



Water. Making it Work for North Dakota.
Garrison Diversion Conservancy District 2011 Annual Report



Garrison Diversion's Mission:

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

Executive Letter

2011 was an important year for Garrison Diversion as we continued to make water work for North Dakota with various projects in our focus areas.

Our O&M staff was instrumental in completing the McClusky Canal Mile Marker 7.5 Irrigation Project (MM 7.5). They installed intakes and pressurized and tested the pipeline to make sure it would successfully deliver water to farmers. The completion of MM 7.5 was an important step in securing future irrigation from the McClusky Canal.

Garrison Diversion also assisted with flood control efforts that extended beyond our usual O&M work. We provided equipment and expertise to help with a number of emergency operations caused by the floods. Our O&M crew conducted erosion control operations around Garrison Dam and assisted with flood fighting efforts in Fort Pierre, SD.

The flood reminded people once again of the power of water in its extremes and reinforced the importance of preparing North Dakota for the future of water. That lesson has never been wasted on us, and we remain dedicated to making water work for North Dakotans through each of our focus areas:

Operation and Maintenance

In addition to flood fighting efforts, we assisted the State Water Commission with operation and management of the Devils Lake Outlet and played an important role in completing MM 7.5. We also performed routine O&M on all Garrison Diversion facilities.

Agriculture and Natural Resources

Irrigation is an important component of the work we do to meet North Dakota's water needs, and we accomplished a major milestone in 2011. Phase I of MM 7.5 was completed and is capable of irrigating 3,500 acres near Turtle Lake, ND.

Red River Valley Water Supply Project

The Red River Valley Water Supply Project (RRVWSP) is a vital part of guaranteeing a reliable water supply to the Red River Valley in the event of an extended drought. As part of our ongoing work with this project, we provided support for the Lake Agassiz Water Authority.

Recreation

We awarded over \$291,000 in grants to 26 recreational projects throughout the district through the Garrison Diversion Matching Recreation Grant Program. Thanks to our granting program, recreation opportunities improved for residents and tourists across the state.

Municipal, Rural and Industrial

In 2011, \$43.8 million was distributed to help municipal, rural and industrial water supply projects across the state to increase the availability of high quality water to North Dakotans statewide.

Garrison Diversion's mission is to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota. We continue to move forward with that mission in mind, to make sure that all North Dakotans have a reliable supply to accommodate all of their water needs.

The pages of the 2011 Annual Report are full of the exciting ways our work has impacted the water needs across the state. We are proud of our responsibility as water stewards and look forward to continuing to make water work for North Dakota.



John Leininger

John Leininger
Chairman



Dave Koland

Dave Koland
General Manager

Garrison Diversion Board of Directors



Back Row (L-R): Warren (Bud) Lyons, Ransom County; Richard Cayko, McKenzie County; Charles Richter, Eddy County; Ken Vein, Grand Forks County; Dan Marquart, Nelson County; Kelly Klosterman, Richland County; E. Ward Koeser, Williams County; Richard Fugleberg, Steele County; Steve Metzger, Foster County

Middle Row (L-R): Jeff Breker, Sargent County; John Peyerl, Ramsey County; Roger Bischoff, Barnes County; Bill Ongstad, Wells County; John Leininger, Griggs County; Cliff Hanretty, McHenry County; Norman Haak, Dickey County; David Johnson, Benson County; Kenny Rogers, Bottineau County

Front Row (L-R): Dr. Bill Krivarchka, Traill County; Rick Anderson, McLean County; Dennis Wendel, LaMoure County; Roger Fenstad, Cass County; Dave Anderson, Pierce County; Ken Royse, Burleigh County; Thomas Olson, Stutsman County; Alan Walter, Ward County; Jim Burbidge, Renville County (deceased)

Not Pictured: Tim Schindler, Sheridan County





Operations and Maintenance

Operations and Maintenance (O&M) activities performed by Garrison Diversion's O&M staff are critical to the smooth operation of Garrison Diversion Unit (GDU) facilities, such as the McClusky Canal, New Rockford Canal, and Oakes Test Area. In 2011, the O&M staff was busier than ever with large projects, routine tasks, and emergency operations.

Along with routine work completed each year, Garrison Diversion also assists other agencies with various projects. The State Water Commission received a great deal of assistance in 2011. Monitoring and operating the West Devils Lake Outlet, water sampling, mowing, spraying, and intake work are part of routine duties completed at the West Devils Lake Outlet. Additional projects included assistance with the replacement of broken pumps, 16,000 tons of rip rap was placed in the channel leading to the pump station, and the O&M crew also installed two miles of rural water line to the West Devils Lake Outlet shop building.

The O&M staff played a large part in completing MM 7.5, a 3,500-acre irrigation project near Turtle Lake, assisting with many areas of construction. The O&M crew helped install the intake for the project, which involved dewatering part of the McClusky Canal and performing some excavation work to prepare the site for the intake. They also pressurized and tested the pipeline before water could be delivered to farmers. In the future, Garrison Diversion's O&M staff will continue to operate and maintain MM 7.5.

Emergency operations are also an important part of O&M duties. When high water and record flows were eroding the existing river banks at the Garrison Dam, the US Army Corps of Engineers called on Garrison Diversion for assistance. Garrison Diversion was able to provide the equipment and expertise required for the necessary erosion control around the dam. Garrison Diversion dispatched employees and equipment to complete erosion control along the banks of the river near the substation powerhouse. O&M employees spent approximately two weeks rip rapping and hauling rock and then remained on standby throughout the high water flows. An additional week was spent repairing a maintenance road that serves the dam.

The Bureau of Reclamation also requested assistance from Garrison Diversion to aid in flood fighting efforts in Fort Pierre, SD. Pumps and pipeline equipment were mobilized to the Mni Wiconi rural water project in Fort Pierre. O&M employees spent a week in Fort Pierre setting up and testing the pumps to deliver water to the wet well and the water treatment plant in case of emergency. Mni Wiconi operations and maintenance personnel were also trained on pump operations.

Routine maintenance completed by Garrison Diversion's O&M crew consists of water operations, painting and coating structures, road maintenance, vegetative management, and building and equipment maintenance at the McClusky Canal, New Rockford Canal, and Oakes Test Area.

In 2011, approximately 2,000 acre-feet of water was delivered through the McClusky Canal for purposes such as livestock watering, water for wildlife mitigation areas, water quality improvements, irrigation, recreation, and fish and wildlife.

Agriculture & Natural Resources

For nearly 60 years, Garrison Diversion has supported agriculture and irrigation in North Dakota. In 2011, that tradition continued when Garrison Diversion's Agriculture and Natural Resources Committee dedicated funds to aid agricultural and irrigation research and development through the North Dakota Irrigation Association and NDSU Oakes Irrigation Research Site.

Phase I of MM 7.5 is completed and capable of delivering water to 3,500 acres in the Turtle Lake area. The project is successfully utilizing Missouri River water from the McClusky Canal, an original feature of the Garrison Diversion Unit Project.

The irrigation project began construction in the fall of 2010 and began delivering water on July 1, 2011. Phase I has the capacity to irrigate approximately 3,500 acres from 28 pivots. The main transmission line consists of two 24-inch pipelines, running parallel to each other. The project requires approximately 80,000 feet (or 15 miles) of total pipeline and has a large pump station with the ability to carry water as far as eight miles away, increasing the opportunity to irrigate land in a larger area around the canal system than previously existed. Garrison Diversion has an important partnership with a local rural electric cooperative, McLean Electric, supplying power to the five 250 HP pumps at the main pumping station and three 100 HP pumps at the booster station.

Garrison Diversion shows our dedication to protect, enhance, and preserve North Dakota's natural resources by assisting with maintenance at the Audubon and Arrowwood National Wildlife Refuges, Lonetree Wildlife Management Area, Kraft Slough, and scattered Fish and Wildlife tracts.



Red River Valley Water Supply Project

Year after year, residents in the Red River Valley battle with water issues – sometimes the water is abundant, other times scarce. The primary water source for the Red River Valley is the drought-prone Red River, which could be detrimental to the region if the Valley were to face a severe drought similar to the 1930s. The RRVWSP is an essential solution to providing a supplemental water supply vital for drinking, sanitation, fire protection, and economic development during a drought.

The RRVWSP will utilize the McClusky Canal, and a buried pipeline will carry treated Missouri River water east to Lake Ashtabula, which will serve as a regulating reservoir. As needed, the water will be released down the Sheyenne River from the Baldhill Dam and eventually flow into the Red River.

Garrison Diversion provides support for the Lake Agassiz Water Authority, including facilitation of meetings, administration, legal, and engineering services.





The McClusky Canal is essential to the solution of providing a supplemental water supply to the Red River Valley to meet vital needs for drinking, sanitation, fire protection, and economic development during a drought.

Municipal, Rural and Industrial (MR&I)

The state MR&I program, jointly administered by Garrison Diversion and the State Water Commission, provides funding to deliver quality water to homes and businesses across North Dakota.

Funding from the American Recovery and Reinvestment Act of 2009 (ARRA) positively impacted North Dakota's water infrastructure in 2011. A total of \$18.5 million was distributed to two projects, the South Central Regional Water District and the Southwest Pipeline Project, which were previously awarded economic stimulus funds, to complete major cornerstones of each project.

Garrison Diversion provided funding to the North Dakota Rural Water Systems Association to assist with the completion of 23 drought management plans and 19 water conservation plans throughout North Dakota.

Garrison Diversion also distributed \$23.8 million in MR&I funds to previously awarded grants, enabling multiple water systems to bring high quality and affordable water to homes and businesses throughout the state.

In addition, \$1.5 million was distributed from the Water Research and Development Fund in 2011 for water supply studies.



Recreation

Garrison Diversion believes that investing in the development and enhancement of recreational opportunities can help provide opportunities for people throughout North Dakota to enjoy.

Through the Garrison Diversion Matching Recreation Grant Program, Garrison Diversion dedicates two-tenths of its one-mill levy to developing and enhancing recreational opportunities throughout the district. In 2011, a total of \$291,138 was awarded in grant funding to 26 projects.

The Chain of Lakes Recreation Area, located along the McClusky Canal, is a popular summer destination for visitors. In 2011, Garrison Diversion continued maintenance of the recreation area which provides camping, fishing, and swimming opportunities, along with other recreation activities.

2011 Recreation Grant Recipients:

- **Barnes County**
 - Construction of a multi-use trail and bridge at Pioneer Park in Valley City
- **Bottineau County**
 - Construction of an adaptive ski facility at Bottineau Winter Park
- **Burleigh County**
 - Installation of a fish cleaning station at Kneifel Landing
- **Eddy County**
 - Construction of an events center in New Rockford
- **Foster County**
 - Community Activity Center construction at the Foster County Fairgrounds
 - New playground equipment for the Lake Juanita Park
- **Grand Forks County**
 - Electrical upgrades at the Larimore Dam and the Fordville Dam RV park
- **Griggs County**
 - Purchase of a large canvas event tent for community events in Binford
- **McHenry County**
 - Installing water and sewer lines and adding 10 additional campsites to the Velva City Campground
- **McKenzie County**
 - Creating a disc golf course at Sundheim Park
- **Nelson County**
 - Picnic shelter and swimming beach construction at the Tolna Bay Recreation Area
 - Construction of a facilities building at Stump Lake Park, complete with a restaurant, pub, and restrooms
- **Ramsey County**
 - Construction of an activity building at Ruger Park in Devils Lake
- **Renville County**
 - Purchase of fire rings, picnic tables and development of 10 additional campsites at Mouse River Park
 - New playground equipment at the city park in Sherwood
 - Installation of a sewer system to existing campsites at the Mohall City Campground
- **Richland County**
 - New playground equipment at the Rosewood Mini-Park in Wahpeton
 - New playground equipment and ADA accessibility at the city park in Fairmount
- **Sheridan County**
 - New playground equipment at the McClusky City Park
 - Additional RV camper sites at the Hoffer Lake Recreation Area
- **Stutsman County**
 - Installation of a high water boat ramp at the Jamestown Reservoir
- **Wells County**
 - New bathhouse construction at the Sykeston Park
 - Development of a gazebo park in downtown Fessenden
- **Williams County**
 - New picnic tables and fire rings for Little Beaver Bay and McGregor Dam
 - Comfort station construction at Little Beaver Bay



Garrison Diversion believes that investing in the development and enhancement of recreational opportunities can help provide opportunities for people throughout North Dakota to enjoy.

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 the district each elect a citizen to the Garrison Diversion 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 (OM&R) of the McClusky Canal and New Rockford Canal and funding of the municipal, rural and industrial program (MR&I). 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 37 full-time and seasonal employees.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Garrison Diversion's basic financial statements, comprised of 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 focus has changed from solely an irrigation project to a multi-purpose project, with an added emphasis on the development and delivery of municipal, rural and industrial water supplies. Garrison Diversion's initiatives also include natural resources and recreation development, RRVWSP, and the enhancement of high value irrigation.

District-Wide Financial Statements

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

The statement of assets, liabilities and 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 how 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 Statement of Assets, Liabilities and Net Assets

Assets	2011	2010
Cash	\$3,551,946	\$11,932,608
Investments	\$3,500,200	\$5,000,200
Land & land improvements	\$950,407	\$950,407
Construction in progress	-	\$1,055,347
Buildings	\$1,155,064	\$1,142,147
Equipment	\$7,420,949	\$3,340,525
Less accumulated depreciation	(\$3,438,564)	(\$2,806,469)
Total assets	\$13,140,002	\$20,614,765
Liabilities		
Due to employees	\$7,829	\$1,895
Retaining payable	\$61,289	-
Compensated absences	\$265,391	\$280,718
Bond payable	\$1,422,823	\$1,000,000
Total liabilities	\$1,757,332	\$1,282,613
Net Assets		
Invested in fixed assets	\$4,665,033	\$2,681,957
Operating fund	\$1,533,419	\$1,399,007
O & M emergency fund	\$822,818	\$820,000
Deficiency fund	\$802,288	\$804,146
Project development fund	\$915,593	\$916,554
Special purposes fund	\$698,632	\$11,099,854
Unrestricted fund	\$1,944,887	\$1,610,634
Total net assets	\$11,382,670	\$19,332,152
Total liabilities and net assets	\$13,140,002	\$20,614,765

Assets, Liabilities and Net Assets

The Statement of Assets, Liabilities and Net Assets, as shown above, lists total net assets of \$11,382,670 and \$19,332,152 for the fiscal years ended December 31, 2011, and December 31, 2010, respectively. The decrease in cash was mainly due to the difference between the MR&I Appropriation (\$34,126,058) and MR&I expenses (\$43,967,811) of \$9,841,753 (see the Statement of Activities chart page 12). This decrease in the MR&I fund was also the main reason for the decrease in net assets compared to last fiscal year's net assets. The Special Purposes fund shown in the table above is the total fund balances of the MR&I, OM&R, Red River Valley Water Supply, and Irrigation Funds.

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 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. However, starting in August 2011, the Automated Standard Application for Payments on the web (ASAP) was implemented. Under ASAP, instead of receiving the full annual appropriation in one bank deposit, the appropriated amount is available through asap.gov. When a project sponsor's expenditure is approved, Garrison Diversion requests funds, through asap.gov, equal to the approved expenditure. The revenue (appropriation) is received from the federal government the following day via a wire transfer to Garrison Diversion's bank account. Therefore, in the future, revenues will more closely equal expenditures.

Garrison Diversion Statement of Activities

Program Expenses	2011	2010
General fund	\$1,993,173	\$2,574,140
Municipal, rural and industrial	\$43,967,811	\$19,833,010
Operations, maintenance and replacement	\$3,341,156	\$3,340,226
Red River Valley Water Supply Project	\$3,340	\$1,874,605
Irrigation fund	\$272,243	-
Total district activities	\$49,577,723	\$27,621,981
Program Revenues		
Taxes	\$1,971,405	\$1,815,291
Interest on investments	\$89,922	\$148,334
DWRA recreation program	-	\$5,986
Leases	\$2,625	\$2,625
Miscellaneous	\$745	\$12,472
Loss on sale of capital assets	-	(\$8,988)
Administration	\$15,932	\$62,271
MR&I appropriation	\$34,126,058	\$13,988,240
Operations, maintenance and replacement	\$3,219,561	\$3,314,517
Red River Valley Water Supply Project	\$195,944	\$2,115,853
Irrigation	\$2,006,049	\$12,625
Total revenue	\$41,628,241	\$21,469,226
Revenue over (under) expenses	\$7,949,482	\$6,152,755
Net assets, beginning of year	\$19,332,152	\$25,484,907
Net assets, end of year	\$11,382,670	\$19,332,152

Statement of Activities

Program Expenses

Total expenses for all programs in the fiscal years ended December 31, 2011, and December 31, 2010, were \$49,577,723 and \$27,621,981 respectively. This is an increase of 79%, or \$21,955,742. The increase from fiscal year 2010 was the net result of \$580,967 decreased expenses in the General Fund, a \$24,134,801 increase in MR&I expenses, a \$929 increase in OM&R expenses, a \$1,871,265 decrease in RRVWSP expenses, and an increase of \$272,243 in Irrigation Fund expenses.

The main factor contributing to increased expenses in 2011 was MR&I expenses. 2011 was a busy construction season for MR&I water system infrastructure projects. The MR&I program was the recipient of a one-time ARRA funding for water system infrastructure. In 2011, ARRA expenditures, included in MR&I expenses, were \$18,533,627.

Program Revenue

Total revenues for fiscal years ended December 31, 2011, and December 31, 2010, were \$41,628,241 and \$21,469,226 respectively. This is an increase of 94%, or \$20,159,015. The increase from fiscal year 2010 was the net result of a \$42,638 increase in General Fund revenue, a \$20,137,818 increase in MR&I revenue, a \$94,956 decrease in OM&R revenue, a decrease of \$1,919,909 in RRVWSP revenue, and a \$1,993,424 increase in Irrigation revenue.

The main factor contributing to increased revenue was the MR&I program. As mentioned above, 2011 was a busy construction season for MR&I water system infrastructure projects. The increase was mainly due to ARRA funded projects. In 2011, ARRA revenue, included in MR&I revenue, was \$18,533,627.

Red River Valley Water Supply Project

The Record of Decision for the RRVWSP was expected to be signed in 2009. This didn't happen. Funds from the State of North Dakota and from the Lake Agassiz Water Authority were used to move the project forward in 2011. No Federal funds were received in 2011 for this project.

Capital Assets

Garrison Diversion's investment in capital assets as of December 31, 2011, and December 31, 2010, amount to \$6,087,856 and \$3,681,957 (net of accumulated depreciation) respectively. This investment in capital assets includes the headquarters building site and maintenance buildings at McClusky, Oakes, and New Rockford, along with equipment to maintain our facilities such as mowers, sprayers and tractors. It also includes 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. In addition, the investment in the infrastructure for MM 7.5 is also carried as an asset.

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

- 2011 Dodge Caravan
- Trane Air Conditioner Compressor
- Computer Servers
- 2011 Peter J6 Vactor Plus
- Gooseneck PJ Trailer
- Schulte FX 1800 Rotary Cut Batwing Mower
- 2011 John Deere 997 Z Trak Mower
- 2011 Sullair 185 JD Air Compressor
- 2011 TS44A Vermeer Tree Spade
- 2012 Puma 130 CVT Tractor
- Irrigation Project Infrastructure

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

- 2008 Dodge Caravan

Debt

On December 31, 2011, Garrison Diversion had a \$1,422,823 bond payable outstanding versus the note payable of \$1,000,000 outstanding on December 31, 2010, a 42% increase.

The new debt was due to the investment in MM 7.5.

Personnel

Staff changes include: Jerald Baker, Maintenance Worker II, and Martha MacLeod, Seasonal Office Assistant I, retired. Benjamin Peterson, Jake Peterson, and Courtney Hausauer were hired as temporary employees.

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

Requests for Information

This 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, 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, 2011.

Income Budget	Budget FY 2011	Actual FY 2011
Municipal, Rural & Industrial Administration	\$160,427	\$160,427
Operations & Maintenance Administration	\$373,590	\$373,590
Interest Income	\$59,623	\$59,623
Contract Revenue	\$15,932	\$15,932
Lease Income	\$2,625	\$2,625
Tax Levy	\$1,971,405	\$1,971,405
Miscellaneous Income	\$745	\$745
Total Income	\$2,584,347	\$2,584,347
Expense Budget	Budget FY 2011	Actual FY 2011
Directors Per Diem	\$85,732	\$85,732
Directors Expenses	\$114,268	\$102,398
Employees Salaries	\$640,000	\$409,312
Employees Expenses	\$86,000	\$44,443
Payroll Taxes & Benefits	\$277,283	\$233,834
Operations Expenses	\$207,438	\$163,783
Research	\$307,657	\$307,657
Public Education	\$135,500	\$81,250
Professional Services	\$407,500	\$304,851
Legal	\$59,716	\$30,023
Maintenance & Repair	\$54,000	\$49,430
Irrigation District Expenses	\$74,900	\$11,268
Capital Purchases	\$66,000	\$48,935
Recreation Programs	\$372,629	\$151,616
Total Expenses	\$2,888,623	\$2,024,532





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