



WATER

FOR OUR FUTURE



Garrison Diversion
Conservancy District
2013 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

In 2013, the Garrison Diversion Conservancy District (Garrison Diversion) continued providing essential services and programs that are crucial to meeting the state's growing water needs.

One of Garrison Diversion's high-profile projects, the Red River Valley Water Supply Project (RRVWSP), received increased attention in 2013 as it became clear that the federal government was unwilling to sign a Record of Decision regarding the project. Rather than continue waiting for a federal decision, project sponsors developed a Plan B, which would be funded solely by state and local dollars. We developed technical memos and presentations to educate stakeholders and decision-makers about the alternative. When completed, the RRVWSP will provide a reliable, high quality supplemental water source to the Red River Valley during the next drought.

As we continue planning for the RRVWSP, Garrison Diversion also provided a number of important services and programs across North Dakota:

Agriculture and Natural Resources

We continued our dedication to agriculture by supporting a number of irrigation projects across the state, including the Oakes Irrigation Research Site and McClusky Canal. We also provided funding to support agricultural and irrigation research.

In addition to our agricultural commitments, Garrison Diversion assisted with the maintenance of wildlife areas that help protect and enhance North Dakota's natural resources.

Operations and Maintenance

Our Operations and Maintenance (O&M) staff continued operating and maintaining the Mile Marker 7.5 Irrigation Project (MM 7.5) along the McClusky Canal. They also performed repairs and standard maintenance at Jamestown Dam and the Devils Lake Outlet. And, Garrison Diversion's O&M staff cleaned the outlet works at Froelich Dam, a site operated by the State Water Commission (SWC).

Recreation

Continuing our Matching Recreation Grant Program, Garrison Diversion awarded \$245,390 to 24 projects across the district. We also expended \$221,140 to projects that were approved during previous award cycles.

Municipal, Rural and Industrial

In 2013, we provided funding to the ND Rural Water Systems Association to develop 24 drought management plans and 25 water conservation plans in North Dakota.

We continued administering the state's Municipal, Rural and Industrial (MR&I) program in cooperation with the SWC. Last year, we distributed \$11.9 million from the MR&I fund.

Since its inception in 1955, Garrison Diversion's mission has been to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota. We demonstrated our continued devotion to that mission through the projects we completed in 2013, as well as the work we did planning for North Dakota's future.

The 2013 Annual Report has many more examples of the ways we continue to work to the benefit of our state. We are excited to be on the leading edge of addressing the water needs for North Dakota, both now and in the future.



Ken Vein

Ken Vein
Chairman



Dave Koland

Dave Koland
General Manager



Garrison Diversion Board of Directors

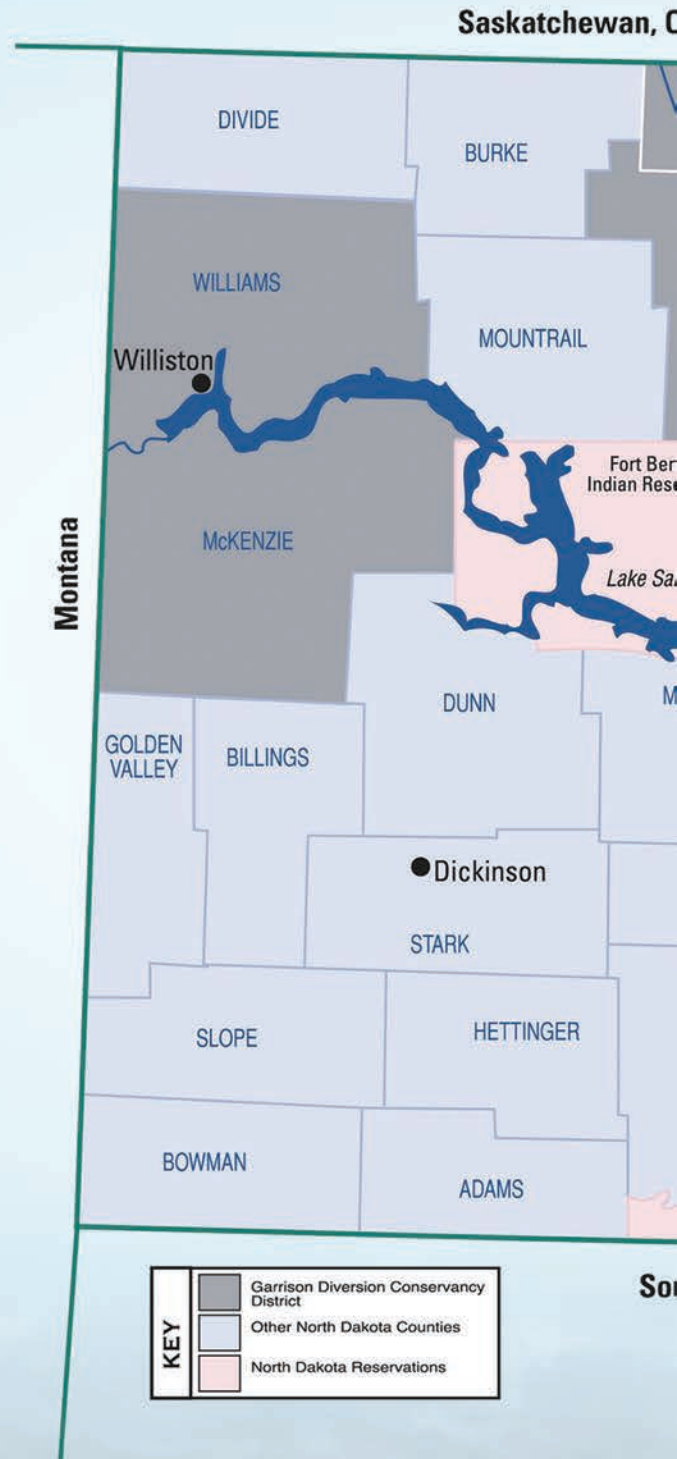


Back Row (L-R): Steve Metzger, Foster County; Kelly Klosterman, Richland County; Ken Vein, Grand Forks County; Roger Fenstad, Cass County; Richard Cayko, McKenzie County; Dave Anderson, Pierce County; John Leininger, Griggs County; Alan Walter, Ward County

Middle Row (L-R): Dennis Wendel, LaMoure County; Norman Haak, Dickey County; Mike Tweed, Eddy County; Renae Rayner, Steele County; Cliff Hanretty, McHenry County; E. Ward Koeser, Williams County; Dr. Bill Krivarchka, Traill County; Jeff Breker, Sargent County

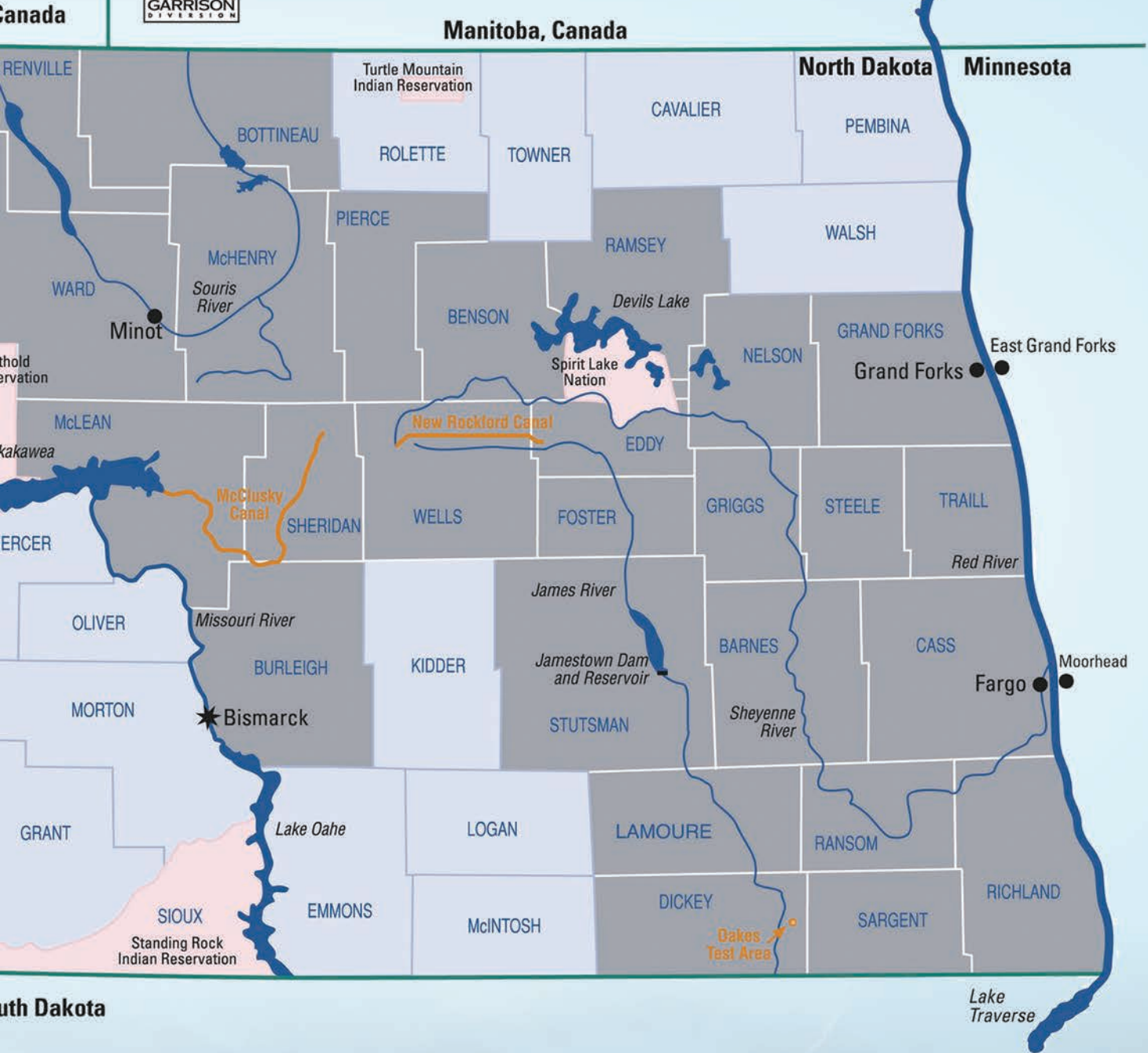
Front Row (L-R): John Peyerl, Ramsey County; Roger Bischoff, Barnes County; Kenny Rogers, Bottineau County; Bill Ongstad, Wells County; Thomas Olson, Stutsman County; Ken Royse, Burleigh County; Mark Cook, Renville County; Jay Anderson, Ransom County

Not Pictured: Tim Schindler, Sheridan County; Rick Anderson, McLean County; Dave Johnson, Benson County; Dan Marquart, Nelson County





GARRISON DIVERSION MAP



South Dakota



Agriculture and Natural Resources



Agriculture has been an important element of Garrison Diversion's foundation since its inception in 1955. While Garrison Diversion has multiple focus areas, we continue to develop, expand and enhance irrigation through our investment in agricultural initiatives.

The future of irrigation lies within our hands. We continue to support and develop irrigation interests along the McClusky Canal. An irrigation interest survey was completed along the McClusky Canal, paving the way for future irrigation projects along the canal.

A plan was developed to expand the Oakes Irrigation Research Site for additional research acres, which provides data that is vital to farmers across North Dakota.

Garrison Diversion provided funding to support agricultural and irrigation research and development through the ND Irrigation Association and NDSU Oakes Irrigation Research Site.

Garrison Diversion also works to maintain, enhance and protect North Dakota's natural resources by assisting with maintenance at the Audubon and Arrowwood National Wildlife Refuges, Lonetree Wildlife Management Area, Kraft Slough and various Fish and Wildlife tracts.



Operations and Maintenance



Garrison Diversion's O&M employees work diligently to keep the Principal Supply Works for the Garrison Diversion Unit (GDU) in tip-top shape. These hardworking men and women are the lifeline of the GDU facilities, ensuring the facilities remain in good working condition for the future.

In 2013, the O&M staff completed routine maintenance tasks in the work plan, which include: 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.

O&M staff also performed maintenance on Garrison Diversion's large fleet of equipment, including dozers, loaders, backhoes and excavators.

Specialized projects are also a large part of the workload. A wide assortment of projects are completed each year due to the O&M staff's specialized skill set, broad knowledge base and equipment. Expertise in earth moving, canal maintenance and other construction activities enables Garrison Diversion's O&M staff to assist federal and state government agencies. Cooperative agreements between the SWC, Bureau of Reclamation, North Dakota Game & Fish and U.S. Fish and Wildlife Service benefit everybody involved.

The Bureau of Reclamation requested assistance to complete specialty concrete repairs on the emergency spillway at the Jamestown Dam.

In addition, the SWC received help monitoring and operating the Devils Lake Outlets, water sampling, mowing, spraying and intake work as part of routine duties completed at the Devils Lake Outlets. Garrison Diversion's O&M staff provided assistance at the Froelich Dam, operated by the SWC. Garrison Diversion's O&M staff cleaned the outlet works to get the dam back into good working condition.

"We had a good year and an accomplishing one," said Kerry Beckman, Garrison Diversion O&M Superintendent. "The workforce is getting smaller each year as people retire, but we're stepping up and doing the same amount of work. Our staff gets better each year as they gain more skills and experience over time."

The O&M staff continued to operate and maintain the MM 7.5 Irrigation Project along the McClusky Canal.

The McClusky Canal is used for livestock watering, water for wildlife mitigation areas, water quality improvements, irrigation, recreation, and fish and wildlife. In 2013, approximately 10,000 acre-feet of water was delivered through the McClusky Canal for these purposes.



Red River Valley Water Supply Project

The drought-prone Red River of the North and its tributaries are the primary or sole sources of water for residents of the Red River Valley. A water supply crisis is inevitable when the Valley faces another severe drought like the one experienced in the 1930s, and according to the experts, it is only a matter of time before that happens. During a severe drought, the Red River will not be able to provide enough drinking water for even the current population. The RRWSP will provide a supplemental water supply to ensure the continued prosperity of the Red River Valley.

The preferred alternative for the RRWSP was designed to transport water from the Missouri River near McClusky via a buried pipeline to Lake Ashtabula, from which it can flow via the Sheyenne River into the Red River.

With the federal government unwilling to sign a Record of Decision for the RRWSP, the project sponsors developed a secondary plan that would eliminate the use of federal facilities. The proposed Plan B would utilize the preferred alternative but would also add a water intake on the Missouri River near Washburn and connect to the Sheyenne River via a buried pipeline along the preferred alternative route.

In 2013, Garrison Diversion developed multiple supporting technical memos on the RRWSP to educate and inform key leaders on the process surrounding the development of the RRWSP and Plan B.

Garrison Diversion also provided administrative support to the Lake Agassiz Water Authority, including the facilitation of meetings, legal and engineering services.



Recreation

North Dakotans value having an abundance of recreation opportunities at their fingertips. Garrison Diversion is committed to enhancing recreation opportunities in North Dakota and is proud to assist its member counties with recreation development through the Matching Recreation Grant Program, which awards up to a 25% grant for eligible projects in the district. In 2013, \$245,390 was awarded to 24 projects, making recreation projects more affordable for communities within the district. In addition to the grant program, Garrison Diversion continued maintenance at the Chain of Lakes Recreation Area, a popular summer destination for visitors located along the McClusky Canal.

2013 Recreation Grant Recipients:

• Barnes County

- New playground equipment for the city park in Wimbledon

• Bottineau County

- Renovations to the Lansford Community Building

• Burleigh County

- Upgrades and improvements at Sibley Park

• Cass County

- New playground equipment for the city park in Amenia
- Construction of a concession stand and restroom facilities at the Progressive Ag Field of Dreams in Kindred

• Dickey County

- Beach improvements at Pheasant Lake

• McLean County

- Upgrades at the McLean County Fairgrounds
- New playground equipment for multiple parks in Underwood

• Nelson County

- Purchase of canopies for the Stump Lake Café

• Pierce County

- Restroom construction and the extension of the existing walking path in Rugby

• Ramsey County

- New picnic tables and fitness equipment for Roosevelt and Ruger Parks in Devils Lake

• Ransom County

- New visitor center at Dead Colt Creek

• Renville County

- Construction of the gun club facilities in Mohall

• Richland County

- New playground equipment for the Colfax City Park

• Sargent County

- Installation of additional electrical services for the camping and picnic areas at Silver Lake

• Steele County

- Purchase of new picnic tables at Golden Lake
- Construction of a deck at the Golden Lake Pavilion

• Stutsman County

- Construct a vault toilet at Pelican Point Landing
- Improvements to the Stutsman County Fairgrounds 4-H facilities
- New playground equipment for the Lakeside Campground on the Jamestown Reservoir

• Traill County

- New playground equipment at Water Tower Park

• Ward County

- Construction of a concession area at the Burlington City Park
- Electricity upgrades and a sewer line addition to camping lots at the North Dakota State Fair campground

• Williams County

- Construction of a Play 4 All Playground in Williston





Municipal, Rural and Industrial (MR&I)

Garrison Diversion's mission is to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota. Through the state MR&I program, jointly administered by Garrison Diversion and the SWC, funding is provided to deliver quality water to homes and businesses throughout the state. In 2013, \$11.9 million was distributed to help water systems deliver high quality and affordable water to homes, businesses and farms.

Garrison Diversion also provided funding to the North Dakota Rural Water Systems Association to assist with the completion of 24 drought management plans and 25 water conservation plans throughout the state.





Overview of Financial Statements

The 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 net position 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 net position may serve as a useful indicator of whether the financial position of Garrison Diversion is improving or deteriorating.



Garrison Diversion Statement of Net Position

Assets	2013	2012
Cash	\$5,754,923	\$4,691,930
Investments	\$3,500,198	\$3,500,198
Land	\$123,667	\$123,667
Land improvements	\$416,534	\$450,664
Construction in progress	—	\$163,873
Buildings	\$897,539	\$665,037
Equipment	\$2,321,414	\$2,575,548
Pipeline	\$1,973,482	\$2,044,888
Total assets	\$14,987,757	\$14,215,805
Liabilities		
Due to employees	—	\$5,557
Compensated absences	—	\$290,192
Bond payable	\$1,271,894	\$1,349,207
Total liabilities	\$1,271,894	\$1,644,956
Net Position		
Net investment in capital assets	\$4,460,742	\$4,674,470
O & M emergency fund	\$822,818	\$822,818
Deficiency fund	\$802,288	\$802,288
Project development fund	\$915,593	\$915,593
Special purpose fund	—	\$853,088
Unrestricted fund	\$6,714,422	\$4,502,592
Total net position	\$13,715,863	\$12,570,849
Total liabilities and net positions	\$14,987,757	\$14,215,805

Assets, Liabilities and Net Assets

The Statement of Assets, Liabilities and Net Assets, as shown above, lists total net assets of \$12,570,849 and \$11,382,670 for the fiscal years ended December 31, 2012 and 2011, respectively. The largest increase was in cash. This was mainly due to the difference between the general fund income and expenses, and the operations, maintenance and replacement (OM&R) income and expenses. In both these funds, income was more than expenses.

In the General Fund, the tax levy and state aid distribution amounted to more than was budgeted. Garrison Diversion budgets income conservatively and bases it on prior years' data. Also, the General Fund expenses were lower than budgeted; in many cases, only 70-80% of an expense line item was expended.

Also, the OM&R program income (\$4,828,774) was greater than the OM&R program expenses (\$4,008,701) (see Statement of Activities chart, pg 12). Under the Modified Cash Basis of accounting used by Garrison Diversion, expenditures are recognized as expenses when they are paid. Revenue is recognized when the revenue is received, not earned. In this case, revenue for services performed for other government entities in the last quarter of 2011 was not received in 2011 but in 2012; but, the expenses to provide these services were recorded and paid for in 2011.

Also, new for 2012 is the construction in progress line item. This is the amount invested, at the end of 2012, in the replacement of the McClusky Canal headworks building. The construction of this building is expected to be completed in early 2013.

Garrison Diversion Statement of Activities

Revenues	2013	2012
Taxes	\$2,364,874	\$2,148,984
Interest on investments	\$15,874	\$33,535
Non-project income	\$381,813	\$899,605
Program Income	\$11,112	\$11,949
Contract revenue	\$16,002,676	\$23,818,675
State and local	—	\$62,585
Leases	\$2,303	\$2,125
Miscellaneous	\$420	\$456
Total Revenue	\$18,779,072	\$26,977,914
Expenditures		
Directors	\$195,870	\$184,204
Personnel	\$2,577,294	\$2,479,670
Contractual services	\$12,344,329	\$19,663,578
Research	\$355,523	\$279,342
Maintenance	\$619,653	\$480,697
Engineering & survey	\$106,183	\$151,871
Recreation grant program	\$225,238	\$213,300
Other charges	\$682,534	\$1,521,616
Irrigation districts	—	\$12,620
Capital outlay	\$462,228	\$677,626
Principal	\$77,313	\$73,616
Interest and fiscal charges	\$64,357	\$68,055
Total expenditures	\$17,710,522	\$25,806,195
Revenue over (under) expenses	\$1,068,550	\$1,171,719
Other financing sources		
Sale of fixed asset	—	\$31,824
Transfers in	\$1,111,238	\$667,588
Transfers out	\$(1,111,238)	\$(667,588)
Total other financing sources	—	\$31,824
Net change in fund balance	\$1,068,550	\$1,203,543
Fund balances, beginning of year	\$8,186,571	\$6,983,028
Fund balances, end of year	\$9,255,121	\$8,186,571

Statement of Activities

Program Expenses

Total expenses for all programs in the fiscal years ended December 31, 2013, and December 31, 2012, were \$17,710,522 and \$25,806,195, respectively. This is a decrease of 31% or \$8,095,673. The main reason for the decrease from fiscal year 2012 was the decrease in MR&I expenses. The main factor contributing to this decrease from 2012 was that 2012 was an unusually busy construction season for MR&I water system infrastructure projects.

Program Revenue

Total revenues for fiscal years ended December 31, 2013, and December 31, 2012, were \$18,779,072 and \$26,977,914, respectively. This is a decrease of 30% or \$8,198,842. The decrease from fiscal year 2012 was mainly due to the decrease in MR&I Program revenue.

As previously mentioned, 2012 was an unusually busy construction season for MR&I water system infrastructure projects.

Capital Assets

Garrison Diversion's investment in capital assets as of December 31, 2013, and December 31, 2012, amount to \$5,732,636 and \$6,023,677 (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. In addition, the investment in the infrastructure for the MM 7.5 Irrigation Project is also carried as an asset.

Debt

On December 31, 2013, Garrison Diversion had a \$1,271,894 bond payable outstanding due to the investment in the MM 7.5 Irrigation Project.

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, P.O. Box 140, Carrington, ND 58421.



Statement of General Fund Income and Expenditures

Statement of General Fund Income and Expenditures for the fiscal year ending December 31, 2013.

Income Budget	Budget FY 2013	Actual FY 2013
Municipal Rural & Industrial Administration	\$195,376	\$195,376
Operations & Maintenance Administration	\$915,863	\$915,863
Interest Income	\$15,369	\$15,369
Contract Revenue	\$17,243	\$17,243
Lease Income	\$2,303	\$2,303
Tax Levy	\$2,364,874	\$2,364,874
Miscellaneous Income	\$403	\$403
Total Income	3,511,431	\$3,511,431

Expense Budget	Budget FY 2013	Actual FY 2013
Directors Per Diem	\$88,000	\$86,575
Directors Expenses	\$115,000	\$109,297
Employees Salaries	\$640,000	\$461,128
Employees Expenses	\$86,000	\$36,489
Payroll Taxes & Benefits	\$288,030	\$245,491
Operations Expenses	\$243,500	\$157,257
Research	\$366,198	\$355,523
Public Education	\$102,638	\$90,264
Professional Services	\$531,054	\$369,232
Legal	\$99,946	\$70,774
Maintenance & Repair	\$58,000	\$33,554
Irrigation District Expenses	\$24,900	\$0
Capital Purchases	\$66,000	\$55,501
Recreation Programs	\$422,629	\$225,238
Total Expenses	\$3,131,895	\$2,296,323



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