



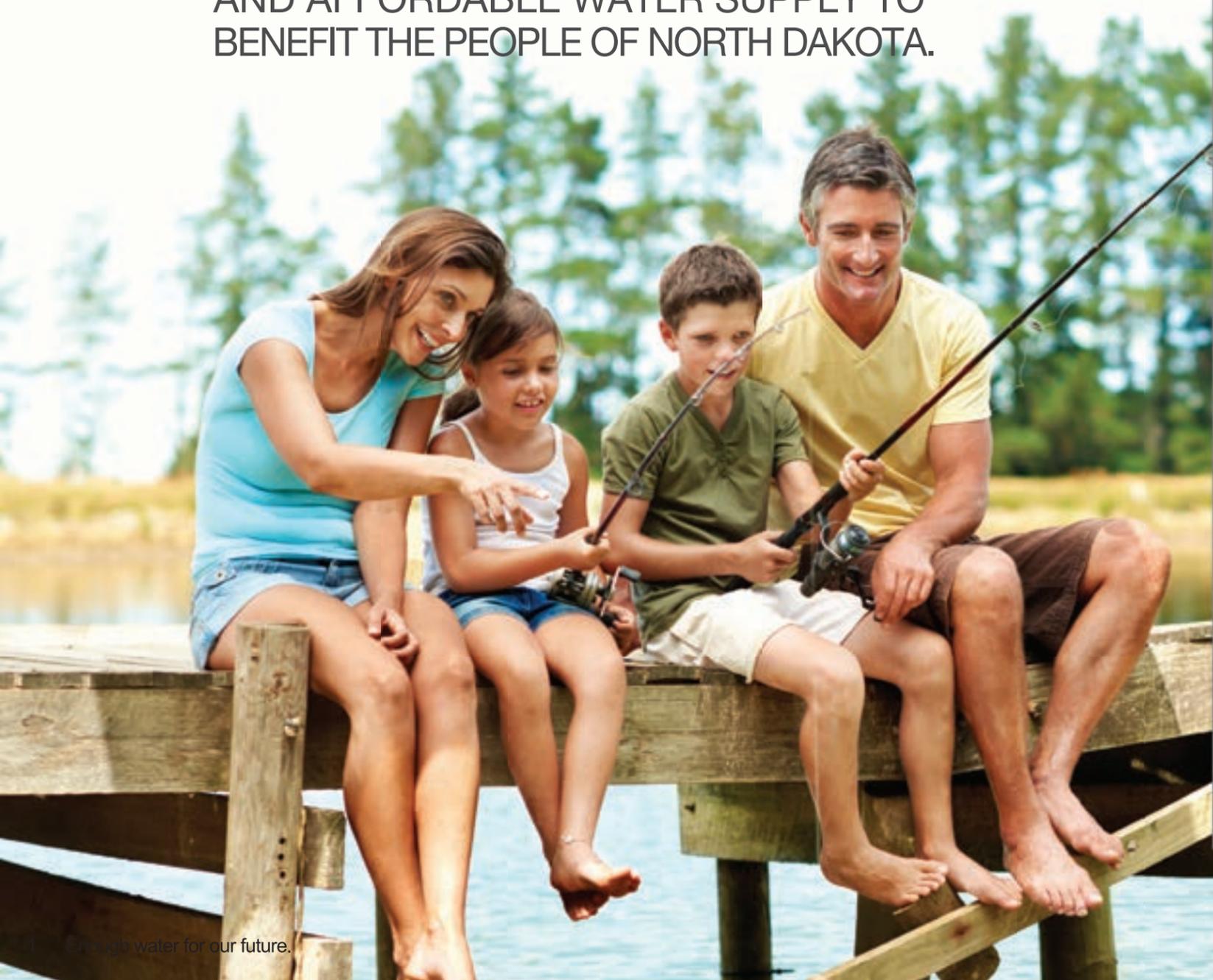
ENOUGH WATER FOR OUR FUTURE

Garrison Diversion Conservancy District
2014 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

I want to begin by saying that I am honored to have been selected as the new General Manager for the Garrison Diversion Conservancy District (Garrison Diversion). We play a vital role in making sure North Dakotans have a reliable, high quality and affordable water supply to meet all their water needs, and I'm looking forward to my part in the exciting water projects in our state.

In 2014, Garrison Diversion continued to provide important services and programs across North Dakota that are crucial to meeting the state's growing water needs.

Agriculture and Natural Resources

Agriculture has always been one of Garrison Diversion's main focus areas, and in 2014, we further demonstrated our dedication to our state's farmers by substantially completing the 220-acre Mile Marker 49 Irrigation Project and continuing support for the Oakes Irrigation Research Site.

Garrison Diversion also assisted with the maintenance and enhancement of wildlife areas across the state that help protect and develop North Dakota's natural resources.

Operations and Maintenance

Our Operations and Maintenance (O&M) team are experts at ensuring the smooth operation of the Principal Supply Works for the Garrison Diversion Unit (GDU). The O&M staff completed routine maintenance tasks at the McClusky Canal, New Rockford Canal and Oakes Test Area and provided services and expertise to other government agencies, including the State Water Commission (SWC) and Bureau of Reclamation (Reclamation).

Red River Valley Water Supply Project

2014 was an important year for the Red River Valley Water Supply Project (RRVWSP) as we worked with the State of North Dakota, key decision makers and stakeholders to plan development of the project without any federal funding. We engaged and educated stakeholders and provided technical support to the Lake Agassiz Water Authority (LAWA).

Recreation

Garrison Diversion has a long history of supporting local recreation projects across the state, and we continued that tradition in 2014 with our Matching Recreation Grant Program. We awarded \$327,687 to 27 projects in our member counties and expended \$206,670 to previously approved projects.

Municipal, Rural and Industrial

In 2014, we provided the ND Rural Water Systems Association with funding to develop 28 drought management plans and 28 water conservation plans. Garrison Diversion also distributed \$7.7 million from the state's municipal, rural and industrial program in cooperation with the SWC.

These projects are just the tip of the iceberg. Garrison Diversion's mission has always been to provide a reliable, high quality and affordable water supply to benefit the people of North Dakota, and the 2014 Annual Report is full of examples of how our work benefits the state.

We are proud to play an essential role in meeting North Dakota's present and future water needs.



Duane DeKrey
Duane DeKrey
General Manager



Kenneth Vein
Kenneth Vein
Board Chairman



Dave Koland
Dave Koland
General Manager
Emeritus

Garrison Diversion Board of Directors

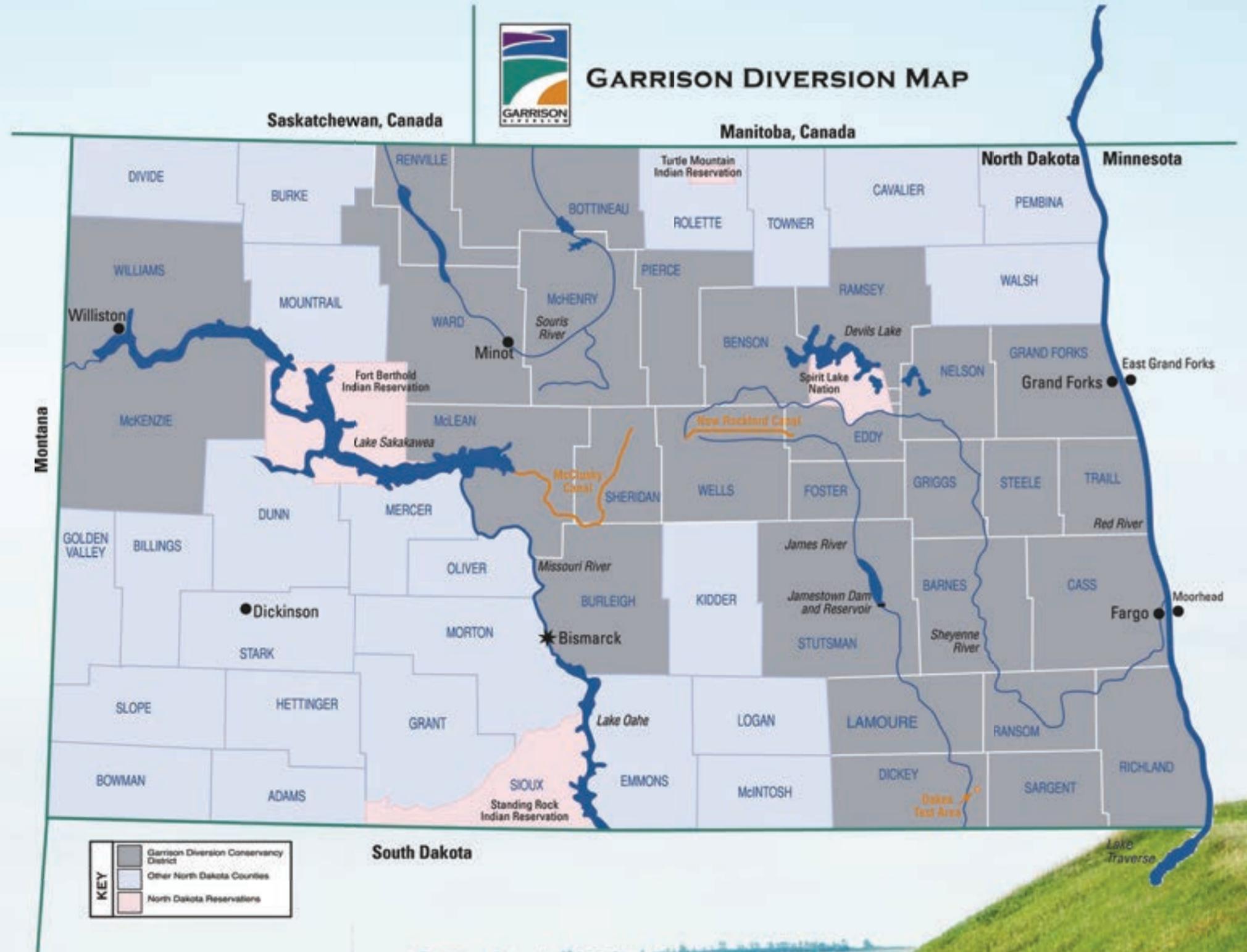


Front L-R: John Peyerl (Ramsey) Roger Bischoff (Barnes) Kenny Rogers (Bottineau) Bill Ongstad (Wells) Thomas Olson (Stutsman) Ken Royse (Burleigh) Mark Cook (Renville) Jay Anderson (Ransom)

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

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

Not Pictured: Rick Anderson (McLean) Dave Johnson (Benson) Dan Marquart (Nelson) Tim Schindler (Sheridan)



Agriculture and Natural Resources



Agriculture is the heart of North Dakota and also an important element of Garrison Diversion's foundation. Through our investment in agricultural initiatives, we continue to develop, expand and enhance irrigation opportunities within North Dakota.

The McClusky Canal in central North Dakota has become a valuable resource to several farmers living near the canal and looking to develop irrigation on their farmland. Garrison Diversion continued to support irrigation development in 2014 by substantially completing the 220-acre Mile Marker 49 Irrigation Project. In addition, a water service contract was secured and a special assessment was implemented for project financing.

Garrison Diversion continued to invest in the development of the Oakes Irrigation Research Site (OIRS) Expansion Plan. The OIRS is a vital research site providing invaluable data to farmers across North Dakota.

Garrison Diversion contracted with North Dakota State University (NDSU) to complete an Irrigation Economic Impact Study to evaluate the impacts of irrigation along the McClusky Canal.

Funding was provided by Garrison Diversion to support agricultural and irrigation research and development through the ND Irrigation Association and OIRS.

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.

As Garrison Diversion continues to develop the acres authorized for irrigation along the McClusky Canal, an original purpose of the GDU is being fulfilled. In turn, the irrigation projects will bring widespread benefits to farmers while economically benefiting North Dakota.



Operations and Maintenance

Garrison Diversion's O&M staff is an extraordinary set of workers, working year-round - whether rain or shine - to get their job done, and done well. These workers are responsible for keeping the Principal Supply Works for the GDU in good working condition.

In 2014, 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 routine maintenance on Garrison Diversion's large fleet of equipment including dozers, loaders, backhoes and excavators.

Specialized projects that vary from year-to-year 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.

Over the summer, O&M employees spent most of their time at the Jamestown Dam assisting Reclamation with two separate projects. First was the replacement of the east side concrete drainage ditch, which was in disrepair. Crews also replaced a buried wingwall drain along the west side of 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.

The O&M staff continued to operate and maintain the Mile Marker 7.5 Irrigation Project, which is a 3,500-acre 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 2014, approximately 2,390 acre-feet of water was delivered through the McClusky Canal for these purposes.

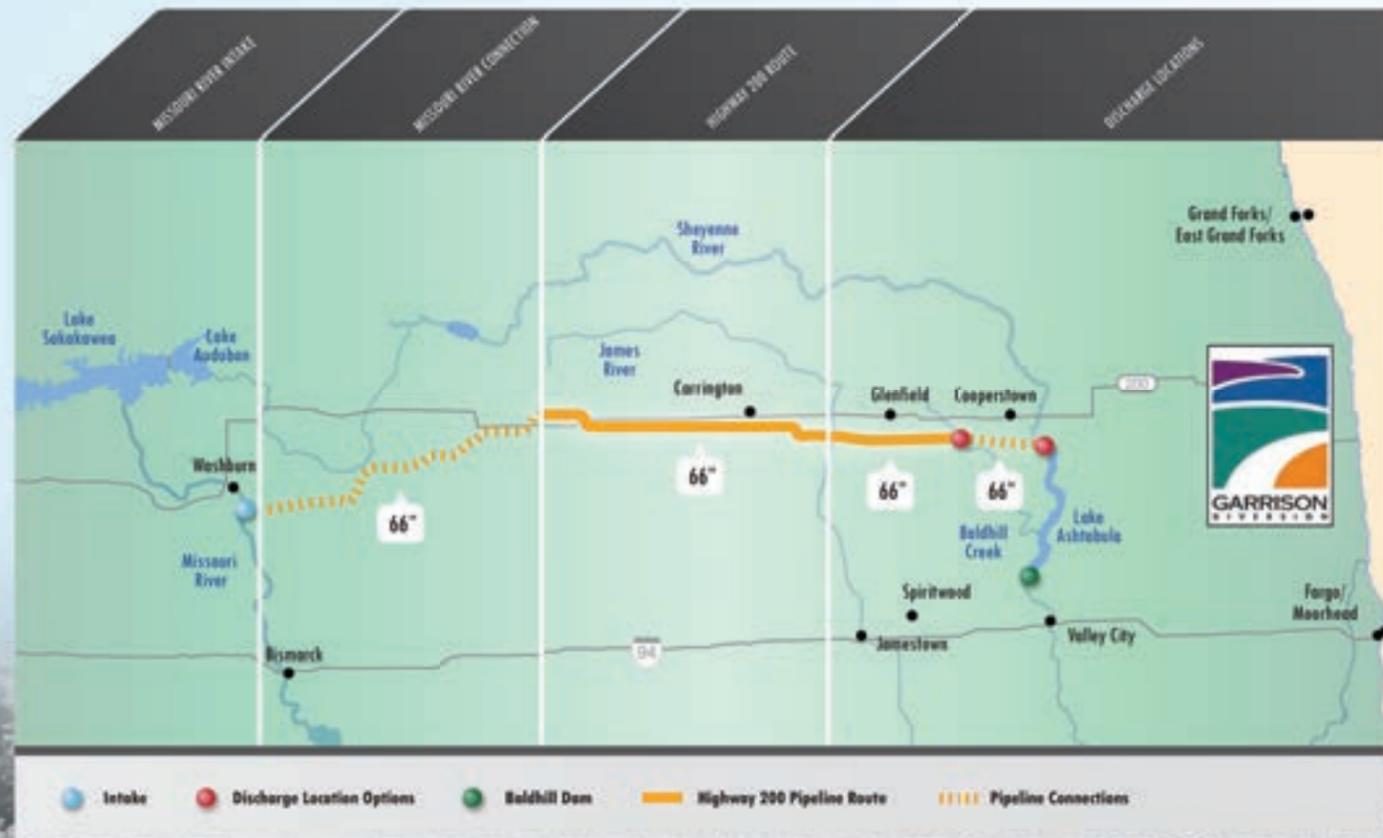


Red River Valley Water Supply Project

2014 saw a number of changes for the RRVWSP. The RRVWSP is a buried pipeline carrying a supplemental water supply from the Missouri River to Lake Ashtabula to provide a much needed water supply for the Red River Valley.

The RRVWSP had been stalled waiting for the federal government to sign a Record of Decision on the proposed route for the project. The project sponsors know that each year without a major drought brings us closer to the day a major drought will occur, so they began work on an alternative that will allow the RRVWSP to move forward. The decision was made to develop a secondary plan for the RRVWSP. By removing the federal component from the project, development can continue without the federal Record of Decision.

Garrison Diversion provided technical support to the State of North Dakota and worked with the state to educate and inform key leaders and stakeholders about the RRVWSP through testimony at the SWC public outreach meetings and a RRVWSP presentation at the Water Topics Overview Committee. Garrison Diversion also invested \$406,113 in RRVWSP development, extended right-of-way options along the Hwy 200 corridor, and provided support for and facilitated three meetings for LAWA.



Recreation

The enhancement of recreational opportunities in North Dakota is a key initiative for Garrison Diversion, and we are committed to developing recreation opportunities throughout the district. Garrison Diversion 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 2014, \$327,687 were awarded to 27 projects, making recreation projects more affordable for participating communities.

In addition to the grant program, Garrison Diversion continued to maintain the Chain of Lakes Recreation Area, a popular summer destination for visitors located along the McClusky Canal.

2014 Recreation Grant Recipients:

- **Barnes County**
 - North Country Trail improvements
- **Benson County**
 - Esmond Memorial Park Comfort Station
- **Cass County**
 - Progressive Ag Fields Picnic Area
- **Dickey County**
 - Pheasant Lake/Wilson Dam signs
- **Eddy County**
 - ADA accessible bathhouse at New Rockford
- **Foster County**
 - Juanita Park playground equipment
 - Carrington City Park playground equipment
 - Foster County fairgrounds enhancements
- **Grand Forks County**
 - Northwood Ice Arena (x2)
- **McLean County**
 - Garrison Park picnic tables
- **McKenzie County**
 - Highland Acres Park
- **Nelson County**
 - Stump Lake playground project
- **Ramsey County**
 - Roosevelt Park Shelter
- **Ransom County**
 - McLeod Restroom Project
- **Renville County**
 - Mohall Gun Club Traphouses
- **Richland County**
 - Briarwood Court Playground in Wahpeton
 - Marcus Friskop Learning Site and Veterans Memorial in Hankinson
 - Vault toilet at Mooreton Pond
- **Sargent County**
 - Silver Lake shelter and playground equipment
- **Traill County**
 - South-side Park enhancements in Mayville
 - New playground equipment at Water Tower Park
- **Ward County**
 - Sewer line at the ND State Fair campground
 - Construction of multi-use path from city of Minot to AFB
- **Williams County**
 - Kota Ray Dam vault toilet
 - Epping/Springbrook playground equipment and vault toilet
 - Blacktail Dam upgrades





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 2014, \$7.7 million were distributed to help water systems deliver high quality and affordable water to homes, businesses and farms.

Garrison Diversion also provided funding to the ND Rural Water Systems Association to assist with the completion of 28 drought management plans and 28 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.



Garrison Diversion Statement of Net Position

Assets	2014	2013
Cash	\$5,091,577	\$5,754,923
Investments	\$4,000,198	\$3,500,198
Land	\$123,667	\$123,667
Land improvements	\$390,647	\$416,534
Construction in progress	\$93,426	—
Buildings	\$866,449	\$897,539
Equipment	\$1,982,078	\$2,321,414
Pipeline	\$1,902,076	\$1,973,482
Total assets	\$14,450,118	\$14,987,757
Liabilities		
Bond payable	\$1,192,655	\$1,271,894
Total liabilities	\$1,192,655	\$1,271,894
Net Assets		
Net investment in capital assets	\$4,165,688	\$4,460,742
O & M emergency fund	\$822,818	\$822,818
Deficiency fund	\$802,288	\$802,288
Project development fund	\$915,593	\$915,593
Unrestricted fund	\$6,551,076	\$6,714,422
Total net assets	\$13,257,463	\$13,715,863
Total liabilities and net assets	\$14,450,118	\$14,987,757

Statement of Net Position

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

Garrison Diversion Statement of Activities

Revenues	2014	2013
Taxes	\$2,711,176	\$2,364,874
Interest on investments	\$11,694	\$15,874
Non-project income	\$437,111	\$381,813
Program income	\$8,345	\$11,112
Contract revenue	\$12,573,439	\$16,002,676
State and local	—	—
Leases	\$2,303	\$2,303
Miscellaneous	\$1,467	\$420
Total Revenue	\$15,745,535	\$18,779,072
Expenditures		
Current		
Directors	\$201,134	\$195,870
Personnel	\$2,654,659	\$2,577,294
Contractual services	\$10,412,801	\$12,344,329
Research	\$264,654	\$355,523
Maintenance	\$547,769	\$619,653
Engineering & survey	\$246,604	\$106,183
Recreation grant program	\$278,879	\$225,238
Other charges	\$803,940	\$682,534
Irrigation districts	\$225	—
Capital outlay	\$356,546	\$462,228
Debt service		
Principal	\$79,239	\$77,313
Interest and fiscal charges	\$62,431	\$64,357
Total expenditures	\$15,908,881	\$17,710,522
Revenue over (under) expenses	\$(163,346)	\$1,068,550
Other financing sources		
Sale of fixed asset	—	—
Transfers in	\$740,929	\$1,111,238
Transfers out	\$(740,929)	\$(1,111,238)
Total other financing sources	—	—
Net change in fund balance	\$(163,346)	\$1,068,550
Fund balances, beginning of year	\$9,255,121	\$8,186,571
Fund balances, end of year	\$9,091,775	\$9,255,121

Statement of Activities

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

* Financial data is in draft form. At the time of the Annual Report publication, Garrison Diversion's audit was not finalized.

Statement of General Fund Income and Expenditures

Statement of General Fund Income and Expenditures for the fiscal year ending December 31, 2014.

Income Budget	Budget FY 2014	Actual FY 2014
Municipal Rural & Industrial Administration	\$108,814	\$108,814
Operations & Maintenance Administration	\$655,186	\$655,186
Interest Income	\$11,386	\$11,386
Contract Revenue	\$27,179	\$27,179
Lease Income	\$2,303	\$2,303
Tax Levy	\$2,711,176	\$2,711,176
Miscellaneous Income	\$1,247	\$1,247
Total Income	\$3,517,291	\$3,517,291
Expense Budget	Budget FY 2014	Actual FY 2014
Directors Per Diem	\$88,000	\$83,944
Directors Expenses	\$115,000	\$117,190
Employees Salaries	\$618,375	\$565,894
Employees Expenses	\$106,000	\$51,313
Payroll Taxes & Benefits	\$324,057	\$286,567
Operations Expenses	\$205,000	\$130,371
Research	\$394,000	\$264,654
Public Education	\$284,200	\$149,146
Professional Services	\$794,000	\$746,909
Legal	\$100,000	\$76,921
Maintenance & Repair	\$68,000	\$42,008
Irrigation District Expenses	\$24,900	\$225
Capital Purchases	\$56,000	\$25,833
Recreation Programs	\$396,654	\$278,878
Total Expenses	\$3,574,186	\$2,819,853

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.





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