



A Clear Mission



Garrison Diversion
Conservancy District
2010 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

North Dakota's landscape is evolving.

The business climate is strong, healthy and dynamic. We saw exciting advances in the energy, agricultural and technology markets; placing North Dakota in the enviable position of having a vibrant economy that is continuing to grow.

Our actual geological landscape is changing. To be direct: it's wet. We broke records for snow and rainfall that impacted us collectively. There is no way to know whether our water supply will be in a feast or famine year. All we can do is try to prepare for both.

What we learn through all this preparation is that water is, indeed, powerful. It changes lives no matter what it does and in what quantity it's available.

That's why the Garrison Diversion Conservancy District (Garrison Diversion) exists - to help prepare for water's power. Since our inception in 1955, we have had a clear mission: to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota.

That clear mission drives our actions, and in 2010, we saw improvements, developments and progress made across all of Garrison Diversion's focus areas:

Operations and Maintenance: we provided diligent focus on O&M of all our facilities to ensure they remain viable.

Agriculture and Natural Resources: we explored the ability to deliver water and moved forward with the McClusky Canal Mile Marker 7.5 (MM 7.5) Irrigation Project and further supported North Dakota's natural resources found in wildlife refuges and wildlife management areas.

Municipal, Rural and Industrial: nearly \$52 million was secured for the state's municipal, rural and industrial water supply program, jointly administered by Garrison Diversion and the North Dakota State Water Commission.

Red River Valley Water Supply Project: the Project moved forward in 2010 by continuing the process to acquire options for permanent easements, with 76% of the options secured by the end of the year.

Recreation: nearly \$250,000 was awarded to recreation projects in the district through the Matching Recreation Grant Program, increasing recreation opportunities for residents and visitors.

We encourage you to read the full details inside the 2010 Annual Report. It's very exciting to see the significant impact Garrison Diversion makes on behalf of the people of North Dakota. We look forward to our continued stewardship.



John Leininger

John Leininger
Chairman

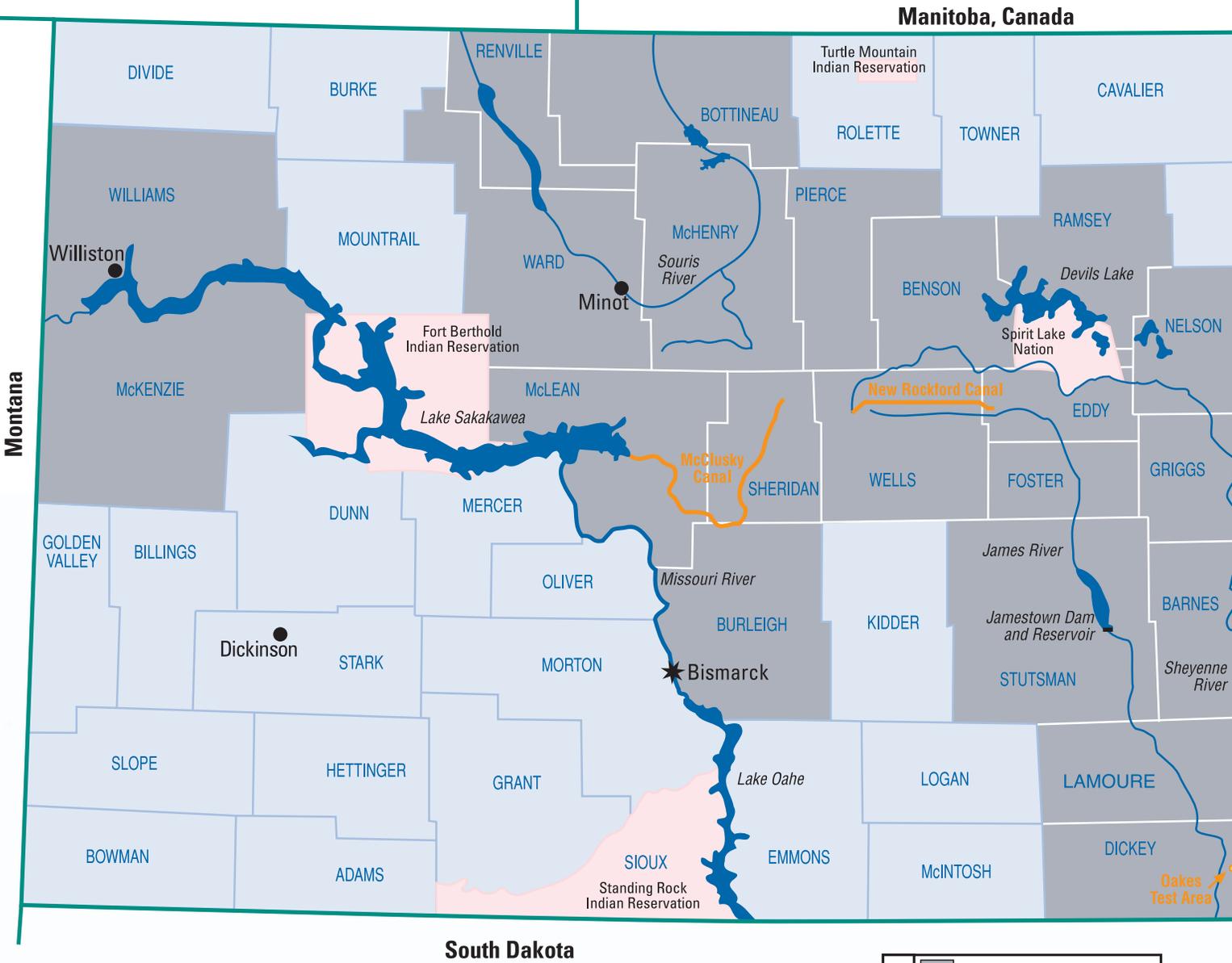


Dave Koland

Dave Koland
General Manager



GARRISON DIVERSION MAP



KEY	
Grey	Garrison Diversion Conservancy District
Light Blue	Other North Dakota Counties
Pink	North Dakota Reservations

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 Leining, 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 Royses, Burleigh County; Thomas Olson, Stutsman County; Alan Walter, Ward County; Jim Burbidge, Renville County

Not Pictured: Tim Schindler, Sheridan County



Municipal, Rural and Industrial (MR&I)

Garrison Diversion is a driving force behind providing North Dakotans with a reliable, high quality and affordable water supply. The state MR&I program, jointly administered by Garrison Diversion and the State Water Commission, provides funding to deliver water to homes and businesses across North Dakota.

Over the last 25 years, the MR&I program has provided over \$380 million to help bring a reliable supply of quality water to many areas in North Dakota that otherwise would have been without, impacting thousands of lives.

In 2010, U.S. Senator Byron Dorgan secured \$70 million for water supply development throughout North Dakota. Both the state and tribal MR&I programs each received roughly \$26 million, with the remaining funds used to support operations of the Garrison Diversion Unit (GDU) facilities.

In addition, the North Dakota Rural Water Systems Association received funding from Garrison Diversion for the completion of 24 drought management plans for systems in the Red River Valley. Nearly \$60,000 was distributed from the Water Development and Research Fund in 2010 for preliminary water supply studies.

Quality water is critical to the growth of North Dakota. Garrison Diversion continues our efforts to assist the people of North Dakota in bringing a reliable, high quality and affordable water supply to benefit the people of North Dakota.

2010 State MR&I funding recipients:

- Northwest Area Water Supply Project - \$7.67 million
- South Central Regional Water District - \$8.8 million
- Southwest Pipeline Project - \$8.8 million



Million gallon reservoir near Kenmare (NAWS Project)



Pipeline installation from Beulah to Zap (Southwest Pipeline Project)

Operations and Maintenance

Year after year, Garrison Diversion's Operations and Maintenance (O&M) staff continues to keep the GDU facilities like the McClusky Canal, New Rockford Canal and Oakes Test Area properly maintained; 2010 was no exception. The current and future utilization of the facilities is dependent on the staff's hard work.

Along with our routine work, the O&M staff often assists other agencies with various projects. Garrison Diversion O&M staff assisted the Bureau of Reclamation by installing two power cables for the conduits to the wet well at Fort Yates. Garrison Diversion installed a water control structure and an access ramp through a cooperative agreement with the North Dakota Game and Fish Department. Garrison Diversion also completed water sampling, mowing, spraying and intake work at the Devils Lake Outlet for the State Water Commission.

Routine maintenance duties included weed control, water operations, painting and coating, and road maintenance. Building and equipment

maintenance was also completed at the McClusky, New Rockford and Oakes Test Area Canals in order to keep them in good working condition.

In 2010, approximately 4,000 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, and fish and wildlife.

"I can't begin to say enough positive things about our O&M crew," says Kerry Beckman, Garrison Diversion O&M Superintendent. "They willingly tackle any project that comes their way. Our employees like a challenge and have the commitment it takes to complete the job."



McClusky Canal



O&M heavy equipment at work



Red River Valley Water Supply Project

The Red River Valley Water Supply Project (RRVWSP) will provide a supplemental water supply to meet the water needs in eastern North Dakota. The McClusky Canal will be utilized, and a buried pipeline will carry treated Missouri River water east to Lake Ashtabula, which will serve as a regulating reservoir. The water will be released down the Sheyenne River from Baldhill Dam as needed and eventually flow into the Red River.

The RRVWSP moved forward in 2010 by continuing the process to acquire options for permanent easements, with 76% of the options secured by the end of the year.

Garrison Diversion completed a value engineering study on the RRVWSP transmission pipeline as required by the Bureau of Reclamation for such an extensive project. The study ensures the RRVWSP is properly designed and is the best value for the federal government. A draft report was issued to Garrison Diversion for review. Designers are evaluating recommendations made by the value engineering team.

A hydropower feasibility study was completed to determine the feasibility for adding hydroelectric power generation at Baldhill Dam.

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





Recreation

Garrison Diversion is aware of the high value North Dakotans place on recreation opportunities, which is why, through the Garrison Diversion Matching Recreation Grant Program, more than \$3.5 million has been awarded to 230 projects throughout the district. In 2010, 27 projects were awarded grants, totaling \$244,259. Recreation projects are more affordable for communities in the district with funds from matching grants.

The Chain of Lakes Recreation Area, associated with the McClusky Canal, is a popular summer destination for visitors, providing camping, fishing, swimming and other recreation activities. Garrison Diversion, in partnership with the Bureau of Reclamation, continued their work to develop the Chain of Lakes Recreation Area. Enhancements were made at East Park Lake, as the fish cleaning and RV dump stations were completed and maintained and an ADA accessible

picnic shelter was constructed. New Johns Lake was further developed with an ADA accessible picnic shelter and ADA fishing pier. Information kiosks were placed in four locations for the convenience of visitors.



Williston playground. Photo courtesy of Landscape Structures Inc.

Agriculture & Natural Resources

For nearly 60 years, Garrison Diversion has been dedicated to agriculture and irrigation development within North Dakota. In 2010, Garrison Diversion took steps towards developing an irrigation project utilizing the McClusky Canal.

Landowners in the McClusky Canal service area were canvassed and showed significant interest in irrigating. From this, the MM 7.5 Irrigation Project began to take shape, and Phase I construction began in the fall. This phase will irrigate approximately 3,500 acres from 28 irrigation pivots.

Garrison Diversion supported agricultural and irrigation research and development by distributing funds to aid the North Dakota Irrigation Association, NDSU Oakes Irrigation Research Site and the NDSU Irrigation Specialist

Position. Garrison Diversion continued to assist in efforts for the 5,000-acre Oakes Test Area title transfer. A reliable water supply plan was developed and financial cost calculations were completed for increased water supply delivery. Garrison Diversion initiated discussions with the U.S. Fish & Wildlife Service regarding operations of the James River relating to the Oakes Test Area water supply.

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

2010 Recreation Grants Recipients

Benson County

- Leeds Park Board – Playground development at the Leeds Park

Cass County

- Cass County Park Board – Construction of a fish cleaning station, restrooms and fishing pier at Brewer Lake

Foster County

- Carrington Park District – Provide a new water line to the Carrington City Park

Griggs County

- Binford Park Board – Purchase and installation of a gazebo at the Binford Park
- City of Cooperstown – Development of a new RV Park
- Cooperstown Park Board – Development of campsites at the city park

LaMoure County

- LaMoure County – Improvements to the Memorial Park Canteen

McHenry County

- McHenry County – Improvements at Buffalo Lodge Lake
- City of Granville – Purchase and installation of playground equipment at Granville Park

McKenzie County

- McKenzie County – Installation of boat docks and slips at Tobacco Gardens
- Watford City Park Board – Picnic shelters and picnic tables at Tourist Park

McLean County

- City of Garrison – Purchase new picnic tables for the city park
- Underwood Park District – New playground equipment at the Underwood City Park

Nelson County

- Nelson County Park Board – Construction of a restroom facility at Stump Lake Park

Pierce County

- Rugby Park District – Construction of the Eastside Park including playground equipment

Ramsey County

- Ramsey County Fair Board – New picnic tables and trash receptacles for fairgrounds and additional electrical hookups

Sargent County

- Sargent County Park Board – Improvements at Silver Lake Park

Steele County

- Finley Park Board – Construction of a new campground within the city
- Steele County Park Board – New playground equipment at Golden Lake

Stutsman County

- Stutsman County Park Board – Construction of a concession building at Pelican Point

Ward County

- North Dakota State Fair Association – Construction of a new comfort station in the west lot of the fairgrounds

Wells County

- Hurdsfield Park Board – Improvements at the Hurdsfield City Park
- Sykeston Park Board – Improvements at the Sykeston Park

Williams County

- Williams County Park Board – New picnic tables and fire rings for Little Egypt Centennial Park
- Williams County Water Resources District – Construction of a comfort station at Little Beaver Bay
- Williams County Park Board – Construction of a drain field at the Blacktail Dam comfort station



Irrigation near Turtle Lake

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 RRVWSP. Our headquarters is located in Carrington, North Dakota. Operation and maintenance offices are located in McClusky, New Rockford and Oakes, North Dakota. Currently, Garrison Diversion has 36 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 is 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, 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

	2010	2009
Assets		
Cash	\$11,932,608	\$18,143,100
Investments	5,000,200	4,993,700
Land	123,667	173,667
Construction in progress	1,055,347	-
Land improvements	826,740	826,740
Buildings	1,142,147	1,142,147
Equipment	3,340,525	3,241,024
Less accumulated depreciation	(2,806,469)	(2,759,546)
Total assets	\$20,614,765	\$25,760,832
Liabilities		
Due to employees	\$1,895	\$3,816
Compensated absences	280,718	272,109
Note payable	1,000,000	-
Total liabilities	\$1,282,613	\$275,925
Net Assets		
Invested in fixed assets	\$2,681,957	\$2,624,032
Operating fund	1,399,007	1,379,397
O & M emergency fund	820,000	813,500
Deficiency fund	804,146	804,146
Project development fund	916,554	916,554
Special purposes fund	11,099,854	17,650,155
Unrestricted fund	1,610,634	1,297,123
Total net assets	\$19,332,152	\$25,484,907
Total liabilities and net assets	\$20,614,765	\$25,760,832

Assets, Liabilities and Net Assets

The Statement of Assets, Liabilities and Net Assets, as shown above, lists total net assets of \$19,332,152 and \$25,484,907 for the fiscal years ended December 31, 2010, and December 31, 2009, respectively. The decrease in Cash was mainly due to the difference between the MR&I Appropriation (\$13,988,240) and MR&I expenses (\$19,833,010) of \$5,844,770 (see the *Statement of Activities* chart on next page). 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 on the previous page is the total fund balances of the MR&I, OM&R, RRVWSP 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 one to two 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

	2010	2009
Program Expenses		
General fund	\$2,574,140	\$2,647,602
Municipal, rural and industrial Operations, maintenance and replacement	19,833,010	24,857,506
Red River Valley		
Water Supply Project	3,340,226	3,011,398
Water Supply Project	1,874,605	2,719,683
Total district activities	\$27,621,981	\$33,236,189
Program Revenues		
Taxes	\$1,815,291	\$1,688,734
Interest on investments	148,334	213,225
DWRA recreation program	5,986	25,606
Leases	2,625	2,625
Miscellaneous	12,472	164,287
Loss on sale of capital assets	(8,988)	-
Administration	62,271	-
MR&I appropriation	13,988,240	29,332,117
Operations, maintenance and replacement		
Red River Valley		
Water Supply Project	3,314,517	4,698,817
Water Supply Project	2,115,853	2,285,732
Irrigation	12,625	-
Total revenue	\$21,469,226	\$38,411,143
Revenue over (under) Expenses	(6,152,755)	5,174,954
Net Assets, Beginning of Year	25,484,907	20,309,953
Net Assets, End of Year	\$19,332,152	\$25,484,907

Statement of Activities

Program Expenses

Total expenses for all programs in the fiscal years ended December 31, 2010, and December 31, 2009, were \$27,621,981 and \$33,236,189 respectively. This is a decrease of 17% or \$5,614,208. The decrease from fiscal year 2009 was the net result of \$73,462 decreased expenses in the General Fund, a \$5,024,496 decrease in municipal, rural & industrial (MR&I) expenses, a \$328,828 increase in operations, maintenance & replacement (OM&R) expenses and a \$845,078 decrease in RRVWSP expenses.

Program Revenue

Total revenues for fiscal years ended December 31, 2010, and December 31, 2009, were \$21,469,226 and \$38,411,143 respectively. This is a decrease of 44% or \$16,941,917. The decrease from fiscal year 2009 was the net result of a \$183,412 increase in General Fund revenue, a \$15,343,877 decrease in MR&I revenue, a \$1,624,198 decrease in OM&R revenue, a decrease of \$169,879 in RRVWSP revenue and a \$12,625 increase in Irrigation revenue.

Red River Valley Water Supply Project

The Record of Decision for this project 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 2010. No Federal funds were received in 2010 for this project.

Capital Assets

Garrison Diversion's investment in capital assets as of December 31, 2010, and December 31, 2009, amount to \$3,681,957 and \$2,624,032 (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 GDU canals and associated structures including dozers, loaders and other related vehicles. Garrison Diversion also carries 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 2010, the infrastructure investment for the MM 7.5 Irrigation Project was added as an asset.

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

- 2009 John Deere 160 DLC Excavator
- 2009 Towmaster Trailer
- 2010 Caterpillar D8T Dozer
- 2010 Ford F150 Crew Pickup
- 2010 Ford Expedition
- 2010 John Deere 333D Compact Track Loader
- 2010 Caterpillar 930H Loader
- 2011 Chevrolet Tahoe
- Audio/Visual System

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

- 2007 John Deere 872D Motor Grader
- 2003 Caterpillar D8R Dozer
- 2003 Chevrolet C1500 Pickup
- 2000 Ford Explorer
- 1995 773 Bobcat
- 2005 930G Loader
- 2007 Chevrolet Tahoe
- 127 acres of land

Debt

At year ending December 31, 2010, Garrison Diversion had a \$1,000,000 note payable outstanding versus not having a note payable outstanding on December 31, 2009, a 100% increase.

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

Personnel

Administrative staff changes include: David Johnson resigned as District Engineer, and Kip Kovar, Assistant District Engineer, was promoted to that position. The Assistant District Engineer position was eliminated. Geoff Theurer left employment as Administrative Officer, and Merri Mooridian, Communications Director, was promoted to that position. Kimberly Cook, Communications Specialist, was named Acting Communications Director.

Operations and Maintenance staff changes include: Benjamin Dockter, O&M Specialist II, retired, and Keith Dammen was hired as an Operator II. Donald Berg, Mitchell Lang, Adam Peyer and Vernon Schafer 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.



New Johns Lake

General Fund Income and Expenditures

Statement of General Fund Revenues and Expenditures
for the fiscal year ending December 31, 2010.

Income Budget	Budget FY 2010	Actual FY 2010
Municipal, Rural & Industrial Administration	\$167,020	\$167,020
Operations & Maintenance Administration	553,464	553,464
Interest Income	79,063	79,063
Contract Revenue	62,271	62,271
Lease Income	2,625	2,625
Tax Levy	1,815,291	1,815,291
Miscellaneous Income	266,203	266,203
Total Income	\$2,945,937	\$2,945,937

Expense Budget	Budget FY 2010	Actual FY 2010
Directors Per Diem	\$80,000	\$76,238
Directors Expenses	110,000	96,713
Employees Salaries	680,000	558,683
Employees Expenses	103,000	60,588
Payroll Taxes and Benefits	285,156	273,650
Operations Expenses	175,161	135,592
Research	281,500	268,500
Public Education	89,397	83,769
Professional Services	534,670	501,050
Legal	12,667	12,667
Maintenance & Repair	50,000	38,109
Irrigation District Expenses	113,456	109,032
Capital Purchases	72,000	49,237
Recreation Purchases	316,728	315,379
Total Expenses	\$2,903,735	\$2,579,207



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