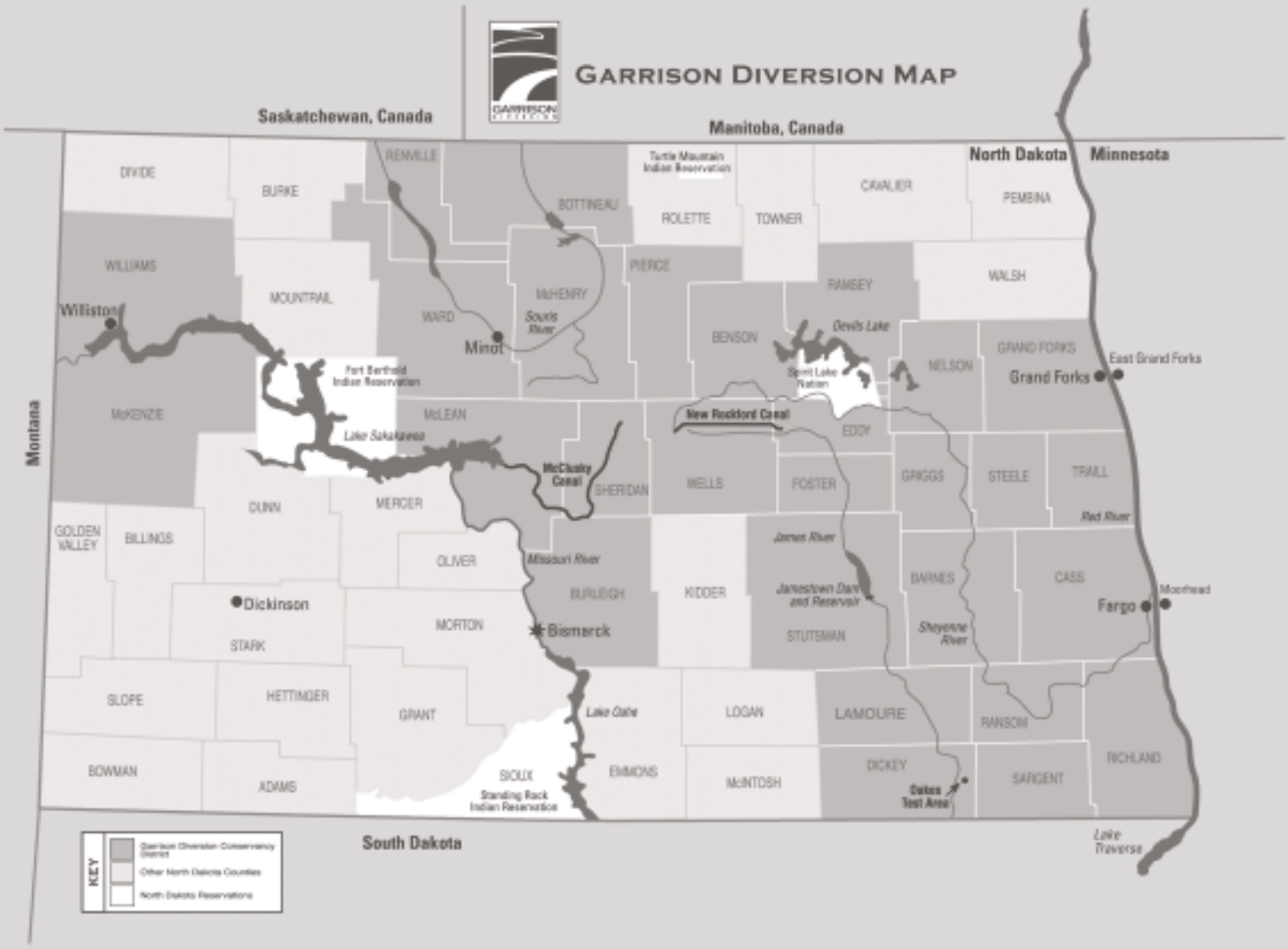
water -
the foundation for life

GARRISON
DIVERSION

2004 Garrison Diversion Annual Report



our mission

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

Richard Fugleberg
Chairman

Dave Koland
General Manager

a year of progress

Executive Letter

Progress – that's the term used to describe the year 2004 for Garrison Diversion. Through the many avenues we participate in and partnerships we have established throughout the state, we were able to provide funding to, and advancement in, many communities and counties.

Our recreation matching grant program saw the completion of 14 projects, and 18 new projects were awarded grants. This signifies our commitment to the citizens of North Dakota by providing recreational opportunities in our great state.

In 2004, the MR&I program distributed over $15 million for water supply projects throughout the state. We are continually building North Dakota's water supply infrastructure, a vital component to North Dakota's economic development. By partnering with the rural water systems in the state to deliver a quality and affordable water supply to areas of need, North Dakota will continue to grow and prosper.

As the state's representative in the Red River Valley Water Supply Project, Garrison Diversion is leading and gathering input from state agencies. Preparation of the Environmental Impact Statement is in full swing, with the draft statement due December 2005. The Red River Valley Water Supply Project will provide the desperately needed water to the Red River Valley in times of need.

Our commitment to North Dakota's water development is as strong as ever. We continually strive to improve the quality of life for the citizens of North Dakota. This, in turn, will help North Dakota thrive.

2003-2004 Board of Directors

Back Row Left to Right: Jon Lindgren, Cass County; Bill Krivarchka, Traill County; Mike Polovitz, Grand Forks County; Ward Koeser, Williams County; John Leininger, Griggs County; Warren Lyons, Ransom County; Dave Johnson, Benson County; Steve Metzger, Foster County.

Middle Row Left to Right: Jim Burbidge, Renville County; LeRoy Johnson, Pierce County; John Peyerl, Ramsey County; Harvey Melstad, Burleigh County; Roger Johnson, Nelson County; Charles Richter, Eddy County; Maynard Helgaas, Stutsman County; Norman Haak, Dickey County; Maurice Orn, Sargent County; Richard Cayko, McKenzie County.

Front Row Left to Right: Richard Fugleberg, Steele County; Dennis Wendel, LaMoure County; Rick Anderson, McLean County; Lester Johnson, Richland County; Kenny Rogers, Bottineau County; Norman Rudel, Wells County; Harlan Opdahl, Barnes County; Alan Walter, Ward County.

Not pictured: Tim Schindler, Sheridan County; Cliff Hanretty, McHenry County.

the foundation for growth

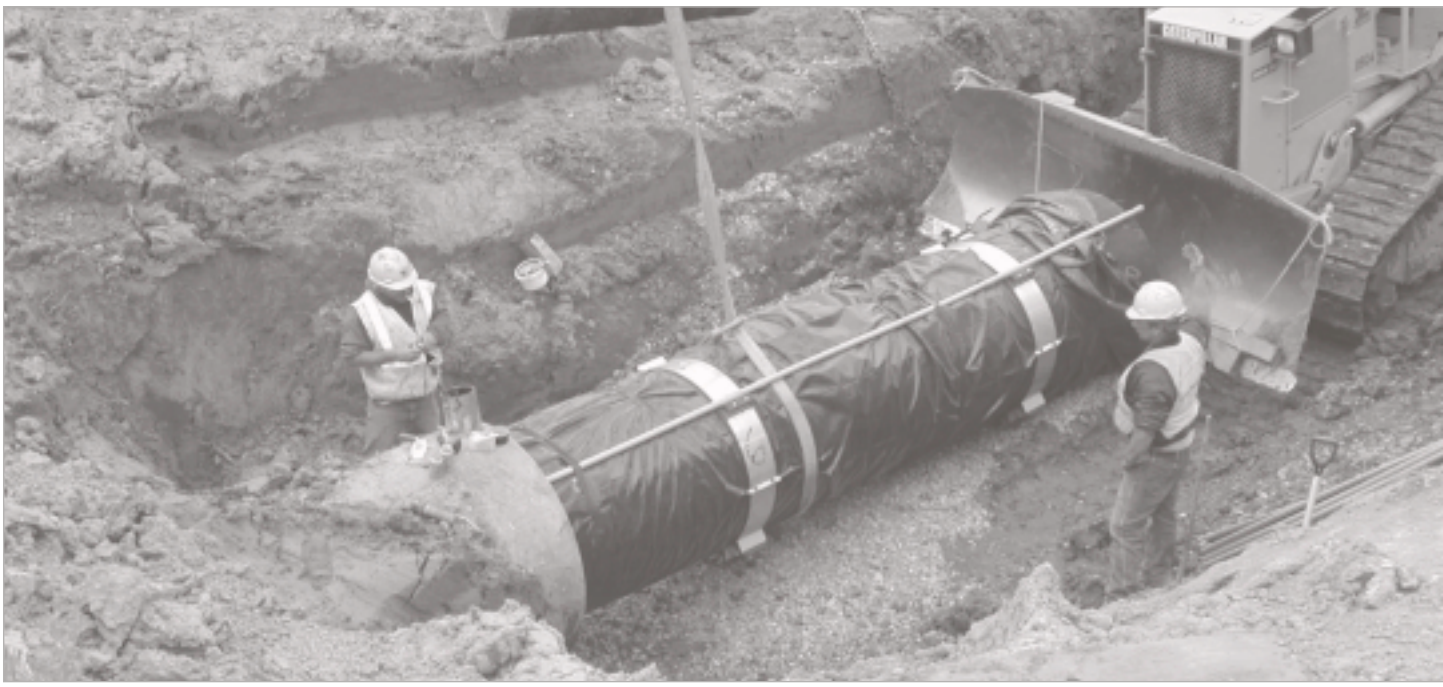
We value high-value agriculture that includes irrigation research, production, processing and marketing.

Agriculture has always been at the forefront of Garrison Diversion, and we continue to promote agriculture by providing leadership and financial support for high-value irrigation research, production, processing and marketing to bolster future growth.

During 2004, Garrison Diversion invested $245,000 in irrigation research at a variety of locations and avenues throughout our district. One area of funding for irrigation research is at the Oakes Test Area, where 3,616 acres were irrigated during the 2004 growing season.

Garrison Diversion continues its efforts to access project pumping power for Garrison Diversion Unit designated irrigation projects. Project pumping power allows the irrigators in the designated areas to irrigate at a reduced power rate. This reduced rate helps promote irrigated agriculture while alleviating some of the financial strains it places on the irrigators.

Garrison Diversion, in conjunction with the ND Water Education Foundation, sponsored a water tour to Canada. Tour participants visited irrigation projects, toured Heartland Fresh Pak, and received an overview and tour of two large commercial vegetable farm operations.



the foundation for structure

We value providing municipal, rural and industrial water delivery and supply for areas of need in North Dakota.

In 2004, the MR&I program, jointly administered by Garrison Diversion and the State Water Commission, expended $15,331,698 for water system projects. Recipients of these funds included All Seasons System IV & V project expansion, Langdon Rural Water, McKenzie County Rural Water, NAWS Phase I & II, Ramsey County Rural Water, Tri-County Water District and Williams Rural Water.

Garrison Diversion partnered with the North Dakota Rural Water Systems Association to assist local communities with developing water conservation plans. In 2004, the project was initiated with an emphasis to work with water systems in the eastern 13 counties. By the end of the year, many of the water systems had started their water conservation planning effort.

the foundation for activity

We value the use and development of recreational opportunities.

Garrison Diversion values enhancing the recreational opportunities available to North Dakota's citizens. For that reason, Garrison Diversion instituted a matching recreation grant program. In 2004, recreation grants totaling over $254,000 were awarded to 18 individual projects.

In 2004, grants were awarded for the following:

- playground equipment at city parks in Binford, Cooperstown, Kindred, and Lakota and the Trenton Lake Recreation Area in Williams County
- installing a boat ramp along the Red River at Grand Forks
- renovating a public restroom/shower facility at the Tobacco Garden Recreation Area in McKenzie County
- interpretive and directional signs along the Rugby shared use path
- RV hookups and a new swimming beach at Silver Lake in Sargent County
- upgrading RV camper pads at Hoffer Lake Recreation Area near McClusky
- constructing a new multi-purpose building at Golden Lake in Steele County
- picnic shelter at Buffalo Lodge Lake in McHenry County
- skate park at Garrison
- arboretum interpretive signage at Kidder Recreation Area in Wahpeton
- continued development at Little Beaver Bay Recreation Area in Williams County
- a joint use path connecting the city of Jamestown to the Jamestown Reservoir
- marketing of the Ft. Seward Annual Wagon Train
- a 4-H multi-purpose building in Maddock

In addition to this new funding, 14 previously approved projects were completed throughout Garrison Diversion's boundaries.

With our foresight set on North Dakota's future, Garrison Diversion, along with other entities, is planning for the anticipated development and expansion of nature-based tourism. In 2004, we assisted Birding Drives Dakota in sponsoring their second annual birding festival and the ND Nature & Rural Tourism Association in sponsoring their third annual conference. To keep North Dakota prospering, it is important to promote our natural resources and events.

the foundation for stewardship

We value forming partnerships to enhance and develop North Dakota's natural resources.

Garrison Diversion, in cooperation with private and public entities, is enhancing and developing North Dakota's natural resources.

Garrison Diversion is continually developing programs to educate the public on North Dakota's natural resources environment. We also provide a leadership role and guidance to various entities in the state that request assistance in promoting their natural environment. We continue to develop and enhance the wildlife habitat on Garrison Diversion lands, with the expectation that these lands will be available for public use.

the foundation for supply

We value meeting the water quantity and quality needs of the Red River Valley in a timely and accurate manner.

If a 1930s-type drought happened today in the Red River Valley, the valley would be short of a water supply, not one, but every single year of the ten-year drought. In the worst case year, the valley would be short half of the needed water.

For this reason, the Red River Valley Water Supply Project was initiated. Garrison Diversion is a co-lead, along with the Bureau of Reclamation, in the Environmental Impact Statement for the Red River Valley Water Supply Project. The Governor designated Garrison Diversion as the state's voice in this process.

The draft Environmental Impact Statement is due December 2005. Included will be a state preferred alternative, which will be the state's preferred method to provide cities and rural water systems in the Red River Valley with the needed water supply.

operations and maintenance

The O&M team is responsible for maintaining the McClusky and New Rockford Canals and the Oakes Test Area. Improvements and work completed in 2004 on the McClusky Canal consisted of repairing slides, rip rapping the canal, and graveling the access roads, along with providing assistance at Audubon Wildlife Refuge. At the New Rockford Canal, the staff repaired slides, graveled the access roads and conducted GIS mapping along the canal. At the Oakes Test Area, new variable frequency drives were installed and 3,616 acres were irrigated.

In addition to routine maintenance work, Garrison Diversion's O&M team changed a low-head bowl to a high-head bowl at Snake Creek Pumping Plant. This change will allow the plant to continue pumping water into Lake Audubon from Lake Sakakawea; the change was prompted by Lake Sakakawea's low water level.

Garrison Diversion, along with the Bureau of Reclamation, is developing an emergency management response plan to handle future emergency water supply problems. This plan is being developed in part due to the Ft. Yates' water supply crisis that occurred in 2003.

information

Management Discussion and Analysis

Introduction

The North Dakota legislature created the Garrison Diversion Conservancy District 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 District 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 35 full-time and seasonal employees. Garrison Diversion's primary focus has changed from irrigation to a more multi-purpose program, with emphasis on the development and delivery of municipal and rural water supplies. Garrison Diversion's initiatives also include natural resources and recreation development; the Red River Valley Water Supply Project; and enhancement of high-value irrigation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Garrison Diversion's basic financial statements. These basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The complete financial reports are contained in the annual audit report.

District-wide Financial Statements

The district-wide financial statements are designed to 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.

Assets, Liabilities and Net Assets

The Statement of Assets, Liabilities and Net Assets, as shown below, lists total net assets of $24,139,171 and $29,451,068 for the fiscal years ended June 30, 2004, and June 30, 2003, respectively. There was a reduction in net assets compared to last fiscal year's net assets. The biggest factor accounting for the reduction in net assets was the appropriation for the MR&I program being $6,576,638 less than the amount spent on construction for the fiscal year.

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 when the money for the project is deposited in the MR&I Fund bank account.)

Statement of Activities

Program Revenue

Total revenues for fiscal years ended June 30, 2004 and June 30, 2003, were $17,553,641 and $12,726,032, respectively. This is an increase of 38%, or $4,827,609. The increase over fiscal year 2003 was the net result of $4,301,925 more appropriations in the MR&I program, and a $871,323 increase in the Red River Valley Water Supply Project, offset by $257,354 less revenue in the OM&R Fund and $88,285 less revenue to the General Fund (Administrative).

GDCD Net Assets

Assets	June 30, 2004	June 30, 2003
Cash	$18,615,586	$23,832,148
Prepaid Expenses	0	2,497
Investments	4,098,112	4,062,866
Land	123,667	127,167
Land Improvements	248,066	248,066
Buildings	694,017	652,020
Equipment	2,665,941	2,689,791
Less accumulated depreciation	(2,136,454)	(1,959,305)
Total Assets	**$24,308,935**	**$29,655,250**
Liabilities		
Due to Employees	$ 2,540	$ 2,809
Compensated Absences	167,224	201,355
Total Liabilities	**$169,764**	**$204,164**
Net Assets		
Invested in Fixed Assets	$ 1,595,237	$ 1,757,739
Operating Fund	1,554,595	1,519,348
O&M Emergency Fund	822,817	822,818
Deficiency Fund	804,146	804,146
Project Development	916,554	916,554
Unrestricted Fund	18,445,822	23,630,463
Total Net Assets	**$24,139,171**	**$29,451,068**

GDCD Statement of Activities

Program Expenses	June 30, 2004	June 30, 2003
General Fund	$1,628,342	$1,581,967
Municipal, Rural & Industrial	18,011,916	12,363,773
Operations, Maintenance & Replacement	2,272,992	4,062,866
Red River Valley Water Supply	952,288	350,886
Total District Activities	**$22,865,538**	**$17,053,293**

Program Revenues		
Taxes	$ 1,202,070	$ 1,109,444
Interest on Investments	303,736	477,207
MR&I Appropriation	11,435,278	7,133,353
Operations, Maintenance & Replacement	3,116,282	3,373,636
Red River Valley Water Supply	1,488,784	617,461
Leases	2,846	11,510
Miscellaneous	4,645	3,421
Total Revenue	**$17,553,641**	**$12,726,032**
Revenue Over (Under) Expenses	(5,311,897)	(4,327,261)
Net Assets, Beginning of Year	$29,451,068	Not Calculated*
Net Assets, End of Year	**$24,139,171**	**$29,451,068**

* Governmental Accounting Standards Board (GASB) rules did not require the calculation of "Net Assets" prior to the 2002/2003 audit.

Red River Valley Water Supply Project

The Red River Valley studies were fully engaged in 2004. Therefore, the revenue from Reclamation increased from $617,461 to $1,488,784, and the expenses increased from $350,886 to $952,288. In addition, the project moved from a reimbursement of expenses type funding to an advance of anticipated expenses funding. Thus, the expenses of $952,288 are significantly less than the revenue of $1,488,784. The actual expenses lag behind the revenue, and it is anticipated that the difference between expenses and revenue will be reduced in future years.

The funds were used to support staff working on the project and to fund consultants doing specific studies for the project.

Program Expenses

Total expenses for all programs in the fiscal years ended June 30, 2004 and June 30, 2003, were $22,865,538 and $17,053,293, respectively. This is an increase of 34%, or $5,812,245. The increase over fiscal year 2003 was the net result of $46,375 more expenses in the General Fund (Administrative), $5,648,143 more spent in the MR&I Program, $601,402 more spent on the Red River Valley Water Supply Project, and $483,675 decreased spending on OM&R.

Capital Assets

Garrison Diversion's investment in capital assets as of June 30, 2004, and June 30, 2003, amounts to $1,595,237 and $1,757,739 (net of accumulated depreciation), respectively. This investment in capital assets includes the headquarters building site, maintenance buildings at McClusky, Oakes and New Rockford, equipment used to maintain our facilities such as mowers, sprayers, and tractors, and construction equipment and vehicles to maintain GDU facilities including dozers, loaders and other related vehicles. We also carry, as an asset, recreational development at Grahams Island, Black Tiger Bay, and Shelvers 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:

- John Deere Gator 4X2 Utility Vehicle
- 2004 Chevrolet Tahoe
- 2004 Pontiac Montana Van
- CAT 163 H Motor Grader
- Dixon Pro 2560 Mower with 60-Inch Deck
- 2004 TN 8.5 X 24 Enclosed Cargo Trailer
- New Aluminum Windows at Headquarters Building
- 2004 Chevrolet Pickup
- 2004 Chevrolet One-Ton Crew Cab Pickup

Economic Factors and Next Year's Budgets

Personnel

Changes made to the administrative staff include the elimination of the Assistant District Engineer and the Sponsored Programs Administrator positions.

There were no significant staffing changes to any of the other programs.

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

Requests for Information

This financial report is designed to provide a general overview of Garrison Diversion's finances for all those with an interest in the District'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 Revenues, Expenditures and General Fund Balance, for the year ending June 30, 2004

Income Budget Analysis Statement for July 1, 2003, to June 30, 2004

	Budget	**Actual**
	FY 2003 - 04	FY 2003 - 04
MR&I Administration	$118,450	$118,450
O&M Administration	$328,000	$347,205
Red River Valley WSP Administration	$94,395	$128,199
Interest Income	$92,800	$94,623
Lease Income	$2,800	$2,846
Tax Levy	$1,037,500	$1,127,276
State Aid Distribution	$65,000	$74,794
Miscellaneous Income	$500	$4,645
Total Income	**$1,739,445**	**$1,898,038**

Expense Budget Analysis Statement for July 1, 2003, to June 30, 2004

	Budget	**Actual**
	FY 2003 - 04	FY 2003 - 04
Directors Per Diem	$50,000	$42,317
Directors Expenses	$75,000	$66,721
Employees Salaries	$642,423	$642,423
Employees Expenses	$86,862	$66,795
Payroll Taxes & Benefits	$277,100	$262,253
Operations Expenses	$164,243	$128,418
Research	$241,000	$223,500
Public Education	$151,541	$100,369
Professional Services	$211,123	$196,123
Legal	$15,939	$15,939
Maintenance & Repair	$49,163	$19,606
Irrigation District Expenses	$5,000	$3,220
Capital Purchases	$160,383	$70,879
Recreation Matching	$207,500	$153,044
Natural Resources Trust	$16,300	$16,289
Total Expenses	**$2,353,577**	**$2,007,896**

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