



*The effect of one. . . on many.*

**2004**  
**ANNUAL OPERATING**  
*report*





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## ORGANIZATIONAL CHART





## SOUTHWEST WATER AUTHORITY BOARD MEMBERS



**Back, Left to Right:** Brian Roth, Grant County; Ray Bieber, Hettinger County; Larry Bares, city of Dickinson; Darrel Oech, Golden Valley County; Duane Bueligen, Oliver County; Emanuel Stroh, Dunn County; David Juntunen, Slope County. **Front, Left to Right:** Steve Tomac, Morton County; James Odermann, Billings County; Don Flynn, Vice Chairperson, Bowman County; Loren Myran, Chairperson, Stark County; Leonard Jacobs, Secretary/Treasurer, Adams County; John Klein, Mercer County; Larry Ziegler, city of Dickinson.

## ND STATE WATER COMMISSION MEMBERS

John Hoeven, Governor/Chairman, Bismarck, ND  
 Roger Johnson, Agriculture Commissioner, Bismarck, ND  
 Charles "Mac" Halcrow, Drayton, ND  
 Larry L. Hanson, Williston, ND  
 Elmer B. Hillesland, Grand Forks, ND  
 Curtis L. Hofstad, Starkweather, ND  
 Jack Olin, Dickinson, ND  
 Harley Swenson, Bismarck, ND  
 Robert G. Thompson, Page, ND



## SOUTHWEST WATER AUTHORITY STAFF



**Row One:** Ray Christensen, Manager/CEO; Mary Massad, CFO/Office Administrator; Glenn Eckelberg, Marketing Coordinator; Lee Messer, Water Distribution Manager. **Row Two:** James Dworshak, Water Treatment Plant Manager; Carol Schmaltz, Administrative Assistant; Vickie Franchuk, Customer Service Representative. **Row Three:** Sandra Burwick, Accountant/Assistant Office Administrator; Dale Binstock, Chief Water Distribution Operator; Dan Roller, Operations Specialist; Steve Ries, Water Treatment Plant Operator. **Row Four:** Andrew Erickson, Jr., Water Distribution Operator, Reeder Office; Russ Kostelecky, Water Distribution Operator; Allen Hecker, Assistant Chief Water Distribution Operator. **Row Five:** Roger Dick, Water Treatment Plant Operator; Terry Eckelberg, Water Distribution Operator; Guy Mischel, Water Treatment Plant Operator; Todd Gordon, Maintenance Electrician. **Row Six:** Marty Heid, Water Distribution Maintenance Worker, Elgin Office; Clint Scott, Water Distribution Operator; John F. Nadvornick, Water Treatment Plant/Distribution Maintenance Worker II



## WATER TO BEACH, AN IMPORTANT MILESTONE

**Dale Frink, State Engineer, ND State Water Commission**

The Southwest Pipeline Project (SWPP) accomplished a long-term objective in October, 2004, with the connection of the city of Beach. All of the original cities that signed up for water and remained with the project have now been served. While much construction remains, this is a major milestone for the project and bares particular significance to me personally. When I first began my career at the State Water Commission in 1971, I worked on the West River Diversion study, the precursor to the Southwest Pipeline Project. In 1985 I became the project manager of the SWPP, a position I held until 1989. Construction on the project began during my tenure and I had the pleasure of working with many of the cities on their water service contracts. It is, therefore, particularly gratifying to have been the State Engineer at the time this milestone was reached.

Completing the rural water distribution system in the Medora, Beach Service Area and the unserved areas of Morton County are the next objectives for the SWPP. After that, it will be on to the Oliver, Mercer, North Dunn Service Area, the last remaining area of the project.

As always, future funding remains a challenge. Improved drinking water is just one of the many funding priorities faced by the North Dakota Legislature and United States Congress. I believe programs, such as Municipal, Rural and Industrial (MR&I) and USDA-Rural Development, are in place to meet a considerable portion of the needs. These programs need adequate funding. While the MR&I program is authorized to provide over \$200 million federal dollars to North Dakota, the annual appropriations are far below our needs. The state MR&I program was only appropriated \$3 million for fiscal year 2005 and the President's budget only includes \$4 million for fiscal year 2006. This is far less than the statewide need. We must all work together to increase the annual appropriations.

The SWPP continues to be a great success story for North Dakota. Congratulations to all who have contributed so much to this worthy cause. Although it has taken many years to get this far, we need to keep our eye on the goal of completing the project.



**DALE FRINK, STATE ENGINEER  
ND STATE WATER COMMISSION**



## QUALITY WATER, AN INVESTMENT IN NORTH DAKOTA

**Loren Myran, Chairperson,** Southwest Water Authority

I believe that developing water infrastructure is an investment in North Dakota's future. It supports the dream of strong and vibrant rural communities and benefits people and business alike. The Southwest Pipeline Project (SWPP) plays a vital role in making that dream become reality.

Over the past 20 years, SWPP has connected 26 communities and approximately 2,600 rural customers to an adequate supply of quality water. Through that investment, we now see people and businesses succeeding with quality water – businesses like Bully Pulpit Golf Course, Theodore Roosevelt Medora Foundation and in the near future, Red Trail Energy, LLC.

That investment allows families to drink quality water from their faucets and bathe their babies in clear water. It provides ranchers an opportunity to improve grazing rotations in pastures weathered by years of drought. Where else do you get a better return on your investment?

The pipeline's most significant success in 2004 was delivering water to the communities of Beach and Sentinel Butte. The arrival was timely as Beach faced deteriorating wells with marginal water quality.

As in the past, our most significant hurdle is securing adequate funding by state and federal entities. Their continued investment is necessary to construct SWPP's remaining service areas – Medora, Beach, Morton Service Area Phase II and the Oliver, Mercer, North Dunn Service Area.

We know that pursuing the investment of developing water infrastructure will be a challenge. Nonetheless, our vision of people and business succeeding with quality water fuels a relentless determination to complete this project.

On behalf of the Southwest Water Authority Board of Directors, management and staff, I invite you to join us in this quest. Contact your state and federal legislators. Ask them to **invest** in North Dakota's future, our future – by providing adequate funding for water infrastructure and development.



**LOREN MYRAN, CHAIRMAN**  
**SOUTHWEST WATER AUTHORITY**



## 2004 CONSTRUCTION SUMMARY

### **Jim Lennington, Project Manager, Southwest Pipeline Project**

The past construction season completed the first phase of the Medora, Beach, Morton Service Area. With completion of the transmission pipeline, tanks and booster pump stations, the project is poised to construct the rural water distribution system in western Stark, Billings and Golden Valley Counties and the unserved parts of Morton County.

In all, approximately \$4.98 million was spent on construction of the Southwest Pipeline Project (SWPP) in 2004. The last 25 miles of the 46.4 miles of 12 inch through six inch pipe on the main transmission pipeline between Belfield and Beach was completed. The Belfield, Fryburg and Beach tanks were also completed. These tanks have capacities of 750,000, 480,000 and 420,000 gallons respectively. To put the size of these tanks in perspective, the city of Beach, with a population of 1,116 people (based on the 2000 census), would use approximately 112,000 gallons per day, on average.

Prior experience with rural water users signing up during construction recurred during construction of the first phase of the Fryburg Service Area rural water distribution system. We started the contract with 21 miles of distribution pipelines and 23 users. We finished with 46 miles of pipe and 70 users. People tend to be more interested in rural water when they see construction occurring in their area. Those who may have been skeptical about the value of rural water have second thoughts and decide that it makes good economic sense. The increased number of users dramatically improved the feasibility of the rural water distribution system in the area. Luckily for these users, we had enough funding available to accommodate them all.

This phenomenon or aspect of human nature, while exciting, complicates the planning process. We do not know ahead of time who the additional users might be and where they are located. By signing up before design, customers pay less in sign up fees and we have a more efficient process of plotting water distribution pipelines and determining water needs.

While we were able to serve the additional customers of the Fryburg Service Area, this phenomenon can also work against people. For example, if enough people decline to participate, an area may not meet feasibility criteria developed by the ND State Water Commission and the Southwest Water Authority. This may result in an area being removed entirely from construction plans.

I expect the phenomenon to be repeated in the future and continue to add complexity to the already challenging process of developing a regional water supply system.



**JIM LENNINGTON, PROJECT MANAGER  
ND STATE WATER COMMISSION**

## MILESTONE CROSSED, PROJECT DEVELOPMENT CONTINUES

**Ray Christensen, Manager/CEO, Southwest Water Authority**

On behalf of the Southwest Water Authority (SWA) Board of Directors, management and staff, thank you customers for another very successful year. Drought conditions continued to persist in southwest North Dakota, increasing the demand for a dependable supply of quality water. This was evidenced by the number of stock producers who signed up for water as subsequent users.

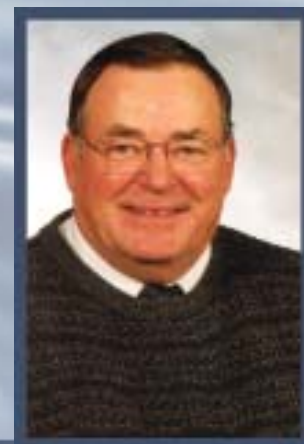
This has been quite a momentous year – one of significant milestones for the Southwest Pipeline Project (SWPP) and other area rural water systems. In the fall, SWPP reached its western most community, Beach. Now complete, Phase I of the Medora, Beach, Morton Service Area serves Sentinel Butte, Medora, Beach and 70 rural customers. A celebration was held in Beach, October 8, 2004, to celebrate this historic event. After struggling many years with funding issues, Perkins County Rural Water System (PCRWS) began the first phase of their project. They provided service to several rural users late in 2004 and celebrated this accomplishment in Lodgepole, South Dakota. We congratulate PCRWS on their perseverance in bringing quality water to those who have also waited a long time. It is very rewarding to attend these celebrations. They provide an opportunity to reflect on and admire the accomplishment of those who have worked hard to make rural water a reality. These celebrations, and those customers patiently awaiting service, fuel our determination to complete the SWPP.

In our 20th year of construction, we will focus on Phase II of the Medora, Beach, Morton Service Area, including 430 rural customers, the community of Golvea and remaining pockets in eastern Morton County. As always, funding will be the key issue in determining the SWPP's ability to advance. Thus, we have joined the North Dakota Water Coalition and other statewide water interests in developing a request that adequately funds the state's "critical water needs".

SWA strongly supports this united approach. We are very determined and confident that, through this unified effort and continued cooperation and support from Governor Hoeven, the Congressional Delegation, the North Dakota Legislature, local, state and federal agencies, North Dakota Water Coalition and the North Dakota Rural Water Systems Association, we can complete the SWPP.

Perhaps the biggest obstacle for statewide rural water systems is the critical need to increase funding at the federal level, especially Municipal, Rural and Industrial funding. Rest assured, we will persevere in securing the funding necessary to complete SWPP.

We are truly fortunate to employ people who are so dedicated to the success of the SWPP. Each one is uniquely driven to provide quality service for our valued customers, whether through excellent customer service, easement and sign up acquisition, system operations and maintenance or maintaining a quality product. They fully understand the huge responsibility we face in providing a quality, safe, dependable water supply. I am also blessed with an excellent board of directors who are committed to customer service excellence and dedicated to project completion. Directors, management and staff alike look forward to another successful year in 2005.



**RAY CHRISTENSEN, MANAGER/CEO**  
**SOUTHWEST WATER AUTHORITY**



## INTRODUCTION

The Southwest Water Authority (SWA), a political subdivision, was established by the North Dakota State Legislature in 1991 to manage, operate and maintain the Southwest Pipeline Project (SWPP). The SWA is governed by a 14 member board of directors. One director represents each county within the SWPP Service Area including Adams, Billings, Bowman, Dunn, Golden Valley, Grant, Hettinger, Mercer, Morton, Oliver, Slope and Stark, and two directors represent the city of Dickinson.

The SWPP, a state-owned project administered by the ND State Water Commission and operated and maintained by SWA, transports raw water from Lake Sakakawea to Dickinson where it is treated and delivered to customers in southwest North Dakota and Perkins County in South Dakota.

For 19 years, SWPP has been constructing an efficient network of pipelines, pump stations, reservoirs and treatment facilities to bring southwest North Dakota an adequate supply of quality water. To date, 26 communities, approximately 2,600 rural service locations, eight contract customers, five raw water customers and Perkins County Rural Water System are served by the pipeline. SWA had a total of 70 rural customers and two contracts, Home on the Range and West Medora Campground, turned over for service in 2004. The cities of Beach, Sentinel Butte and Medora were also turned over for service. Beach and Sentinel Butte received water in 2004 and Medora chose to receive water in 2005.

The SWPP pumped a total of 1,156,921,000 gallons of water from Lake Sakakawea in 2004, an increase of 14,260,000 gallons over 2003. Potable water delivered in 2004 was 1,113,088,000 gallons. Contract users consumed 965,676,700 gallons and 147,411,300 gallons were used by rural customers. Total raw water delivered in 2004 was 2,130,150 gallons. Potable water used by contractors during construction totaled 8,191,130 gallons. The water delivered to the end user was 97.1 percent of the total water pumped from Lake Sakakawea by SWPP.

In 2004, a new satellite facility in Elgin was constructed to enhance the quality of service to customers in that area. Also during the year, a pipe storage building was constructed near the Operations and Maintenance Center in Dickinson.

For the third year in a row, SWA Directors voted to absorb the required Consumer Price Index increase in capital repayment fees for both contract and rural customers. This action is consistent with the board's goal of stabilizing rates for customers. This goal is accomplished by increasing the number of customers and increasing water sales. The action is also consistent with the board's philosophy that SWA is in business to manage, operate and maintain the pipeline while covering costs.

SWA held its Fifth Annual "Make A Splash" Water Festival in the fall, inviting fifth grade students from the entire service area to attend. Everyone enjoyed hands-on activities while learning about water and other natural resources. The festival, held September 23-24 at the Dickinson Recreation Center, was truly an adventure in water education. A total of 900 students, teachers and chaperones from 25 schools participated in a variety of presentations, as well. A family event was hosted with nearly 1,000 participants attending. Guests enjoyed an evening of entertainment and education!



## SERVICE 2004

### TREATED WATER USERS      GALLONS USED

ASSUMPTION ABBEY .....	1,643,000
BAKER BOY .....	1,411,800
BEACH .....	6,942,700
BELFIELD .....	28,921,800
CARSON .....	9,695,800
DICKINSON .....	641,749,700
DICKINSON RESEARCH CENTER .....	665,500
DODGE .....	4,088,000
DUNN CENTER .....	2,456,400
ELGIN .....	19,922,300
GLADSTONE .....	5,707,100
GLEN ULLIN .....	23,339,800
GOLDEN VALLEY .....	5,090,100
HALLIDAY .....	6,666,500
HEBRON .....	22,381,200
HETTINGER .....	59,414,200
KARSKY DAIRY .....	1,912,300
MANNING .....	1,321,200
MOTT .....	23,174,300
MOTT GRAIN .....	644,300
NEW ENGLAND .....	20,583,600
NEW HRADEC .....	1,372,600
NEW LEIPZIG .....	8,420,800
PERKINS COUNTY RURAL WATER SYSTEM .....	4,958,900

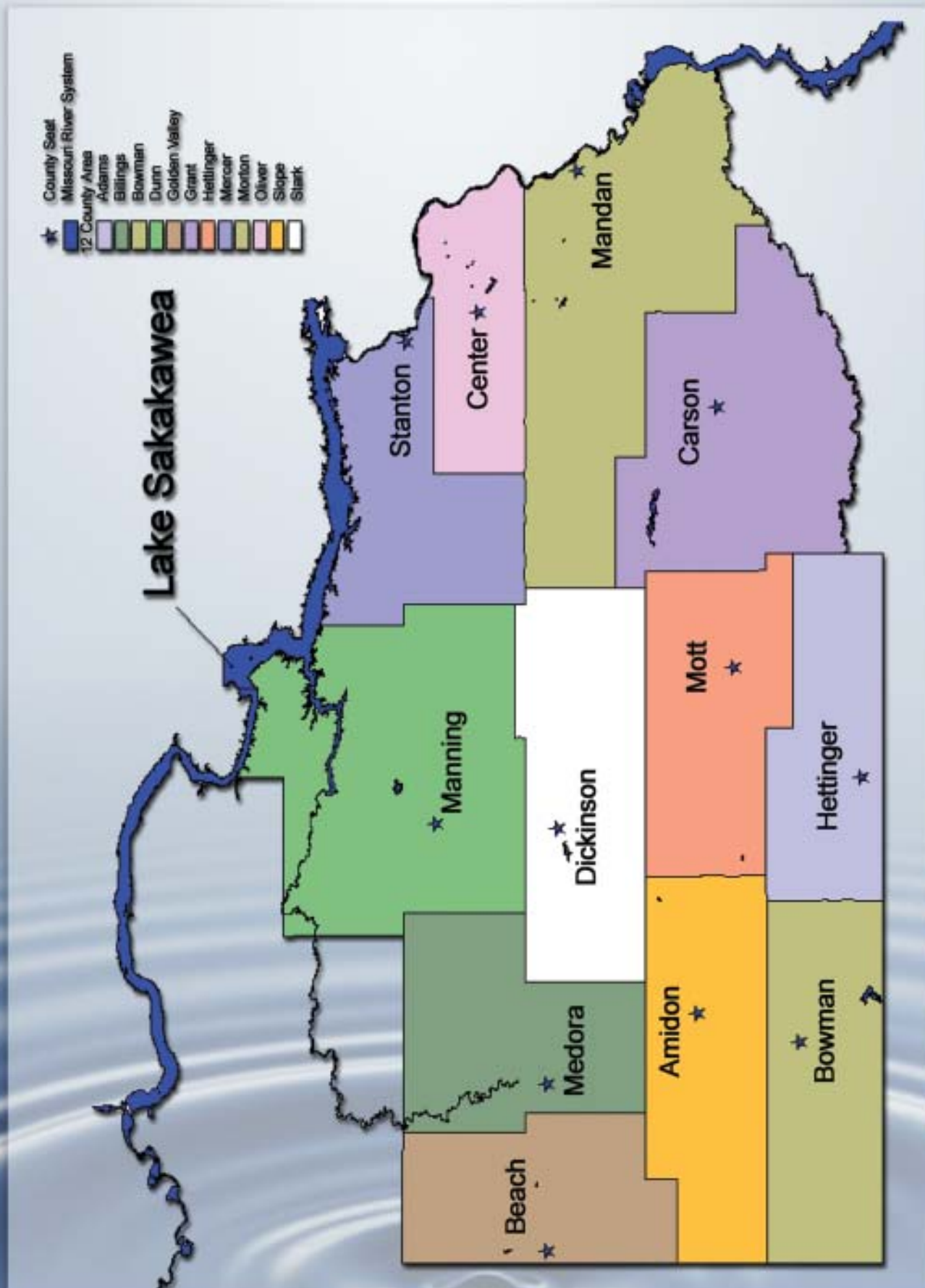
PRAIRIE LEARNING CENTER .....	1,423,000
REEDER .....	5,108,700
REGENT .....	6,829,600
RICHARDTON .....	16,917,200
SACRED HEART MONASTERY .....	720,000
SCRANTON .....	12,716,300
SENTINEL BUTTE .....	1,559,100
SOUTH HEART .....	10,877,100
STEFFES MANUFACTURING .....	3,180,800
TAYLOR .....	3,861,000
RURAL USAGE .....	147,411,300
CONSTRUCTION .....	8,191,130
<b>TOTAL TREATED WATER .....</b>	<b>1,121,279,130</b>

### RAW WATER USERS      GALLONS USED

ASSUMPTION ABBEY .....	80,300
JURGENS FARMS .....	593,000
LORENZ FARMS .....	51,750
TAYLOR NURSERY .....	1,044,100
SACRED HEART MONASTERY .....	361,000
<b>TOTAL RAW WATER .....</b>	<b>2,130,150</b>



## SOUTHWEST WATER AUTHORITY SERVICE AREA - 12 COUNTIES



## INDEPENDENT AUDITOR'S REPORT

Note: This is not a complete set of financial statements. A complete set is available at Southwest Water Authority's office.

**BRADY  
MARTZ**

CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southwest Water Authority  
Dickinson, North Dakota

We have audited the accompanying financial statements of the business-type activities of Southwest Water Authority, as of and for the year ended December 31, 2004, which collectively comprise the Southwest Water Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southwest Water Authority management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Southwest Water Authority, as of December 31, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the basic financial statements, the Authority has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-For State and Local Governments*, GASB No. 37, *Basic Financial Statement and Management's Discussion and Analysis-For State and Local Government's: Omnibus*, and GASB No. 38, *Certain Financial Statement Note Disclosures* as of January 1, 2004. This results in a change to the Authority's format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 2005 on our consideration of Southwest Water Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

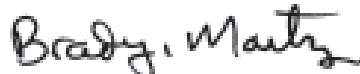


## INDEPENDENT AUDITOR'S REPORT

Note: This is not a complete set of financial statements. A complete set is available at Southwest Water Authority's office.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supporting schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Brady Martz".

**BRADY, MARTZ & ASSOCIATES, P.C.**

February 10, 2005



## INDEPENDENT AUDITOR'S REPORT

Note: This is not a complete set of financial statements. A complete set is available at Southwest Water Authority's office.

### **SOUTHWEST WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2004**

As management of the Southwest Water Authority, we offer readers of the Southwest Water Authority's financial statements this narrative overview and analysis of the financial activities of the Southwest Water Authority for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with Authority's financial statements and footnotes, which are presented within this report.

As this is the first year that the financial statements are presented in this format, there will be no comparative data with last year.

#### **Financial Highlights**

The assets of the Southwest Water Authority totaled \$9,365,629 as of the end of the year. The liabilities totaled \$736,453. The net assets exceeded its liabilities at the close of the most recent fiscal year by \$8,629,176.

The majority of assets are in the form of cash and cash equivalents in the form of short-term CD's as well as investments held at the American Trust Center.

A total of \$5,271,818 at cost is held in the Trust Department at the American Trust Center. The fair value of these investments was \$5,278,797. The fair value of the investments that is the Replacement and Extraordinary Maintenance Fund is \$4,226,489. The Replacement and Extraordinary Maintenance Fund was established by the North Dakota Legislature when the Southwest Pipeline Project was authorized. This fund was created to cover costs of an extraordinary nature and/or to replace parts of an aging distribution system. A portion of the water rate charged by Southwest Water Authority is to finance this fund. The current rate is \$.35 per 1,000 gallons sold to all customers. In addition, \$.10 per 1,000 gallons sold to rural customers is also collected for the rural distribution system. The fees are deposited on a monthly basis into this fund.

The amount in the Escrow Fund is \$499,269. Of this last amount, \$281,931 are the hookup fees paid by customers to sign up for water. If the Southwest Water Authority is unable to serve these individuals, the hookup fees must be refunded.

Total cash in bank as of the end of the year is \$2,889,489. This is made up of checking and money market accounts as well as certificates of deposit.

The liabilities total \$736,453. Of this amount, \$417,370 are current liabilities mostly in the form of accounts payable. The long-term liabilities total \$319,083. Of this amount, \$281,931 is deferred revenue or hook up fees held in escrow by customers who have signed up for water service with the Southwest Pipeline Project. When service becomes available, these funds will be released and will then be recognized as revenue. If the Southwest Pipeline Project is unable to provide water service, these hookup fees will be refunded to the individual.

# INDEPENDENT AUDITOR'S REPORT

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## MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Southwest Water Authority's basic financial statements. The Southwest Water Authority's basic financial statements comprise four components: 1) Balance Sheet, 2) Statement of Revenues, Expenses and Changes in Net Assets, 3) Statement of Cash Flows and 4) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Southwest Water Authority's finances, in a manner similar to a private-sector business.

The *balance sheet* presents information on all of the Southwest Water Authority'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 the Southwest Water Authority is improving or deteriorating.

### CONDENSED BALANCE SHEET

<b>ASSETS</b>	
Unrestricted current assets	\$ 4,551,020
Restricted noncurrent assets	4,267,705
Capital assets	<u>546,904</u>
Total Assets	<u>\$ 9,365,629</u>
<b>LIABILITIES</b>	
Current liabilities	\$ 417,370
Long-term liabilities	<u>319,083</u>
Total Liabilities	<u>736,453</u>
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	546,904
Restricted net assets	4,267,705
Unrestricted net assets	<u>3,814,567</u>
Total Net Assets	<u>8,629,176</u>
Total Liabilities and Net Assets	<u>\$ 9,365,629</u>

The statement of revenues, expenses, and changes in net assets presents information showing how the entity's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.





## INDEPENDENT AUDITOR'S REPORT

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### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

#### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating revenues:	
Sales	\$ 4,386,073
Hook up fee transfers	48,151
Other	<u>153,824</u>
Total operating revenues	<u>4,588,048</u>
Operating expenses:	
Transmission	2,110,652
Distribution	1,006,640
Board of directors	121,060
Administrative	398,736
Easement acquisition	39,379
Rural water sign-up	44,213
Customer service	58,467
Treatment	549,556
Grass Seeding	<u>56,555</u>
Total operating expenses	<u>4,385,258</u>
Operating income	<u>202,790</u>
Nonoperating revenues:	
Property taxes	193,778
Unrealized loss on investments	(23,962)
Investment income	278,689
Other	<u>436</u>
Total nonoperating revenues	<u>448,941</u>
Change in net assets	651,731
Total net assets - beginning of year	<u>7,977,445</u>
Total net assets - end of year	<u>\$ 8,629,176</u>

#### Fund financial statements.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Southwest Water Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Southwest Water Authority has one fund, an enterprise fund. The enterprise fund is for the Operations and Maintenance of the Southwest Pipeline Project. The main sources of revenue for this fund are from the sale of water and from a mill levy that is levied by the Southwest Water Authority in the amount of one mill in each of the twelve counties that are a part of the Southwest Water Authority.

## INDEPENDENT AUDITOR'S REPORT

Note: This is not a complete set of financial statements. A complete set is available at Southwest Water Authority's office.

### MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The revenues from the sale of water totaled \$4,386,073. The net income for each department are transmission of \$197,230, distribution net income of \$129,915 and treatment net income of \$40,190.

The mill levy generated income of \$193,778 for the year. The administration activities had a net loss of \$82,498. This was due to the Southwest Water Authority paying the construction costs of getting water to Home on the Range. This cost was \$99,398. Administration includes activities for the board of directors, administration, sign-up an easements.

Other major items of note were the paving of the parking lot at the Water Treatment Plant. This was paid for by the Southwest Water Authority with reimbursement being approved from the board and the State Water Commission for the release of the funds from the Replacement and Extraordinary Maintenance Fund. The total cost for the paving project was \$164,859. Moneys were also received from this fund for the replacement of voltage regulators at the Richardson substation for a total cost of \$28,260.

Overall the actual revenues and expenses were within the overall budget. Revenues were within budgeted numbers for the year without any significant variance. The revenues were within 4% of projections and the expenses were within reason of the budget parameters.

The Southwest Water Authority sold a total of 1,123,409,280 gallons of water in 2004. This is .30% over the projection for the year of 1,120,000,000 gallons.

#### Requests for Information

This financial report is designed to provide a general overview of the Southwest Water Authority's finances for all those with an interest in the Southwest Water Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Chief Financial Officer, Southwest Water Authority, 4665 Second Street SW, Dickinson, ND 58601-7231. You can also contact the Southwest Water Authority online at [swa@swwater.com](mailto:swa@swwater.com) or visit on the web at [www.swa.swc.state.nd.us](http://www.swa.swc.state.nd.us).



# INDEPENDENT AUDITOR'S REPORT

Note: This is not a complete set of financial statements. A complete set is available at Southwest Water Authority's office.

## ***SOUTHWEST WATER AUTHORITY DICKINSON, NORTH DAKOTA***

### ***Balance Sheet***

***December 31, 2004***

#### **ASSETS**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 856,962
Investments	3,084,845
Receivables:	
Accounts (net of allowance of \$6,008)	350,872
Interest	16,629
Prepaid expenses	24,994
Inventory	216,718
<b>Total current assets</b>	<b>4,551,020</b>
<b>Noncurrent Assets</b>	
Restricted assets:	
Investments	4,226,489
Interest receivable	41,216
Improvements, furniture and equipment, net	546,904
<b>Total noncurrent assets</b>	<b>4,814,609</b>
<b>Total Assets</b>	<b>\$ 9,365,629</b>

#### **LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>	
Accounts payable	\$ 279,678
Accrued salaries	64,421
Compensated absences, current portion	47,740
Accrued expenses	25,531
<b>Total current liabilities</b>	<b>417,370</b>
<b>Long-term Liabilities</b>	
Compensated absences, net of current portion	33,392
Deferred revenue	281,931
Rental deposits from tenants	3,760
<b>Total long-term liabilities</b>	<b>319,083</b>
<b>Total liabilities</b>	<b>736,453</b>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	546,904
Restricted for replacement	4,267,705
Unrestricted	3,814,567
<b>Total Net Assets</b>	<b>8,629,176</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,365,629</b>

The accompanying notes are an integral part of these financial statements.



# INDEPENDENT AUDITOR'S REPORT

Note: This is not a complete set of financial statements. A complete set is available at Southwest Water Authority's office.

## ***SOUTHWEST WATER AUTHORITY DICKINSON, NORTH DAKOTA***

### ***Statement of Revenues, Expenses and Changes in Fund Net Assets***

***For the year ended December 31, 2004***

Operating revenues:	
Sales	\$ 4,386,073
Hook up fee transfers	48,151
Other	<u>153,824</u>
Total operating revenues	<u>4,588,048</u>
Operating expenses:	
Transmission	2,110,652
Distribution	1,006,640
Board of directors	121,080
Administrative	398,736
Easement acquisition	39,379
Rural water sign-up	44,213
Customer service	58,467
Treatment	549,556
Grass Seeding	<u>56,555</u>
Total operating expenses	<u>4,385,258</u>
Operating income	<u>202,790</u>
Nonoperating revenue:	
Property taxes	193,778
Unrealized decrease on investments	(23,962)
Investment income	278,689
Other	<u>436</u>
Total nonoperating revenue	<u>448,941</u>
Change in net assets	651,731
Total net assets - beginning of year	<u>7,977,445</u>
Total net assets - end of year	<u>\$ 8,629,176</u>

The accompanying notes are an integral part of these financial statements.

## OPERATIONS AND MAINTENANCE SUMMARY

Operations and Maintenance (O&M) activities increase with each passing year. New features are added to the system while the older components begin to show signs of wear and tear due to time and usage.

In 2004, new features were provided when construction of the main transmission line from Belfield to Beach and the rural distribution lines in the Belfield, Fryburg, and Medora areas were completed. Approximately 90 miles of pipeline and related appurtenances, three reservoirs and eleven prefabricated steel vaults were added to our O&M inventory with the completion of these construction contracts. Primary responsibility for these new components was assigned to Water Distribution Operator Russ Kostelecky, who continues to provide service in the Belfield Service Area between Dickinson and Belfield. The Davis Buttes and New Hradec Service Areas, previously assigned to Russ, have been reassigned to Clint Scott who certified as a Grade 01 Water Distribution Operator in 2004. Operator Andy Erickson of the Reeder office completed rural water hookups for new customers in the Bowman Service Area and assumed O&M responsibility for the Perkins County Master Meter Vault. Other additions include a 1,200 square foot office and shop building in Elgin and a 28,000 cubic foot cold storage building at O&M headquarters.

Items that required attention, beyond routine maintenance, included replacement of sacrificial anodes in the Halliday and Hebron reservoirs and at eleven of the prefabricated steel vaults. A south zone pump motor at the Dickinson High Service Pump Station had a burned winding that required rewinding. An east zone pump motor from this same facility required new bearings. Lead wires between a cathodic protection rectifier and its associated anodes were replaced due to defects in the original wire's insulation, causing frequent open circuit failures. Six of the old style blowoffs, which utilized buried butterfly valves, were replaced with the new style, allowing access to one of the valves for maintenance. A total of eleven leaks were repaired during the past year, two of which were repaired under warranty by the contractor. Five of the leaks were on main transmission lines and six were on rural distribution lines.

Staff members performed routine O&M throughout the year at pump stations, meter vaults, pressure reducing valve (PRV) vaults, reservoirs and their control vaults. All pipeline appurtenances, including line valves, blowoffs, cleanouts, and air relief valves were exercised. Cathodic protection levels on metallic lines and reservoirs were monitored and adjusted, as needed. Operators responded to customer concerns and performed hundreds of rural meter spot checks. Southwest Water Authority received and responded to over 1,700 line locate requests from individuals and contractors preparing to dig or excavate. The four raw water reservoirs and three of the treated water reservoirs were cleaned and inspected.

Water quality continued to be a high priority issue and the distribution operators continuously monitored chlorine residuals throughout the distribution system. Samples were collected and submitted to various testing facilities to comply with North Dakota Department of Health mandated regulations. In addition, voluntary testing for phosphates and nitrates were completed on a routine basis.



## WATER TREATMENT PLANT

In 2004, the Water Treatment Plant (WTP) treated a total of 1,156,921,000 gallons of water, for a daily average of 3,169,650 gallons. While the plant is designed to treat 12,000,000 gallons per day, there were ten days in 2004 that the treatment plant ran near or over fifty percent of its capacity. There were 352 operating days, 3,413 operating hours and 148 filter backwashes.

The present water treatment chemicals being used for the processing of water are quicklime for softening, PHI 2325 as a cationic coagulant aid, PHI 3330 as a cationic flocculant, KS-7104 as a corrosion inhibitor, fluoride, carbon dioxide and chlorine and ammonia as disinfectants. In an effort to reduce maintenance problems, the WTP switched from using anhydrous ammonia to using ammonium sulfate as part of the pretreatment process. Not only has this reduced maintenance problems, it has provided a cost savings, as well.

Routine maintenance was performed throughout the year. Items to note include replacing a capital control chlorine ejector with a new Superior EJ 390 PPD hi-low pressure chlorine ejector, removing the old electro-dryer, the duct work and the natural gas line, replacing two on-line Microtol turbidimeters in the green leaf pipe gallery, replacing high-service pump number five contactor and overload relay and replacing the desiccant bed drum on the north dehumidifier.

The old incandescent lighting was removed and replaced with new fluorescent lighting in the basement area of the WTP. A safety handrail was installed between the two CO<sub>2</sub> storage tanks. The exterior of the plant building was caulked and the brown exterior trim on the pumping station was painted. The parking lot improvement project was also completed during the year.

Basin 105 was drained, cleaned and spot painted. To meet the requirements of the Filter Backwash Recycling Rule, modifications were completed to the existing six inch PVC piping to redirect backwash recycle flow within the existing contact basin 105 to the primary zone. This modification will ensure that the entire backwash recycle flow is being returned to a location, such that all processes of treatment are utilized.



## WATER TREATMENT PLANT, CONTINUED

Water Treatment Plant (WTP) personnel made weekly, and sometimes biweekly, trips to the Dodge Pumping Station and/or the Intake to check on treatment chemicals, chemical feed equipment and to conduct any maintenance needed on the equipment. A Surface Water Treatment Workshop and the 2004 Annual North Dakota Water and Pollution Control Conference were attended by WTP personnel.

Southwest Water Authority (SWA) presented its annual Consumer Confidence Report, providing information on drinking water and opportunities for involvement in water source protection. SWA's water system meets or exceeds all requirements established by the Environmental Protection Agency. This report can be found on SWA's Web site at [www.swa.swc.state.nd.us](http://www.swa.swc.state.nd.us).

An additional highlight is that SWA qualified for total organic compound (TOC) reduced monitoring. The last two consecutive years the water was at 1.84 mg/l for TOCs. This meets one of the conditions to reduce monitoring to a quarterly basis. Also, the North Dakota Department of Health performed a routine inspection of the WTP and sludge recycling building. Overall, the routine inspection was successful, as they found the plant, housekeeping and records in compliance with regulations. Once again, the staff at the WTP is commended for receiving the Certificate of Compliance for satisfactory fluoride and turbidity levels in our drinking water.





## EASEMENT ACQUISITION AND SIGN UP SUMMARY

2004 ushered in the beginning of the Medora, Beach, Morton Phase of the Southwest Pipeline Project (SWPP) Phased Development Plan. This service area will be the final one to be served by the water treatment plant located in Dickinson. The Oliver, Mercer, North Dunn Service Area will be served by a second water treatment plant, according to current design plans.

Public information meetings were held in three pocket areas of the Medora, Beach, Morton Service Area, including Trotters, Fairfield and southeast Morton County. These areas were of concern due to the low sign up and high cost to provide service. Another canvas of the area resulted in a substantial increase in new customers. Southeast Morton County added 39 new customers, making that area a feasible project. The Fairfield and Trotters pockets added 13 and 15 new customers, respectively. Both the Fairfield and Trotters pockets will need additional customers to become feasible for construction.

Meetings were also held with Beulah and Zap city commissions to pursue the idea of providing interim service to County Club Estates, Zap and rural customers along a one-half mile corridor paralleling the main line to Zap. A sign up campaign was implemented to determine interest in this pocket area. The results of this final sign up campaign netted 37 customers within County Club Estates and 18 rural customers outside of Country Club Estates. The total number of customers for this area was 55, in addition to the community of Zap.

Easement acquisition began for the Medora, Beach Phase I project. A total of 89 landowners were contacted for 46 miles of rural water line right-of-way. The project began with 23 customers and when it was completed 70 customers received service from the SWPP. Bid letting was held February 25, 2004, and Abbot, Arnie, Schwindt Contractors were the successful recipients of the contract for Medora, Beach Phase I project.

Subsequent customers increased substantially in 2004 resulting in 67 new customers. Red Trail Energy of Richardton indicated that they would be interested in receiving raw water service of 450 to 600 gallons per minute and notified Southwest Water Authority of their intent contingent on a successful fundraising campaign. Subsequent customers may connect to the SWPP, if system capacity allows. Subsequent customers are responsible for acquiring easements and all construction costs to install their service from the nearest SWPP transmission line.



# POTABLE WATER USAGE

Total From Potable Water Contracts – Per 1,000 Gallons

User	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	User Total
Assumption Abbey	117.0	97.0	135.0	125.0	165.0	163.0	294.0	170.8	106.2	94.0	83.0	93.0	1,643.0
Baker Boy	110.1	102.0	64.6	96.5	113.4	202.5	161.9	159.1	152.0	112.6	67.2	69.9	1,411.8
Beach													
Belfield	2,012.4	1,614.6	1,539.5	1,962.9	2,350.8	3,001.9	4,115.6	3,116.7	2,455.4	1,334.7	2,603.5	3,004.5	6,942.7
Carson	867.2	816.6	637.1	736.8	791.4	729.4	1,116.5	975.5	876.9	2,329.9	1,761.1	2,661.0	28,921.8
Dickinson	47,722.9	39,457.5	40,066.5	46,921.9	49,948.9	63,162.2	84,136.1	68,585.8	60,545.1	53,168.1	40,724.2	47,310.5	641,749.7
Dickinson Research	42.0	22.9	36.3	46.9	55.4	123.2	65.4	48.1	48.3	61.0	48.2	67.8	665.5
Dodge	316.0	232.0	213.0	249.0	372.0	541.0	495.0	347.0	297.0	313.0	257.0	456.0	4,088.0
Dunn Center	192.9	185.7	157.9	179.2	184.0	205.9	291.1	284.4	219.7	200.0	167.6	188.0	2,456.4
Elgin	1,829.7	1,274.3	1,263.6	1,530.4	1,663.4	1,740.4	2,309.3	1,963.6	1,777.0	1,664.0	1,389.7	1,516.9	19,922.3
Gladstone	482.4	369.1	435.9	498.2	442.1	535.5	628.4	513.9	466.6	495.9	393.7	445.4	5,707.1
Glen Ullin	1,986.6	1,536.6	1,608.0	1,911.8	1,790.0	2,130.5	2,724.7	2,318.1	1,888.5	1,982.8	1,547.1	1,915.1	23,339.8
Golden Valley	410.9	326.9	329.7	420.1	395.8	517.7	651.6	493.1	446.7	427.9	343.9	325.8	5,090.1
Halliday	485.2	397.8	497.9	604.3	495.6	681.1	755.0	658.3	561.2	568.5	430.5	531.1	6,666.5
Hebron	1,870.5	1,485.0	1,787.3	1,697.7	1,547.0	2,026.6	2,626.4	2,178.4	2,006.8	1,888.4	1,514.4	1,752.7	22,381.2
Hettinger	4,462.0	3,491.3	3,481.8	4,325.9	4,923.9	6,487.8	7,910.5	6,266.5	5,678.3	4,782.8	3,599.0	4,004.4	59,414.2
Karsky Dairy	156.4	150.2	153.1	165.7	147.2	181.8	150.3	161.7	180.1	148.8	156.2	160.8	1,912.3
Manning	70.9	50.0	51.5	92.6	104.2	146.7	205.6	171.8	114.8	117.4	104.1	91.6	1,321.2
Mott	2,001.1	1,592.9	1,608.2	2,026.7	1,785.4	2,241.6	2,171.0	1,962.2	1,793.9	2,207.8	1,834.1	1,949.4	23,174.3
Mott Grain				89.6	148.3	156.3	102.1	19.0	80.1	32.8	15.3	0.8	644.3
New England	1,688.7	1,246.9	1,388.3	1,617.2	1,689.6	2,398.6	2,189.0	1,853.1	1,777.9	1,680.9	1,604.9	1,448.5	20,583.6
New Hradec	107.0	90.6	84.0	104.3	103.6	125.2	184.9	120.1	91.8	110.2	137.1	113.8	1,372.6
New Leipzig	639.6	526.8	580.2	658.9	778.9	789.6	1,000.6	804.7	784.5	661.2	557.2	638.6	8,420.8
Perkins County Rural Water System													
Prairie Learning Center	141.0	96.1	93.9	117.0	108.0	142.0	121.0	139.0	148.0	109.0	103.0	105.0	1,423.0
Reeder	374.7	355.3	342.4	466.8	459.6	482.5	626.8	425.1	468.6	433.2	323.3	350.4	5,108.7
Regent	494.8	337.0	356.5	586.9	520.0	1,174.2	608.2	634.6	601.3	650.6	425.8	439.7	6,829.6
Richardton	1,340.0	1,071.5	1,038.9	1,305.6	1,212.0	1,706.2	2,235.4	1,771.2	1,430.5	1,398.7	1,116.0	1,291.2	16,917.2
Sacred Heart	61.0	53.0	54.0	73.0	62.0	58.0	75.0	50.0	57.0	66.0	57.4	53.6	720.0
Scranton	925.9	740.0	739.9	1,136.8	1,209.3	1,639.1	1,407.3	1,301.0	1,061.7	1,043.6	695.3	816.4	12,716.3
Sentinel Butte													
South Heart	771.1	590.4	604.7	767.2	831.5	1,094.5	1,656.0	1,159.9	1,074.0	986.4	614.0	727.4	10,877.1
Steffes	177.0	128.4	157.7	302.0	248.8	250.2	371.5	276.1	361.4	263.8	372.7	271.2	3,180.8
Taylor	317.0	248.0	252.0	287.0	264.0	297.0	478.0	391.0	405.0	325.0	288.0	309.0	3,861.0
<b>Monthly Total</b>	<b>72,174.0</b>	<b>58,686.4</b>	<b>59,759.4</b>	<b>71,103.9</b>	<b>74,911.1</b>	<b>95,132.2</b>	<b>121,864.2</b>	<b>99,425.2</b>	<b>88,292.3</b>	<b>83,185.9</b>	<b>65,726.5</b>	<b>75,415.6</b>	<b>965,676.7</b>

# WATER SERVICE CONTRACTS

## Total From Potable Water Contracts – Itemization of Costs

User	Billed*	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Assumption Abbey	1,643.00	1,725.15	\$ 903.65	\$ 164.30	\$ 575.05	\$ 1,462.27	\$ 1,462.27	\$ 6,292.69
Baker Boy	1,411.80	1,482.39	\$ 776.49	\$ 197.65	\$ 494.13	\$ 1,256.50		\$ 4,207.16
Beach	6,867.70	7,211.09	\$ 3,777.24	\$ 961.48	\$ 2,403.70	\$ 6,112.25		\$ 20,465.75
Belfield	28,621.80	30,052.89	\$ 15,741.99	\$ 4,007.05	\$ 10,017.63	\$ 25,473.40		\$ 85,292.96
Carson	9,695.80	10,180.59	\$ 5,332.69	\$ 1,357.41	\$ 3,393.53	\$ 8,629.26		\$ 28,893.48
Dickinson	641,749.70	673,837.19	\$ 352,962.34	\$ 89,844.96	\$ 224,612.40	\$ 571,157.23		\$ 1,912,414.11
Dickinson Research	1,200.00	1,260.00	\$ 660.00	\$ 120.00	\$ 420.00	\$ 1,068.00	\$ 1,068.00	\$ 4,596.00
Dodge	4,088.00	4,292.40	\$ 2,248.40	\$ 572.32	\$ 1,430.80	\$ 3,638.32		\$ 12,182.24
Dunn Center	2,456.40	2,579.22	\$ 1,351.02	\$ 343.90	\$ 859.74	\$ 2,186.20		\$ 7,320.07
Elgin	19,922.30	20,918.42	\$ 10,957.27	\$ 2,789.12	\$ 6,972.81	\$ 17,730.85		\$ 59,368.45
Gladstone	5,677.10	5,960.96	\$ 3,122.41	\$ 794.79	\$ 1,986.99	\$ 5,052.62		\$ 16,917.76
Glen Ullin	23,339.80	24,506.79	\$ 12,836.89	\$ 3,267.57	\$ 8,168.93	\$ 20,772.42		\$ 69,552.60
Golden Valley	5,090.10	5,344.61	\$ 2,799.56	\$ 712.61	\$ 1,781.54	\$ 4,530.19		\$ 15,168.50
Halliday	6,666.50	6,999.83	\$ 3,666.58	\$ 933.31	\$ 2,333.28	\$ 5,933.19		\$ 19,866.17
Hebron	22,381.20	23,500.26	\$ 12,309.66	\$ 3,133.37	\$ 7,833.42	\$ 19,919.27		\$ 66,695.98
Hettinger	59,414.20	62,384.91	\$ 32,677.81	\$ 8,317.99	\$ 20,794.97	\$ 52,878.64		\$ 177,054.32
Karsky Dairy	1,912.30	2,007.92	\$ 1,051.77	\$ 267.72	\$ 669.31	\$ 1,701.95		\$ 5,698.65
Manning	1,321.20	1,387.26	\$ 726.66	\$ 132.12	\$ 462.42	\$ 1,175.87	\$ 1,175.87	\$ 5,060.20
Mott	23,174.30	24,333.02	\$ 12,745.87	\$ 3,244.40	\$ 8,111.01	\$ 20,625.13		\$ 69,059.41
Mott Grain	1,200.00	1,260.00	\$ 660.00	\$ 168.00	\$ 420.00	\$ 1,068.00		\$ 3,576.00
New England	20,583.60	21,612.78	\$ 11,320.98	\$ 2,881.70	\$ 7,204.26	\$ 18,319.40		\$ 61,339.13
New Hradec	1,372.60	1,441.23	\$ 754.93	\$ 137.26	\$ 480.41	\$ 1,221.61	\$ 1,221.61	\$ 5,257.06
New Leipzig	8,420.80	8,841.84	\$ 4,631.44	\$ 1,178.91	\$ 2,947.28	\$ 7,494.51		\$ 25,093.98
Perkins County								
Rural Water System	4,958.90	5,206.85	\$ 2,727.40	\$ 694.25	\$ 1,735.62			\$ 10,364.10
Prairie Learning Center	1,423.00	1,494.15	\$ 782.65	\$ 199.22	\$ 498.05	\$ 1,266.47		\$ 4,240.54
Reeder	5,108.70	5,364.14	\$ 2,809.79	\$ 715.22	\$ 1,788.05	\$ 4,546.74		\$ 15,223.93
Regent	6,829.60	7,171.08	\$ 3,756.28	\$ 956.14	\$ 2,390.36	\$ 6,078.34		\$ 20,352.21
Richardton	16,917.20	17,763.06	\$ 9,304.46	\$ 2,368.41	\$ 5,921.02	\$ 15,056.31		\$ 50,413.26
Sacred Heart	720.00	756.00	\$ 396.00	\$ 72.00	\$ 252.00	\$ 640.80	\$ 640.80	\$ 2,757.60
Scranton	12,716.30	13,352.12	\$ 6,993.97	\$ 1,780.28	\$ 4,450.71	\$ 11,317.51		\$ 37,894.57
Sentinel Butte	1,559.10	1,637.06	\$ 857.51	\$ 218.27	\$ 545.69	\$ 1,387.60		\$ 4,646.12
South Heart	10,773.00	11,311.65	\$ 5,925.15	\$ 1,508.22	\$ 3,770.55	\$ 9,587.97		\$ 32,103.54
Steffes	3,180.80	3,339.84	\$ 1,749.44	\$ 445.31	\$ 1,113.28	\$ 2,830.91		\$ 9,478.78
Taylor	3,861.00	4,054.05	\$ 2,123.55	\$ 540.54	\$ 1,351.35	\$ 3,436.29		\$ 11,505.78
Totals	966,257.80	\$ 1,014,570.69	\$ 531,441.79	\$ 135,025.82	\$ 338,190.23	\$ 855,556.02	\$ 5,568.55	\$ 2,880,353.10

\*Per thousand gallons billed.



## WATER SERVICE CONTRACTS, CONT'D

### Total From Raw Water Contracts – Itemization of Costs

User	Billed*	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Abbey	100.00	\$ 105.00	N/A	\$ 16.00	\$ 35.00	\$ 89.00	N/A	\$ 245.00
Jurgens Farm	593.00	\$ 622.65	N/A	\$ 94.88	\$ 207.55	\$ 527.77	N/A	\$ 1,452.85
Lorenz Farm	100.00	\$ 105.00	N/A	\$ 16.00	\$ 35.00	\$ 89.00	N/A	\$ 245.00
Sacred Heart	500.00	\$ 525.00	N/A	\$ 80.00	\$ 175.00	\$ 445.00	N/A	\$ 1,225.00
Taylor Nursery	1,044.10	\$1,096.31	N/A	\$ 167.06	\$ 365.44	\$ 929.25	N/A	\$ 2,558.05
Totals	2,337.10	\$2,453.96	N/A	\$ 373.94	\$ 817.99	\$ 2,080.02	N/A	\$ 5,725.90

\*Per thousand gallons billed.

## RATES 2004

The water rate for rural customers in 2004 consisted of a minimum payment of \$38.25 per month, including 2,000 gallons of water. The rate for water use in excess of the 2,000 gallons was \$3.60 per thousand gallons. On July 1, 2002, Southwest Water Authority (SWA) implemented a volume discount for rural customers, reducing water rates from \$3.60 to \$2.60 on usage over 10,000 gallons. Also, customers with pasture taps received a rate reduction, from \$3.60 to \$2.60, on water usage in excess of 60,000 gallons, billed annually.

### Rural Customers Under 10,000 Gallons

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$1.05
Transmission Replacement .....	\$0.35
Distribution Operations and Maintenance .....	\$1.26
Distribution Replacement .....	\$0.10
Distribution Reserve .....	\$0.15
Transmission Reserve .....	\$0.14
<b>Total .....</b>	<b>\$3.60</b>

### Rural Customers Over 10,000 Gallons

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$0.72
Transmission Replacement .....	\$0.35
Transmission Reserve .....	\$0.08
Distribution Operations and Maintenance .....	\$0.90
<b>Total .....</b>	<b>\$2.60</b>

The standard rural minimum fee (\$38.25) is broken into three separate components: meter fee, capital repayment, operations and maintenance. The capital repayment (\$27.07) and meter fee (\$5.00) portions of the minimum are used to pay the interest and principal on Series A and B bonds, with the remaining balance paid to the Resources Trust Fund. The bonds help fund construction. After two years, the meter fee is paid to the operations and maintenance fund, covering capital and routine operations and maintenance costs. The final portion of the monthly minimum (\$6.18) is for the operations and maintenance fund, which pays for fixed costs.



## RATES 2004

The 2004 rate for demand contract customers was \$3.83 per 1,000 gallons of potable water.

### Demand Contract Customers

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$1.05
Transmission Replacement and Extraordinary Maintenance .....	\$0.35
Capital Repayment .....	\$0.89
Demand Charge .....	\$0.89
Transmission Reserve .....	\$0.10
<b>Total .....</b>	<b>\$3.83</b>

The 2004 rate for contract customers was \$2.98 per 1,000 gallons of potable water.

### Contract Customers

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$1.05
Transmission Replacement and Extraordinary Maintenance .....	\$0.35
Capital Repayment .....	\$0.89
Transmission Reserve .....	\$0.14
<b>Total .....</b>	<b>\$2.98</b>

The raw water contract rate was \$2.45 per 1,000 gallons of water. Raw water customers do not pay for the cost of treatment.

## RURAL WATER USAGE HISTORY

Month	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Jan	638,000	2,674,000	4,508,000	5,213,600	5,627,700	7,567,600	7,566,100	8,803,100	9,747,700	10,499,300
Feb	722,000	2,513,000	4,513,300	5,108,300	5,355,100	7,178,100	7,182,800	7,351,300	9,030,800	9,838,200
Mar	797,000	3,001,000	3,876,400	4,694,500	4,912,600	6,538,000	6,803,000	7,367,300	8,645,200	8,627,700
Apr	841,000	3,096,000	4,383,300	4,889,400	6,081,700	7,618,300	7,199,700	8,452,700	8,999,500	9,678,100
May	934,000	2,994,000	4,642,000	5,105,200	5,589,900	7,979,600	7,890,200	8,591,300	10,030,800	11,882,600
June	1,282,000	3,537,000	5,516,800	7,228,400	6,078,700	8,979,700	9,377,700	11,816,800	12,353,200	12,985,500
July	1,601,000	4,435,000	6,041,300	5,945,000	7,307,200	8,886,400	8,687,300	12,067,400	12,869,800	15,676,800
Aug	1,708,000	4,829,000	6,136,200	7,279,200	8,430,100	9,147,300	8,853,700	12,878,000	14,851,300	14,729,100
Sept	1,822,000	5,598,000	5,623,200	6,742,300	7,579,700	10,089,100	10,633,300	11,186,900	14,823,500	14,405,200
Oct	1,531,000	4,342,000	6,124,000	6,672,900	7,742,800	10,638,200	10,084,400	16,109,900	19,743,800	19,217,100
Nov	1,839,000	4,026,400	4,679,100	6,136,000	6,717,200	7,627,100	7,364,200	9,111,700	10,257,100	10,106,100
Dec	2,130,000	5,328,000	4,853,000	4,776,100	7,047,500	7,166,100	7,860,900	8,463,100	9,372,700	9,765,600
Total	15,845,000	46,373,400	60,896,600	69,790,900	78,470,200	99,415,500	99,503,300	122,199,500	140,725,400	147,411,300

Gallons Billed

## RATES 2005

### Rural Customers Under 10,000 Gallons

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$1.05
Transmission Reserve .....	\$0.12
Transmission Replacement .....	\$0.35
Distribution Operations and Maintenance .....	\$1.28
Distribution Replacement .....	\$0.10
Distribution Reserve .....	\$0.15
<b>Total .....</b>	<b>\$3.60</b>

### Rural Customers Over 10,000 Gallons

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$0.72
Transmission Reserve .....	\$0.08
Transmission Replacement .....	\$0.35
Distribution Operations and Maintenance .....	\$0.90
<b>Total .....</b>	<b>\$2.60</b>

The rural water rates for 2005 will again remain the same for the fourth year in a row. The minimum fee of \$38.25 includes 2,000 gallons of water. This also includes capital repayment, meter fee and operations and maintenance. The capital repayment amount is tied to the Consumer Price Index and adjusted annually by the ND State Water Commission. Capital repayment increased \$0.72 for rural customers and \$0.02 for contract customers. Southwest Water Authority has agreed to absorb the increase, thus stabilizing rates.

The standard rural minimum fee (\$38.25) is broken into three separate components: meter fee, capital repayment, operations and maintenance. The capital repayment (\$27.79) and meter fee (\$5.00) portions of the minimum are used to pay the interest and principal on Series A and B bonds, with the remaining balance paid to the Resources Trust Fund. The bonds help fund construction. After two years, the meter fee is paid to the operations and maintenance fund, covering capital and routine operations and maintenance costs. The final portion of the monthly minimum (\$5.46) is for the operations and maintenance fund, which pays for fixed costs.



## RATES 2005

### **Demand Contract Customers**

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$1.05
Transmission Replacement and Extraordinary Maintenance .....	\$0.35
Capital Repayment .....	\$0.91
Demand Charge .....	\$0.91
Transmission Reserve .....	\$0.06
<b>Total .....</b>	<b>\$3.83</b>

### **Contract Customers**

Treatment .....	\$0.55
Transmission Operations and Maintenance .....	\$1.05
Transmission Replacement and Extraordinary Maintenance .....	\$0.35
Capital Repayment .....	\$0.91
Transmission Reserve .....	\$0.12
<b>Total .....</b>	<b>\$2.98</b>

Currently, the raw water contract rate is \$2.45 per 1,000 gallons of water.

The cost of treatment goes to a treatment fund. Operations and maintenance fees are paid to the Operations and Maintenance Fund. This fund is used to cover the following costs: Wheeling and Western Area Power Association, electricity costs for cathodic protection and booster stations, telephones, natural gas, fuel, salaries, benefits, travel, insurance, supplies, equipment, vehicles and their maintenance, legal fees, building, transmission and distribution equipment repair and maintenance and customer service expenses. Replacement fees are paid to the replacement and extraordinary maintenance fund. Capital repayment fees are used to pay the interest and principal on Series A and B bonds with the balance paid to the Resources Trust Fund. The North Dakota Legislature has authorized the fees from the Resources Trust Fund to fund further Southwest Pipeline Project construction.



## RATE HISTORY

<b>Contract Water Rate</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>
Operations & Maintenance	\$ 0.80	\$ 0.50	\$ 0.60	\$ 0.67	\$ 0.81	\$ 0.85	\$ 0.83
Treatment	\$ 0.56	\$ 0.64	\$ 0.69	\$ 0.65	\$ 0.55	\$ 0.55	\$ 0.52
Replacement & Extraordinary							
Maintenance	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Capital Repayment	\$ 0.62	\$ 0.68	\$ 0.70	\$ 0.72	\$ 0.74	\$ 0.76	\$ 0.78
Reserve Fund							
<b>Total Contract Rates</b>	<b>\$ 2.28</b>	<b>\$ 2.12</b>	<b>\$ 2.29</b>	<b>\$ 2.34</b>	<b>\$ 2.40</b>	<b>\$ 2.46</b>	<b>\$ 2.43</b>
Potable Water*	655,640.0	523,308.0	612,163.0	697,411.2	806,175.3	826,589.8	908,168.2

<b>Distribution Water Rate</b>							
Rural Monthly Minimum*	\$25.00	\$25.00	\$25.00	\$26.95	\$28.00	\$33.90	\$ 33.90
Rural Water Rate	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.55	\$ 2.55	\$ 2.59

<b>Contract Water Rate</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Operations & Maintenance	\$ 0.88	\$ 0.91	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05	\$ 1.05
Treatment	\$ 0.56	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.53	\$ 0.55	\$ 0.55
Replacement & Extraordinary							
Maintenance	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35
Capital Repayment	\$ 0.79	\$ 0.80	\$ 0.83	\$ 0.85	\$ 0.87	\$ 0.89	\$ 0.91
Reserve Fund	\$ 0.05	\$ 0.15	\$ 0.20	\$ 0.20	\$ 0.18	\$ 0.14	\$ 0.12
<b>Total Contract Rates</b>	<b>\$ 2.63</b>	<b>\$ 2.74</b>	<b>\$ 2.96</b>	<b>\$ 2.98</b>	<b>\$ 2.98</b>	<b>\$ 2.98</b>	<b>\$ 2.98</b>
Potable Water*	823,339.9	1,001,669.4	1,030,754.8	1,066,537.4	1,119,868.6	1,113,088.0	

<b>Distribution Water Rate</b>							
Rural Monthly Minimum*	\$35.10	\$35.80	\$37.55	\$38.25	\$38.25	\$38.25	\$ 38.25
Rural Water Rate	\$ 3.05	\$ 3.15	\$ 3.60	\$ 3.60	\$ 3.60	\$ 3.60	\$ 3.60

Since July 2002 rural usage greater than 10,000 gallons per month is billed at a rate of \$2.60 per thousand gallons.

\* Includes 2,000 gallons of water for 1997- 2005.

\*\*History of Potable Water Delivered to End Users. Does not include construction water, amounts above are listed in 1,000 gallons.





## REPLACEMENT AND EXTRAORDINARY MAINTENANCE FUND

A portion of the water rate charged by Southwest Water Authority (SWA) is for Replacement & Extraordinary Maintenance (REM). It is based on a per thousand gallons of water billed. The rate was originally set at \$.30 per thousand gallons of water sold to all customers. A rate study was completed in 1998 to determine the fairness and correctness of the rate structure. At that time, it was determined that in order to meet the needs of extraordinary maintenance of the pipeline in the future, the rate for the REM Fund should be increased to \$.35 per thousand gallons. In 1999 the rate for REM was raised to \$.35 per thousand gallons to meet future needs. The rate has stayed at \$.35 per thousand gallons since.

The Replacement & Extraordinary Maintenance (REM) Fund was established in 1981 by the North Dakota Legislature when the Southwest Pipeline Project (SWPP) was authorized. This fund was set up to create an account to cover costs of an extraordinary nature or to replace parts of the SWPP in the years to come as parts of the system wear out. Disbursements from this account have to meet specific criteria and be approved by the ND State Water Commission (SWC) and SWA.

When SWA took over operations and management of the SWPP from the SWC in 1996, SWA established an account to track REM funds separately and to follow the North Dakota Century Code.

The REM component is paid by all customers, both contract and rural. Rates are set annually and, according to the North Dakota Century Code, this account is funded by the water rates. The rate for REM is set by the SWC. The table that follows summarizes the activity of this account.

	1991-95	1996	1997	1998	1999	2000
Beginning Balance		\$ 735,372	\$ 1,016,563	\$ 1,315,966	\$ 1,630,497	\$ 2,002,873
Contributions						
Contract	\$ 727,434	\$ 230,837	\$ 234,566	\$ 254,697	\$ 298,472	\$ 320,454
Rural	\$ 7,938	\$ 17,899	\$ 22,994	\$ 27,361	\$ 33,369	\$ 43,850
Interest		\$ 22,006	\$ 56,919	\$ 83,945	\$ 98,511	\$ 121,376
Dividends		\$ 13,025	\$ 6,524	\$ 9,070	\$ 5,601	\$ 9,137
Fiduciary Fees		\$ (2,575)	\$ (4,655)	\$ (6,105)	\$ (7,302)	\$ (8,602)
Disbursements			\$ (16,945)	\$ (54,438)	\$ (56,275)	\$ (174,195)
Ending Balance	\$ 735,372	\$ 1,016,563	\$ 1,315,966	\$ 1,630,497	\$ 2,002,873	\$ 2,314,893
	2001	2002	2003	2004	Total	
Beginning Balance	\$ 2,314,893	\$ 2,804,274	\$ 3,301,016	\$ 3,835,485		
Contributions						
Contract	\$ 329,448	\$ 333,308	\$ 346,330	\$ 335,340	\$ 3,410,886	
Rural	\$ 44,066	\$ 53,121	\$ 62,334	\$ 67,709	\$ 380,640	
Interest	\$ 127,292	\$ 160,258	\$ 150,883	\$ 188,652	\$ 1,009,843	
Dividends	\$ 16,575	\$ 4,016	\$ 3,985	\$ 2,279	\$ 70,213	
Fiduciary Fees	\$ (9,552)	\$ (12,177)	\$ (14,190)	\$ (15,845)	\$ (81,004)	
Disbursements	\$ (18,448)	\$ (41,784)	\$ (14,874)	\$ (193,119)	\$ (570,077)	
Ending Balance	\$ 2,804,274	\$ 3,301,016	\$ 3,835,485	\$ 4,220,502	\$ 4,220,502	

## CAPITAL REPAYMENT

A portion of the water rate charged by Southwest Water Authority is for capital repayment. Contract users' capital repayment is based on a per thousand gallons charge. Rural customers pay a portion of the monthly minimum payment for capital repayment. Capital repayment was established as a part of the water rate for the customer to pay back the cost of construction of the pipeline. It was determined by a study completed in 1982 that the economic constraints in southwest North Dakota would limit how much people could pay to cover the cost of construction. Since capital repayment is based on ability to pay, this portion of the rate for both contract and rural customers would be indexed to the Consumer Price Index and adjusted annually. Below is a chart showing payment history of capital repayment by water users throughout the system. This money is paid monthly to the ND State Water Commission or the bond bank.

	1991-1992	1993	1994	1995	1996	1997	1998
Contract	\$ 224,065.00	\$ 190,433.00	\$ 292,997.00	\$ 408,563.00	\$ 418,179.77	\$ 487,828.22	\$ 568,497.91
Rural		\$ 5,540.00	\$ 7,475.00	\$ 95,616.00	\$ 316,814.38	\$ 370,085.00	\$ 347,293.46
<b>Total</b>	<b>\$ 224,065.00</b>	<b>\$ 195,973.00</b>	<b>\$ 300,472.00</b>	<b>\$ 504,179.00</b>	<b>\$ 734,994.15</b>	<b>\$ 857,913.22</b>	<b>\$ 915,791.37</b>

	1999	2000	2001	2002	2003	2004	Total
Contract	\$ 580,865.33	\$ 634,275.73	\$ 751,392.41	\$ 800,159.52	\$ 861,015.31	\$ 846,041.48	\$ 7,064,313.68
Rural	\$ 445,131.91	\$ 524,952.50	\$ 556,470.52	\$ 630,004.66	\$ 718,768.94	\$ 774,667.77	\$ 4,792,820.14
<b>Total</b>	<b>\$1,025,997.24</b>	<b>\$1,159,228.23</b>	<b>\$1,307,862.93</b>	<b>\$1,430,164.18</b>	<b>\$1,579,784.25</b>	<b>\$1,620,709.25</b>	<b>\$11,857,133.82</b>





## PHASED DEVELOPMENT PLAN

### Current Development Phase:

Medora, Beach, Morton Phase ..... West

### Next and Final Development Phase:

Oliver, Mercer, North Dunn Phase ..... North

## SOUTHWEST PIPELINE PROJECT (SWPP) FUNDING SOURCES

### State Funding (in millions of dollars)

Resources Trust Fund .....	\$ 42.40
Water Development Trust Fund .....	\$ 7.30
Subtotal .....	\$ 49.70

### Grants

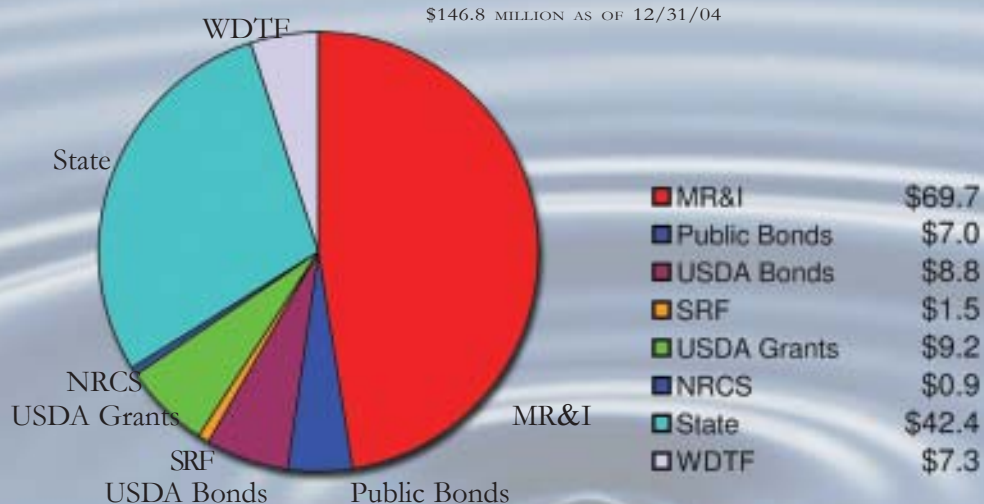
Garrison Diversion Conservancy District	
Municipal Rural & Industrial Fund .....	\$ 69.70
USDA-Rural Development .....	\$ 9.20
Natural Resources Conservation Service PL566 .....	\$ 0.90
Subtotal .....	\$ 79.80

### State Bonds Repaid by Users

Public Revenue Bonds .....	\$ 7.00
USDA-Rural Development .....	\$ 8.80
ND Drinking Water Revolving Loan Fund .....	\$ 1.50
Subtotal .....	\$ 17.30

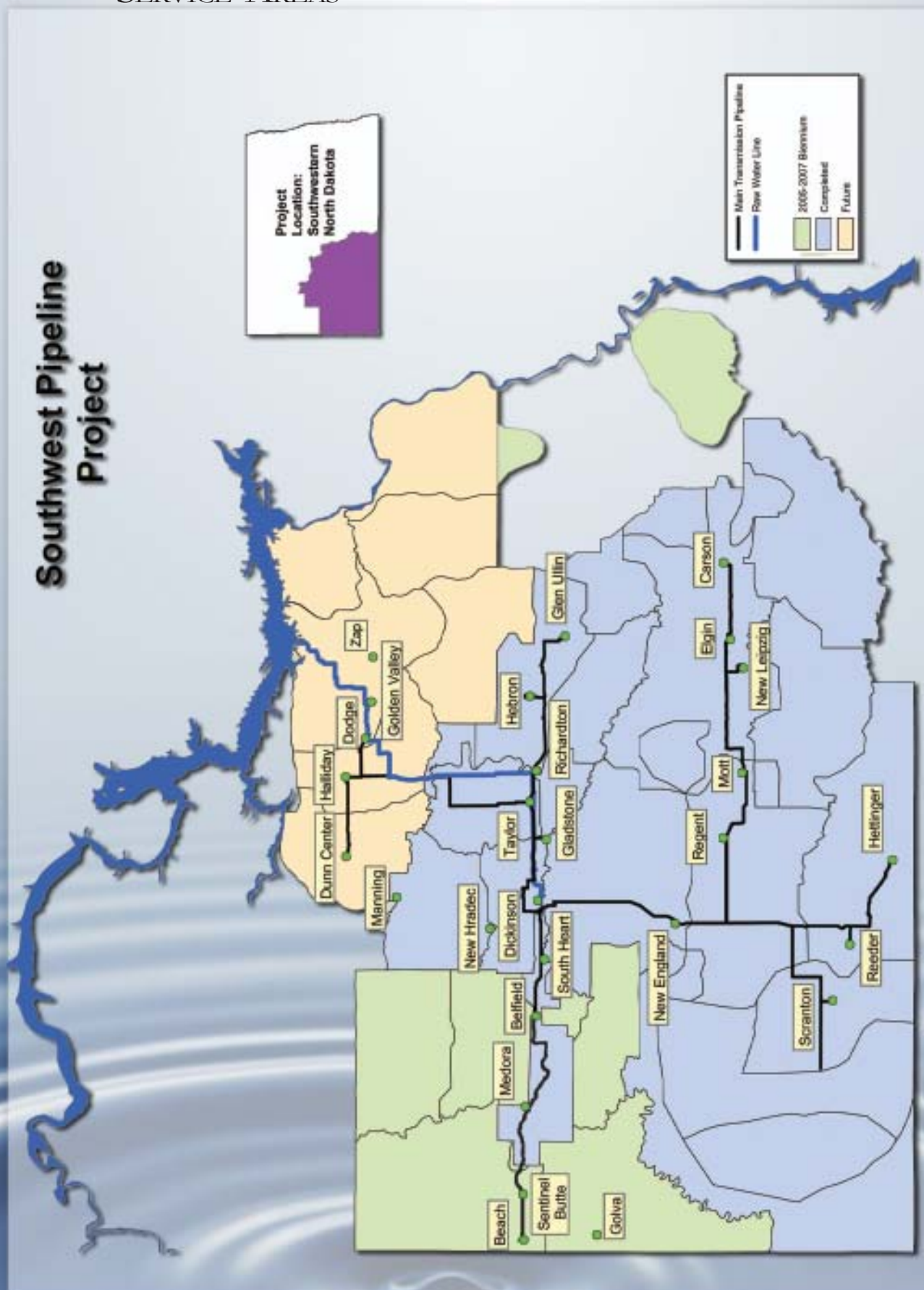
**Total Funding** ..... **\$146.80**

SWPP FUNDING SOURCES  
\$146.8 MILLION AS OF 12/31/04



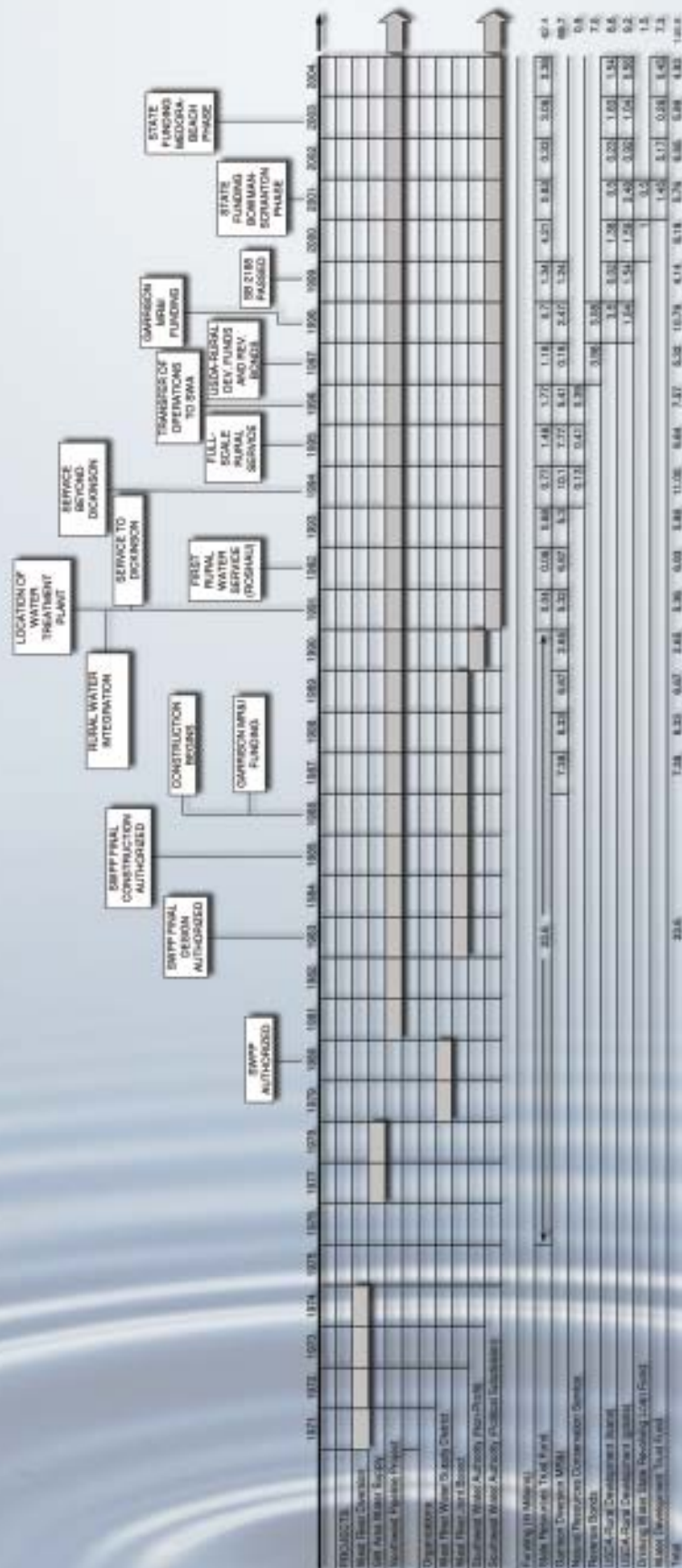


## SOUTHWEST PIPELINE PROJECT MAP — SERVICE AREAS





# SOUTHWEST PIPELINE PROJECT TIMELINE



## ELECTRIC POWER USAGE

The Southwest Pipeline Project (SWPP) has several main transmission pumping facilities throughout the system. Southwest Water Authority purchases power from the federal government at these locations. This power is purchased through the Department of Energy and is known as Western Area Power Association (WAPA). Local utility companies or cooperatives supply or distribute the power (wheeling) to each location. Southwest Water Authority pays these local utilities to wheel the power.

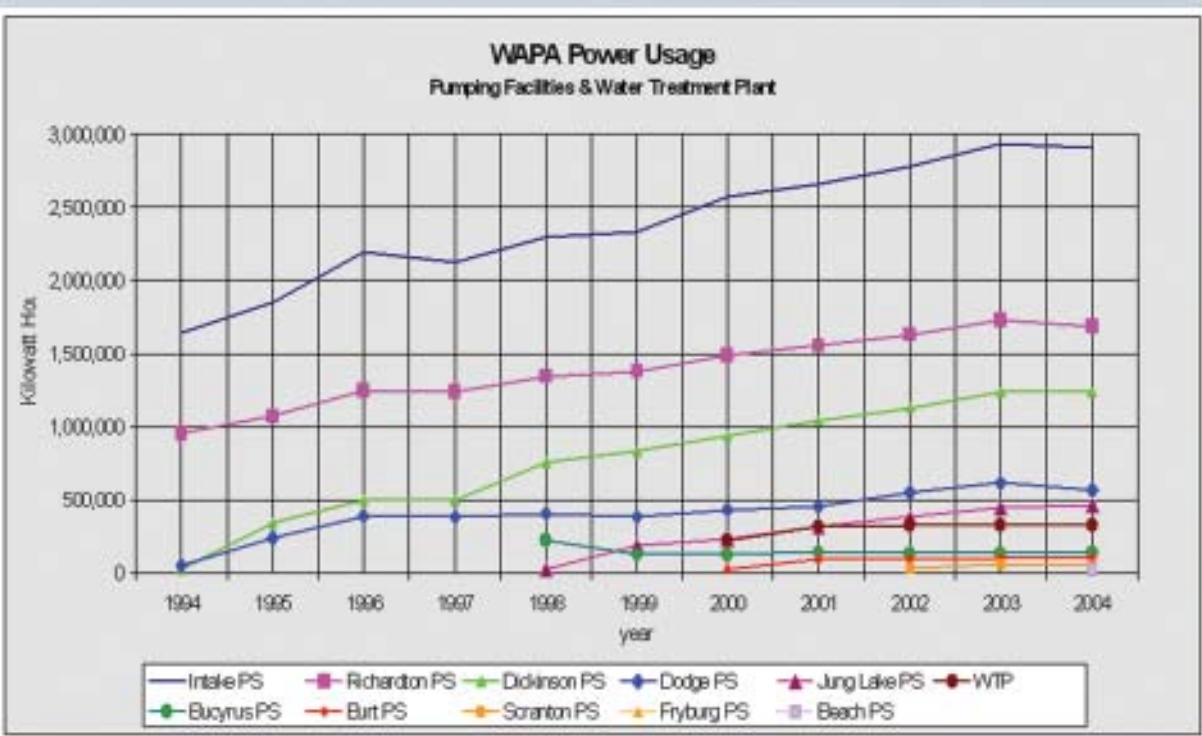
The SWPP added pumping stations at Fryburg and Beach during the 2004 construction season.

Below are diagrams illustrating the total power usage at these locations.

Location	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Intake PS	1,645,820	1,855,579	2,192,366	2,129,824	2,302,460	2,334,674	2,573,895	2,661,280	2,771,644	2,930,468	2,909,556
Richardton PS	956,087	1,070,952	1,250,174	1,241,108	1,347,075	1,378,141	1,485,588	1,550,685	1,630,154	1,724,962	1,688,295
Dickinson PS	21,299	343,654	495,616	495,618	752,435	831,898	940,441	1,036,288	1,128,038	1,241,497	1,241,087
Dodge PS	47,820	238,364	386,470	385,973	405,366	384,563	429,567	454,764	548,086	612,649	566,817
Jung Lake PS					24,331	187,528	236,441	315,255	380,975	450,324	461,738
Bucyrus PS					223,039	128,217	127,212	139,462	136,942	136,226	139,823
WTP							223,935	312,018	324,991	322,634	323,419
Burt PS							23,803	87,630	93,624	97,740	97,593
Scranton PS									29,326	59,815	53,329
Fryburg PS											29,680
Beach PS											25,059
<b>Total</b>	<b>2,671,026</b>	<b>3,508,549</b>	<b>4,324,626</b>	<b>4,252,523</b>	<b>5,054,706</b>	<b>5,245,021</b>	<b>6,040,882</b>	<b>6,557,382</b>	<b>7,043,780</b>	<b>7,576,315</b>	<b>7,536,396</b>

PS = Pump Station

WTP = Water Treatment Plant







*Extending the reach. . . quality water for all.*