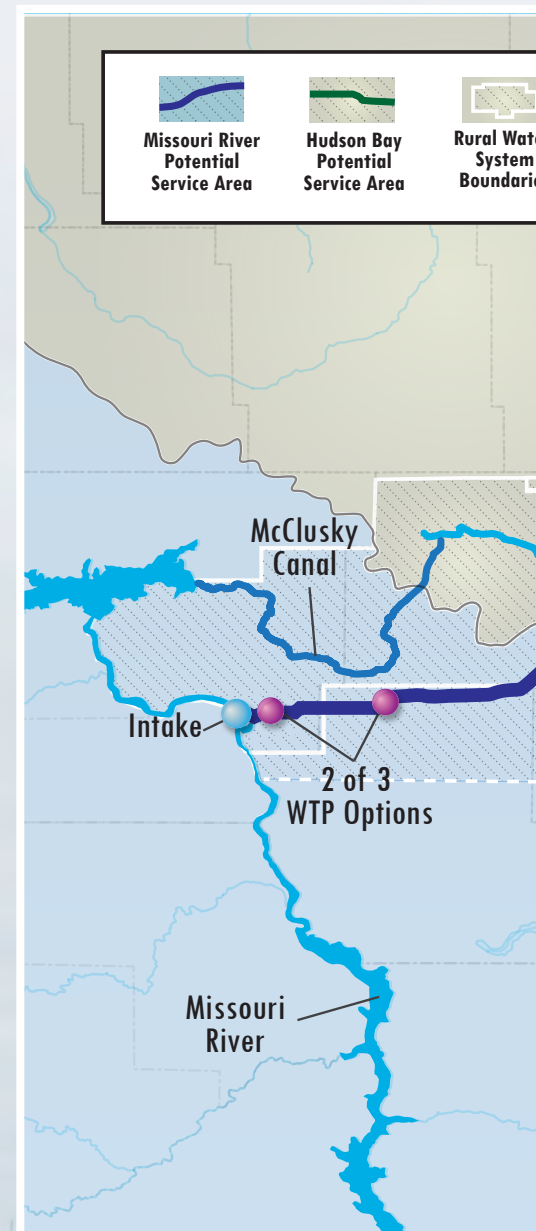
In 2016, Garrison Diversion invested over \$4.7 million into the RRVWSP and worked with several local, state and federal agencies as they moved forward with the project. The Conceptual Design for the RRVWSP was completed and a final report delivered in September.

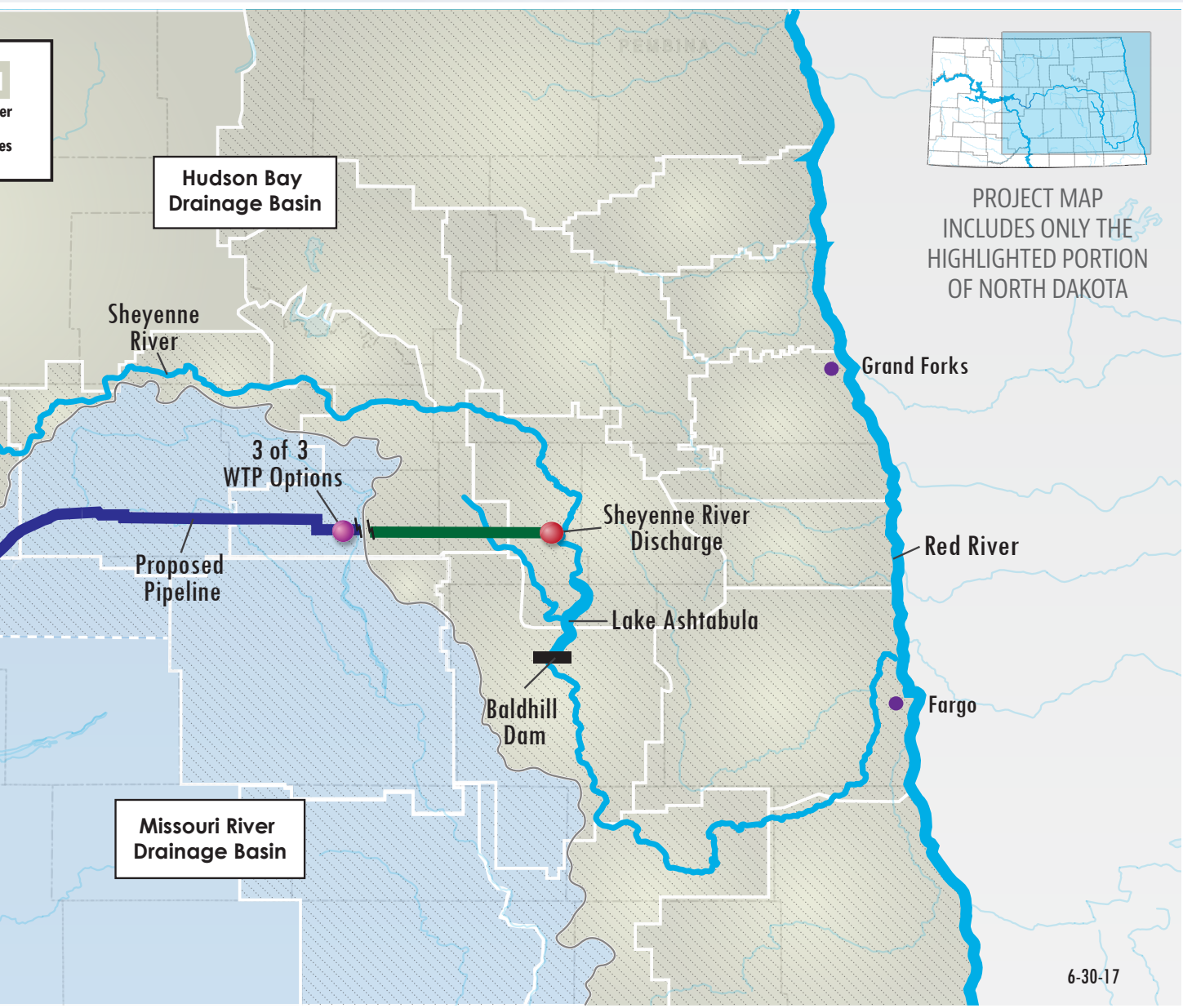
Throughout the summer and fall months, a needs assessment was completed to gauge interest in the RRVWSP, where Garrison Diversion staff held over 100 informational meetings with communities and rural water systems in central and eastern North Dakota. The needs assessment led to development agreements signed by 35 cities and water systems for a total of 159.23 cfs (cubic feet per second) of project water.

Garrison Diversion also pursued land services in which properties along the proposed pipeline alignment were surveyed to determine suitability for construction.

Financial modeling was initiated for the RRVWSP in 2016, where Garrison Diversion worked with a team of financial experts to examine various financial options to make the project affordable for the project's end users.

Upon completion of the Conceptual Design, work began on the Preliminary Design, which is anticipated to be completed in the fall of 2017. The Preliminary Design includes pipeline alignment, intake, financial modeling, pumping and hydraulics, and discharge design.





Recreation

North Dakota residents and visitors alike value recreation, and Garrison Diversion is proud to offer the Matching Recreation Grant Program to enhance a number of recreation areas and projects within the state. The grant program distributes 20% of Garrison Diversion's one-mill levy to eligible projects within the district.

Garrison Diversion's Matching Recreation Grant Program funds were awarded in 2016 to help communities in the district expand or enhance recreation opportunities. The grant funds helped provide safe park equipment for children, multi-use paths for biking and walking, and new campsites designed to accommodate more campers looking for a relaxing getaway in North Dakota. A total of \$485,733 was awarded to 28 projects within the district.

In addition, the program expended \$239,072 to previously approved recreation projects. To date, over \$4.6 million has been awarded to recreation projects in the district since 1990.

2016 Matching Recreation Grant Recipients:

Barnes County

- Enhancements at Clausen Springs and Little Yellowstone Parks

Benson County

- Expansion of the Benson County Event Center

Bottineau County

- Development of a horse arena at the fairground

Burleigh County

- Development of an interpretive trail at General Sibley Park

Cass County

- Red River Valley Fair campground improvements
- Development of a new city park in Reile's Acres

Foster County

- Construction of a concession stand at the Carrington City Park

Grand Forks County

- Electrical updates for the Fordville Dam RV Park

Griggs County

- Purchase bleachers for the Binford Rodeo Ground
- Construction of an ADA restroom and concession facility

McHenry County

- Playground equipment at the Anamoose City Park
- Develop picnic shelters at Buffalo Lodge and George Lake parks

McKenzie County

- Enhancements at the Kent Pelton Nature Park in Watford City

Nelson County

- Construction of a bathroom facility at North Park in Tolna

Ramsey County

- Playground equipment for the East Ditch Recreation Site in Devils Lake

Richland County

- Playground equipment and additional enhancements at the Mooreton Park
- Playground equipment for the Barney City Park
- Development of the Kidder Recreation Area Tent Campground

Sargent County

- Playground equipment and benches for Silver Lake Park
- Playground equipment for the Milnor Park

Sheridan County

- Improvements to the beach area at Hoffer Lake

Steele County

- Improvements at Golden Lake including playground equipment, picnic tables and charcoal grill

Traill County

- Construction of a walking trail through the City of Mayville

Ward County

- Playground equipment for the Berthold Park
- Construction of a water splash pad in the City of Burlington
- Electrical upgrades to camping lots at the N.D. State Fair

Wells County

- Playground equipment for the Kiwanis Centennial Park Playground in Harvey

Williams County

- Picnic shelters for Blacktail Dam, Springbrook Dam, Kota Ray Dam, Little Egypt and McGregor Dam Recreation Areas



Municipal, Rural & Industrial Water Supply Program

Garrison Diversion's MR&I program is jointly administered by Garrison Diversion and the SWC to provide funding to deliver quality water throughout the state.

In keeping with their mission to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota, Garrison Diversion distributed over \$5.9 million through the MR&I program in 2016 to help water systems deliver water to homes, businesses and farms. An additional \$15.2 million was awarded to other MR&I projects across the state.

Garrison Diversion also provided funding to assist with the completion of 25 drought management plans and 25 water conservation plans for communities in North Dakota.

Municipal, Rural and Industrial

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GARRISON DIVERSION
CONSERVANCY DISTRICT

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Overview of Financial Statements

Garrison Diversion Statement of Net Position

Assets	2016	2015
Cash	\$8,279,671	\$6,254,143
Investments	\$4,001,199	\$4,001,199
Land	\$143,667	\$143,667
Land improvements	\$329,736	\$360,780
Construction in progress	\$1,110,875	-
Buildings	\$812,206	\$835,727
Equipment	\$1,844,237	\$1,802,179
Pipeline	\$2,277,534	\$2,336,389
Total assets	\$18,799,125	\$15,734,084
Liabilities		
Bond payable	\$1,022,420	\$1,108,693
Note payable	\$203,148	\$225,000
Total liabilities	\$1,225,568	\$1,333,693
Net assets		
Net investment in capital assets	\$5,292,687	\$4,145,049
O&M emergency fund	\$822,818	\$822,818
Deficiency fund	\$802,288	\$802,288
Project development fund	\$915,593	\$915,593
Red River Valley Water Supply	\$1,027,475	\$250,855
Unrestricted fund	\$8,712,696	\$7,463,788
Total net assets	\$17,573,557	\$14,400,391
Total liabilities and net assets	\$18,799,125	\$15,734,084

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

Garrison Diversion Statement of Activities

Revenues	2016	2015
Taxes	\$3,296,173	\$3,026,645
Interest on investments	\$25,806	\$12,083
Non-project income	\$373,973	\$616,734
Program income	\$5,364	\$9,180
Contract revenue	\$15,300,456	\$8,466,634
Leases	\$2,303	\$2,303
Miscellaneous	\$21,663	\$497
Total revenue	\$19,025,738	\$12,134,076
Expenditures		
Current		
Directors	\$188,547	\$201,046
Personnel	\$2,940,498	\$2,791,571
Contractual services	\$6,650,775	\$3,134,324
Irrigation development	\$383,375	\$449,143
Maintenance	\$464,771	\$528,078
Engineering & survey	\$285,570	\$553,885
Recreation grant program	\$242,240	\$329,885
Other charges	\$4,070,676	\$2,265,317
Irrigation districts	-	-
Capital outlay	\$1,603,883	\$800,574
Debt service		
Principal	\$109,692	\$83,962
Interest and fiscal charges	\$60,183	\$57,724
Total expenditures	\$17,000,210	\$11,195,509
Revenue over (under) expenses	\$2,025,528	\$938,567
Other financing sources		
Debt issuance	-	\$225,000
Transfers in	\$695,112	\$ 890,588
Transfers out	\$(695,112)	\$(890,588)
Total other financing sources	-	\$225,000
Net change in fund balance	\$2,025,528	\$1,163,567
Fund balances, beginning of year	\$10,255,342	\$9,091,775
Fund balances, end of year	\$12,280,870	\$10,255,342

The Statement of Activities (above) presents information on all of Garrison Diversion's direct expenses and program revenues for the activities of Garrison Diversion. It shows how the fund balances changed during the year.

Statement of General Fund Income and Expenditures

Statement of General Fund Income and Expenditures for the fiscal year ending December 31, 2016.

Income budget	Budget FY 2016	Actual FY 2016
Municipal, Rural & Industrial administration	\$107,866	\$107,866
Operations & Maintenance administration	\$830,248	\$607,556
Interest income	\$25,169	\$25,169
Contract revenue	\$10,795	\$10,795
Lease income	\$2,303	\$2,303
Tax levy	\$3,296,169	\$3,296,173
Miscellaneous income	\$99	\$99
Total income	\$4,272,649	\$4,049,961

Expense budget	Budget FY 2016	Actual FY 2016
Director's per diem	\$90,000	\$87,369
Director's expenses	\$125,000	\$101,178
Employee's salaries	\$775,000	\$589,882
Employee's expenses	\$113,000	\$54,814
Payroll taxes & benefits	\$366,286	\$261,626
Operations expenses	\$201,000	\$156,017
Irrigation development	\$394,275	\$383,375
Public education	\$105,200	\$95,068
Professional services	\$542,000	\$329,746
Legal	\$140,000	\$113,016
Maintenance & repair	\$75,000	\$66,035
Irrigation district expenses	\$24,900	-
Capital purchases	\$59,000	\$24,328
Recreation programs	\$360,000	\$242,240
Total expenses	\$3,370,661	\$2,504,694

Requests for information

The financial report provides a general overview of Garrison Diversion'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, P.O. Box 140, Carrington, ND 58421.



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