



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

WATER. Accessible. Sustainable. Affordable
2008 ANNUAL REPORT



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

Executive Letter

As board chairman, it has been my privilege to help fulfill our mission of providing a reliable, high quality, and affordable water supply for the benefit of North Dakota. In 2008, our focus and determination to support water development was clear, demonstrated through our projects and programs.

Significant advancements were made on the Red River Valley Water Supply Project. One of the most important was the determination that the project complies with the Boundary Waters Treaty. We are closer than ever to providing the Valley with a sustainable and affordable supplemental water supply.

Many communities and rural residents finally have access to reliable, high quality and affordable water thanks to the MR&I funding program. A record amount of federal funding, \$48 million to be exact, was secured to support water supply development in North Dakota. The funds were awarded to ten water supply projects across North Dakota. These ten water supply projects will enhance the lives of thousands.

Recreation opportunities in North Dakota are growing more accessible each year as we continue to help fund recreation projects within the district. In 2008, over \$180,000 was awarded through our Matching Recreation Grant Program.

The work Garrison Diversion accomplished in 2008 demonstrates our dedication to water development. It's our mission, and we will continue to act wisely and with integrity.



Rick Anderson
Rick Anderson
Chairman



Dave Koland
Dave Koland
General Manager

making a difference

reliable,
high quality water

Garrison Diversion

Board of Directors

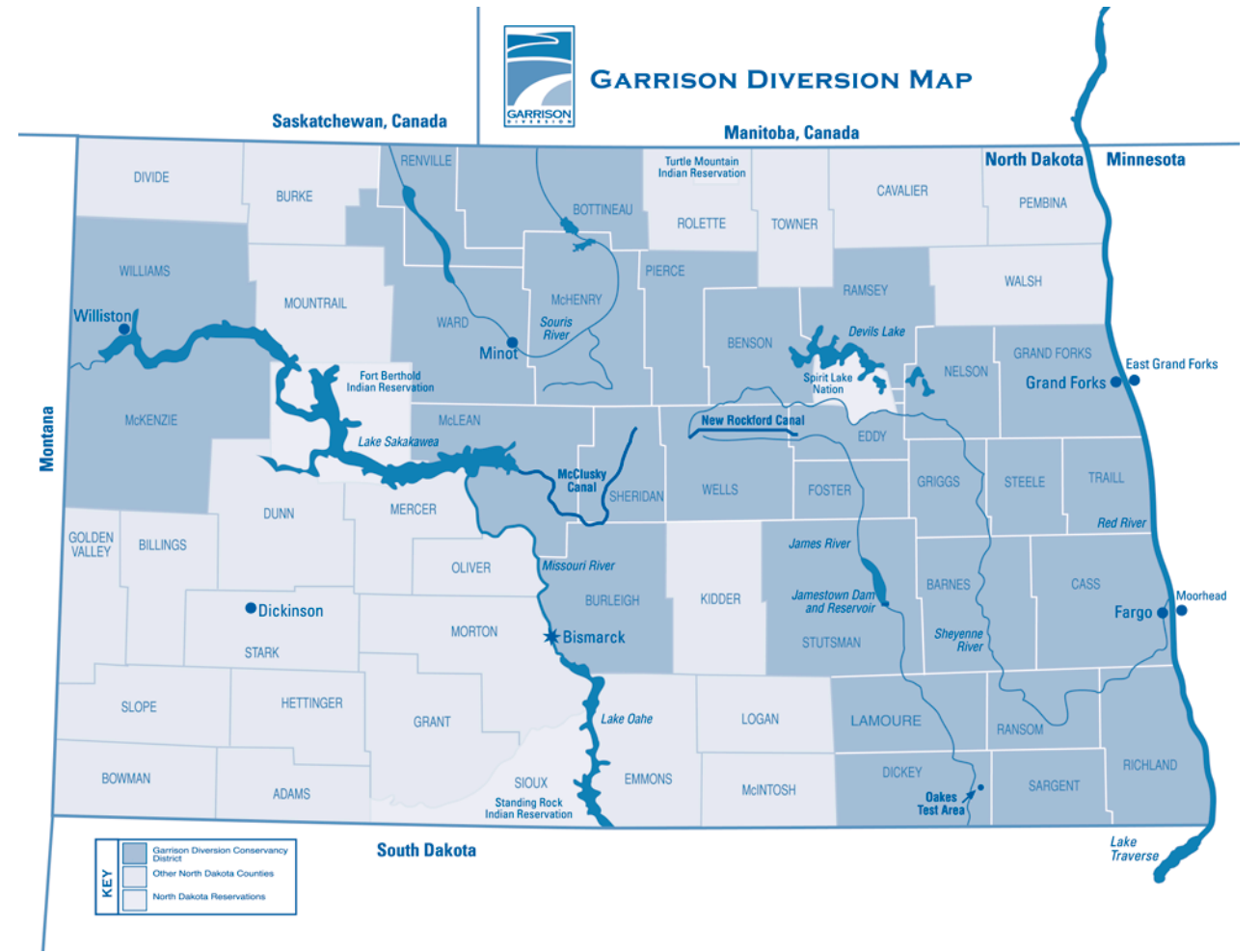


Back Row (L-R): David Johnson, Benson County; Norman Haak, Dickey County; Jon Lindgren, Cass County; Ken Vein, Grand Forks County; Kelly Klosterman, Richland County; Richard Fugleberg, Steele County; E. Ward Koeser, Williams County; Warren (Bud) Lyons, Ransom County; Dr. Bill Krivarchka, Traill County.

Middle Row (L-R): Steve Metzger, Foster County; Jim Burbidge, Renville County; Dan Marquart, Nelson County; Charles Richter, Eddy County; John Leininger, Griggs County; Bill Ongstad, Wells County; Kenny Rogers, Bottineau County.

Front Row (L-R): Alan Walter, Ward County; John Peyerl, Ramsey County; Jeff Breker, Sargent County; Rick Anderson, McLean County; Ken Royse, Burleigh County; Thomas Olson, Stutsman County; Dennis Wendel, LaMoure County; Roger Bischoff, Barnes County.

Not Pictured: Richard Cayko, McKenzie County; Cliff Hanretty, McHenry County; LeRoy Johnson, Pierce County; Tim Schindler, Sheridan County.



Garrison Diversion

Staff



Back Row (L-R): Dave Peterson, Michelle Werner, John Schuh, Scott Mehring, Curt Olson, Charnell Haak, Duane Anstrom, Sue Stein, Darren Murray and Tom Wagner.

Middle Row (L-R): Julee Erdmann, Marlene Smith, Roger Longnecker, Ernie Mathias, Jerry Baker, Kerry Beckman, Vern Lasher, Dale Esser, Marty Koeplin, Jerry Kellar, Terry Schindler, Roger Mindt and Renae Duchscherer.

Front Row (L-R): Benjamin Dockter, Geoff Theurer, Stacey Gussiaas, Lisa Schafer, Merri Mooridian, Dave Koland, Kim Cook, Kip Kovar, Judy Allmaras and David Johnson.

providing
solutions

MR&I federal funding recipients in 2008:

- ♦ All Seasons Rural Water (Upham) **\$492,000**
- ♦ City of Garrison **\$1.368 million**
- ♦ Tri-County Water District (Lakota Water Supply) **\$492,000**
- ♦ Northwest Area Water Supply (NAWS) **\$9.84 million**
- ♦ North Central Rural Water Consortium **\$984,000**
- ♦ South Central Regional Water District Phase I **\$2.952 million**
- ♦ Southwest Water Pipeline **\$3.936 million**
- ♦ Traill Regional Rural Water **\$984,000**
- ♦ Walsh Rural Water District **\$984,000**
- ♦ Williston Water System **\$1.968 million**

MR&I

Municipal, Rural and Industrial

Garrison Diversion aims to make high quality and affordable water accessible to all of North Dakota. The MR&I program, a joint effort between Garrison Diversion and the State Water Commission, provides funding to deliver needed water to homes and businesses across the state. Thanks in large part to U.S. Senator Byron Dorgan, \$48 million was secured to support water supply development in North Dakota. Twenty-four million dollars was secured for the state MR&I program and \$24 million for the tribal MR&I program. The money was awarded to water systems that have the greatest potential to resolve water quality or quantity problems. Ten water supply projects across North Dakota were awarded federal funding for MR&I projects in 2008.

In 2008, \$12.8 million in federal MR&I funds, along with \$843,000 from the Water Development and Research Fund were disbursed to previously awarded grants. Garrison Diversion also provided funding to the North Dakota Rural Water Systems Association, enabling the completion of 34 drought management plans for water systems in the Red River Valley.

The MR&I funding Garrison Diversion administers throughout North Dakota enables communities and residents access to an affordable water supply. The benefits realized by these communities are immeasurable.

“For many years, our water was very poor quality; it was very brown. We are thankful for how much the new waterline to Wilton has improved our water quality. We now have beautiful, clear water that flows cleanly through the tap.”

Gene Hilken – Resident, City of Wilton



South Central Regional Water project.

high quality and affordable water



O&M

Operations & Maintenance

The operations and maintenance (O&M) staff at Garrison Diversion goes to great lengths to sustain the Garrison Diversion Unit (GDU) features for current and future utilization. In 2008 in addition to routine maintenance, the McClusky Canal saw improvements, as the O&M staff completed nearly six miles of erosion control on the canal banks. The canal bottom was also mapped for the first time since its construction in 1970 to give a more accurate indication of the canal's contour and capacity. The New Rockford Canal saw the removal of three cattle bridges, two of which were replaced with earthen crossings. At the Oakes Test Area, 2,346 acre-feet of water was delivered to irrigators on 3,204 acres of land within the Oakes Test Area.

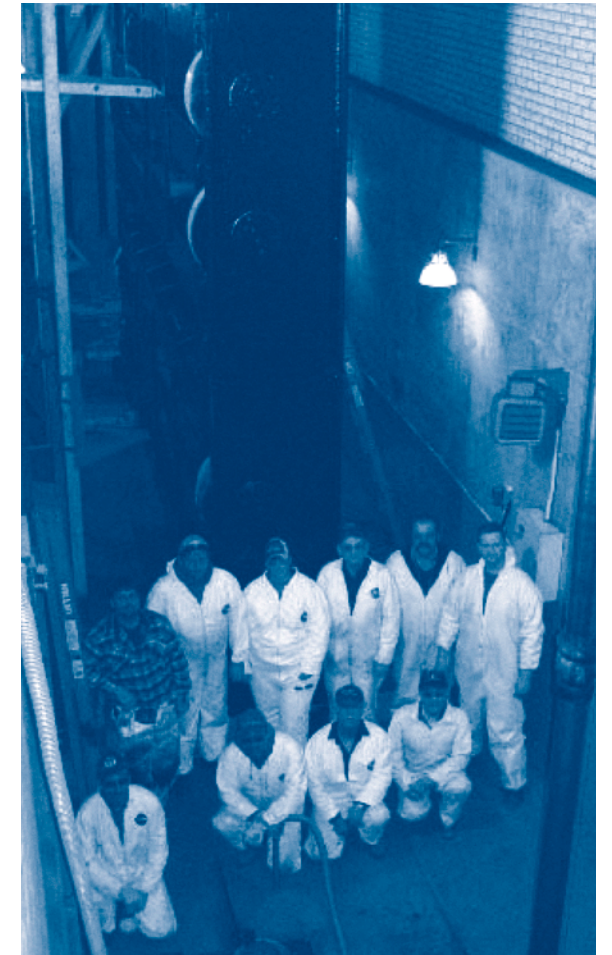
Improvements were also made at the Snake Creek Pumping Plant. O&M crews painted and coated two of the three intake gates and a trash rack to protect them from corrosion. Routine maintenance at the McClusky Canal, New Rockford Canal, and Oakes Test Area consists of water operations, painting and coating structures, road maintenance, vegetative management, and building and equipment maintenance.

Garrison Diversion entered into and completed a cooperative agreement with the North Dakota Game and Fish Department to install dikes and water control structures at Painted Woods Lake. Through the signing of a Memorandum of Understanding with the Southwest Water Authority, Garrison Diversion agrees to provide emergency service support within the Southwest Water Authority service area. In order to ensure preparedness for the future, crews test their equipment and practice emergency pumping skills annually.

Garrison Diversion also completed maintenance work at the Devils Lake outlet for the ND State Water Commission. Maintenance projects such as water sampling, mowing, spraying, and intake work were completed by O&M crews.



Slope-shaping at the McClusky Canal.



Painting intake gates at Snake Creek Pumping Plant.

“While removing and repairing the gates at the Snake Creek Pumping Plant, the staff from Garrison Diversion did an exemplary job and should be commended.”

Tom Volk – Operator,
Snake Creek Pumping Plant

sustain the GDU features
for current and future utilization

RRVWSP

Red River Valley Water Supply Project

Red River Valley residents rely on the drought-prone Red River for their primary water supply needs. If the Valley were to face a drought similar to the 1930s, present water supplies would be insufficient.

The Red River Valley Water Supply Project (Project) will supplement existing water supplies to meet the water supply needs of eastern North Dakota. The Project will use the McClusky Canal and a buried pipeline to bring treated Missouri River water east to Lake Ashtabula. Using Lake Ashtabula as a regulating reservoir, the water will continue down the Sheyenne River and eventually flow into the Red River, ensuring the Valley a much needed, reliable supply of drinking water.

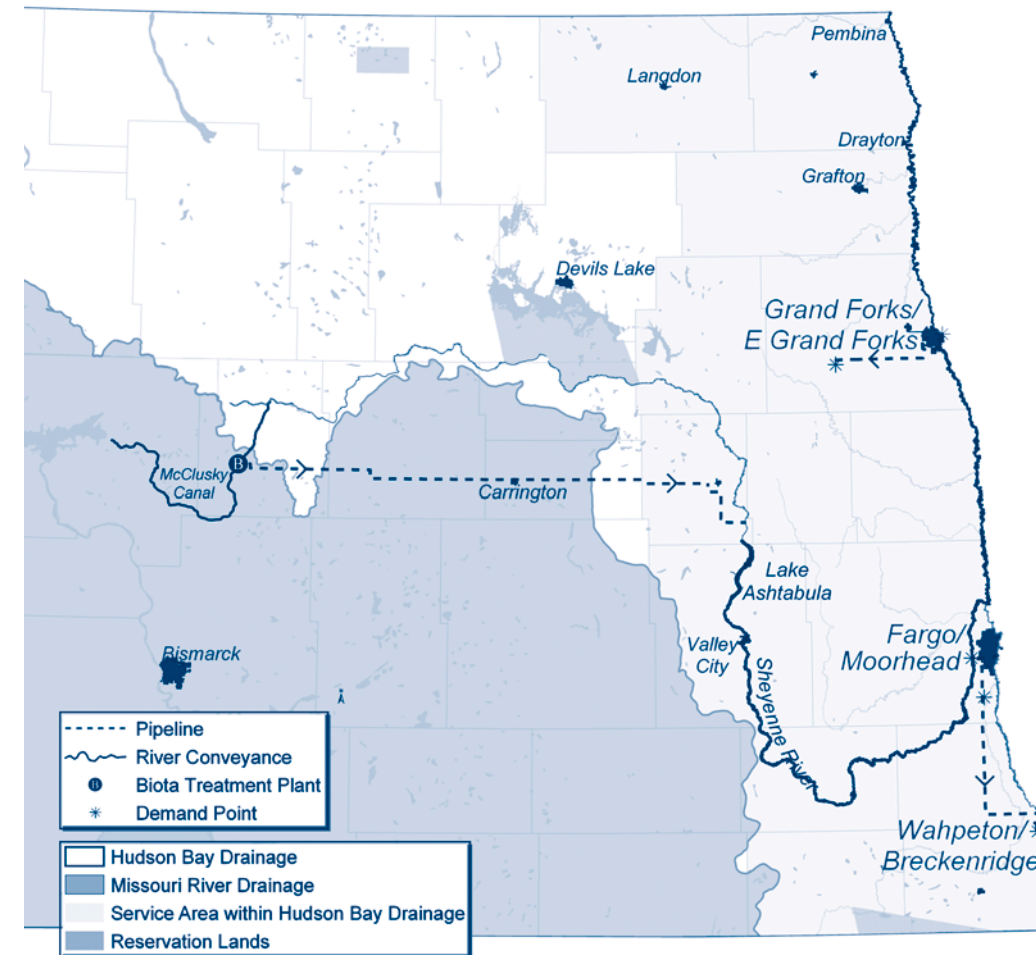
Several significant advancements were made on the Project throughout 2008. The Bureau of Reclamation submitted a Comprehensive Report to Congress for the proposed Project. The report identified four main points:

1. the selected alternative for the Project (explained above);

2. the environmental effects – the Project maximizes environmental benefits with minimal adverse impacts to the environment;
3. temporary or minimal impacts to Minnesota and Missouri River states; and
4. compliance with the Boundary Waters Treaty of 1909.

Efforts were started on the operational plan for the Project. The objective is to develop an overall plan for delivering water from the Project pipeline to and through the Sheyenne River and Red River systems to the contracted end users (water systems). An “Agreement of Intent” process was developed with water systems, and commitments were obtained from systems to enter into water service contracts.

Garrison Diversion has been instrumental in creating awareness about the Project by participating in outreach meetings across the state and meeting with water systems considering participation in the Project. Garrison Diversion also provides support for the Lake Agassiz Water Authority, including facilitation of monthly meetings, administration, legal, and engineering services.



A 1930s-type drought in the Red River Valley would result in a \$2.4 billion economic impact annually, far worse than the Flood of 1997.



Red River drought of 1970. Photo courtesy of the Institute for Regional Studies, NDSU, Fargo



Lake Ashtabula holds 22.4 billion gallons of water. It would take 22,400 million-gallon water towers to hold as much water as Lake Ashtabula.

to meet the water supply needs of the Red River Valley

Irrigation

Agriculture & Natural Resources

Agriculture is a way of life in North Dakota, which is why Garrison Diversion continues to invest in agricultural initiatives. Funds were distributed to aid the North Dakota Irrigation Association, NDSU Irrigation Specialist Position, NDSU Extension Irrigation Research & Outreach, and NDSU Oakes Irrigation Research Site. North Dakota benefits as irrigation research and development continue to provide data to lower costs and increase production.

The Oakes Test Area saw 2,346 acre-feet of water delivered to irrigators on 3,204 acres of land during the 2008 growing season. The Oakes Test Area is authorized to irrigate 5,000 acres of land, and anywhere from 500 to 3,500 acres have been irrigated in the past. In order for the test area to irrigate a consistent number of acres, a more reliable water supply needs to be secured. Alternatives are being considered to secure future water supply options for irrigation at the Oakes Test Area.

Currently, 23,700 acres are authorized for irrigation from the McClusky Canal; though, only a fraction is being irrigated. Seeing this, Garrison Diversion took the beginning steps toward developing an irrigation project by canvassing landowners in the McClusky Canal service area to determine the amount of interest. Since significant interest was shown, Garrison Diversion representatives will meet with the interested parties and then conduct a feasibility study.



Field trials at the Oakes Irrigation research site.



“The opportunity to irrigate out of the McClusky Canal is very beneficial to our farming operations. Irrigating our crop takes away much of the risk we usually encounter in farming. We look forward to expanding our operations as we can.”

Steve Knorr – Irrigator, Turtle Lake

investing in agricultural initiatives

Recreation

Enhancement

Garrison Diversion realizes the value of recreation in North Dakota and is committed to providing additional recreation opportunities in the state. Community recreation projects become more affordable with the help of Garrison Diversion's matching recreation grant program. The program has enabled many communities to enhance their existing recreational facilities and create new recreation areas. In 2008, 22 applicants were awarded \$181,780 in matching grants.

Garrison Diversion, in cooperation with the Bureau of Reclamation, enhanced the Chain of Lakes recreation area along the McClusky Canal. The addition of campsites, boat ramps, vault toilets, tree plantings, and a new day use area has made the Chain of Lakes recreation area a more enticing place to visit.

The \$6.5 million Dakota Water Resources Act (DWRA) recreation cooperative agreement with the Bureau of Reclamation was signed, which is the first step in developing the new DWRA recreation program.

“The new playground means a lot to the youth in our community. The funding we received from the Garrison Diversion matching recreation grant enabled us to complete the playground and provide a safe, fun place for families to use.”

Todd Whitman – Mayor, City of Aneta

The 2008 recipients of recreation matching grant funds:

◆ Barnes County

- Construction of shower facilities at Clausen Springs Park
- Playground equipment and park improvements at Dazey Community Park

◆ Steele County – Electrical upgrades at the Golden Lake Campground

◆ Cass County - Electrical upgrades for camper pads at the Red River Valley Fairground Campground

◆ McHenry County - Installing playground equipment and landscaping at the Drake Community Park

◆ Eddy County - Protection for Brown Memorial building floor

◆ Renville County – Constructing a permanent canopy at the Mohall Fairgrounds

◆ McLean County

- Playground equipment for the Northview Trailer Park playground in Garrison
- Develop the Heritage Heights Recreation Trail in the city of Washburn

◆ Nelson County

- New playground equipment and picnic tables for the Aneta City Park
- Installation of a new boat ramp, skid dock, and courtesy dock at Stump Lake
- Improvements to the city of Tolna's boat ramp at Stump Lake

◆ Ramsey County – Development of Henegar North Creel Landing

◆ Ransom County - Campsite development at the McLeod RV Park

◆ Sargent County

- Development of a swimming beach at Silver Lake
- New pavilion at Silver Lake

◆ Sheridan County – 4-H building addition and installation of vault toilet at Hoffer Lake

◆ Stutsman County - Bathhouse addition at Lakeside Marina Campground

◆ Wells County

- Purchasing new picnic tables at the Bowdon City Park and Campground
- Constructing a new Sykeston Community Center

◆ Williams County - Development of the Williston Railroad Park



New playground equipment at Aneta City Park.



New John's Lake north boat landing construction.

providing additional
recreation opportunities

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, 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 39 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 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* 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 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 NET ASSETS

	Dec. 31, 2008	Dec. 31, 2007
ASSETS		
Cash	\$13,537,458	\$4,602,117
Investments	4,993,700	4,993,700
Land	173,667	173,667
Land Improvements	709,638	709,638
Buildings	840,946	694,017
Equipment	2,936,842	2,914,763
Less Accumulated Depreciation	(2,620,922)	(2,507,147)
Total Assets	\$20,571,329	\$11,580,755
LIABILITIES		
Due to Employees	\$3,720	\$1,110
Compensated Absences	257,656	228,569
Total Liabilities	\$261,376	\$229,679
NET ASSETS		
Invested in Fixed Assets	\$2,040,171	\$1,811,271
Operating Fund	1,244,270	1,236,905
O&M Emergency Fund	813,500	813,500
Deficiency Fund	804,146	804,146
Project Development	916,554	916,554
Special Purposes	12,616,609	4,305,736
Unrestricted Fund	1,874,703	1,462,964
Total Net Assets	\$20,309,953	\$11,351,076

Assets, Liabilities and Net Assets:

The *Statement of Assets, Liabilities and Net Assets*, as shown above, lists total net assets of \$20,309,953 and \$11,351,076 for the fiscal years ended December 31, 2008, and December 31, 2007, respectively. The increase in cash was mainly due to the difference between the MR&I appropriation (\$26,018,269) and MR&I expenses (\$17,664,484) of \$8,353,785 (see the Statement of Activities chart on next page). This increase in the MR&I fund was also the main reason for the increase 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 and Red River Valley Water Supply Project 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. (Projects receive approval to begin construction after the money for the project is deposited in the MR&I Program Fund bank account.)

GARRISON DIVERSION STATEMENT OF ACTIVITIES

	Dec. 31, 2008	Dec. 31, 2007
PROGRAM EXPENSES		
General Fund	\$2,059,124	\$1,896,688
Municipal, Rural and Industrial	17,664,484	8,164,106
Operations, Maintenance and Replacement	3,170,585	2,625,185
Red River Valley Water Supply Project	7,886	346,189
Total District Activities	\$22,902,079	\$13,032,168
PROGRAM REVENUES		
Taxes	\$1,610,069	\$1,503,084
Interest on Investments	457,866	440,247
DWRA Recreation Program	149,000	–
MR&I Appropriation	26,018,269	8,105,255
Operations, Maintenance and Replacement	3,572,093	3,352,965
Red River Valley Water Supply Project	–	294,834
Leases	2,625	2,135
Miscellaneous	51,034	8,692
Total Revenue	\$31,860,956	\$13,707,212
Revenue Over (Under) Expenses	8,958,877	675,044
NET ASSETS, BEGINNING OF YEAR	11,351,076	10,676,032
NET ASSETS, END OF YEAR	\$20,309,953	\$11,351,076

Statement of Activities

Program Expenses

Total expenses for all programs in the fiscal years ended December 31, 2008, and December 31, 2007, were \$22,902,709 and \$13,032,168 respectively. This is an increase of 75.73%, or \$9,869,911. The increase from fiscal year 2007 was the net result of \$162,436 increased expenses in the General Fund, a \$9,500,378 increase in municipal, rural & industrial (MR&I) expenses, a \$545,400 increase in operations, maintenance & replacement (OM&R) expenses and a \$338,303 decrease in Red River Valley Water Supply Project expenses.

Program Revenue

Total revenues for fiscal years ended December 31, 2008, and December 31, 2007, were \$31,860,956 and \$13,707,212, respectively. This is an increase of 132.43%, or \$18,153,744. The increase from fiscal year 2007 was the net result of a \$316,436 increase in General Fund revenue, a \$17,913,014 increase in MR&I revenue, a \$219,128 increase in OM&R revenue and a decrease of \$294,834 in Red River Valley Water Supply Project revenue.

Red River Valley Water Supply Project

It was anticipated that the Record of Decision would be signed, and the Report to Congress would be submitted in early 2008. This did not occur in 2008, and; therefore, much of the engineering, consulting, and legal work on the project was not able to be done. The revenue from the Bureau of Reclamation decreased from \$294,834 in 2007 to zero in 2008, and the expenses decreased from \$346,189 to \$7,886.

Capital Assets

Garrison Diversion's investment in capital assets as of December 31, 2008, and December 31, 2007, amount to \$2,040,171 and \$1,984,938 (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:

- 2008 Dodge Caravan
- Headquarters Remodeling
- 2008 Ford F350 4x4 One-Ton Pickup
- 2008 Chevy One-Ton Pickup
- 2008 Chevy ¾-Ton Pickup
- 2008 CAT 325 DL Excavator
- 2008 Towmaster Trailer
- New Headquarters Garage

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

- 2005 Buick Terraza Van
- 2000 Chevy One-Ton Pickup
- 2000 Chevy ¾-Ton Pickup
- CAT 325 LR Excavator
- 1992 Talbert Trailer

Economic Factors and Next Year's Budgets

Personnel

Administrative staff changes included: Kristin Esser resigned as Communications Specialist, and Kim Cook was hired in that position.

Operations and Maintenance staff changes included: Three temporary summer workers were hired: Roger Longnecker (New Rockford), Elizabeth Hagen and Alex Holen (both at McClusky). Brienne Goplen was a summer intern in Carrington. 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, 2008.

Income Budget	Budget FY 2008	Actual FY 2008
Municipal, Rural & Industrial Administration	\$133,756	\$133,756
Operations & Maintenance Administration	606,498	606,498
Red River Valley Water Supply Project	701	701
Interest Income	207,732	207,732
DWRA Recreation Revenue	149,000	149,000
Lease Income	2,625	2,625
Tax Levy	1,479,095	1,479,095
State Aid Distribution	130,974	130,974
Miscellaneous Income	51,034	51,034

Total Income	\$2,761,415	\$2,761,415
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Expense Budget	Budget FY 2008	Actual FY 2008
Directors Per Diem	\$56,210	\$56,210
Directors Expenses	93,185	93,185
Employees Salaries	624,700	624,700
Employees Expenses	96,976	64,440
Payroll Taxes and Benefits	233,174	233,165
Operations Expenses	185,602	142,866
Research	250,000	240,000
Public Education	137,529	67,746
Professional Services	589,164	293,031
Legal	100,000	39,195
Maintenance & Repair	50,000	26,537
Irrigation District Expenses	55,068	41,117
Capital Purchases	115,000	49,062
Recreation Matching	260,000	185,968
Natural Resources Trust	20,789	20,789

Total Expenses	\$2,867,397	\$2,178,011
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