



2005 Annual Report



*Flowing water...
...Fulfilling promises*

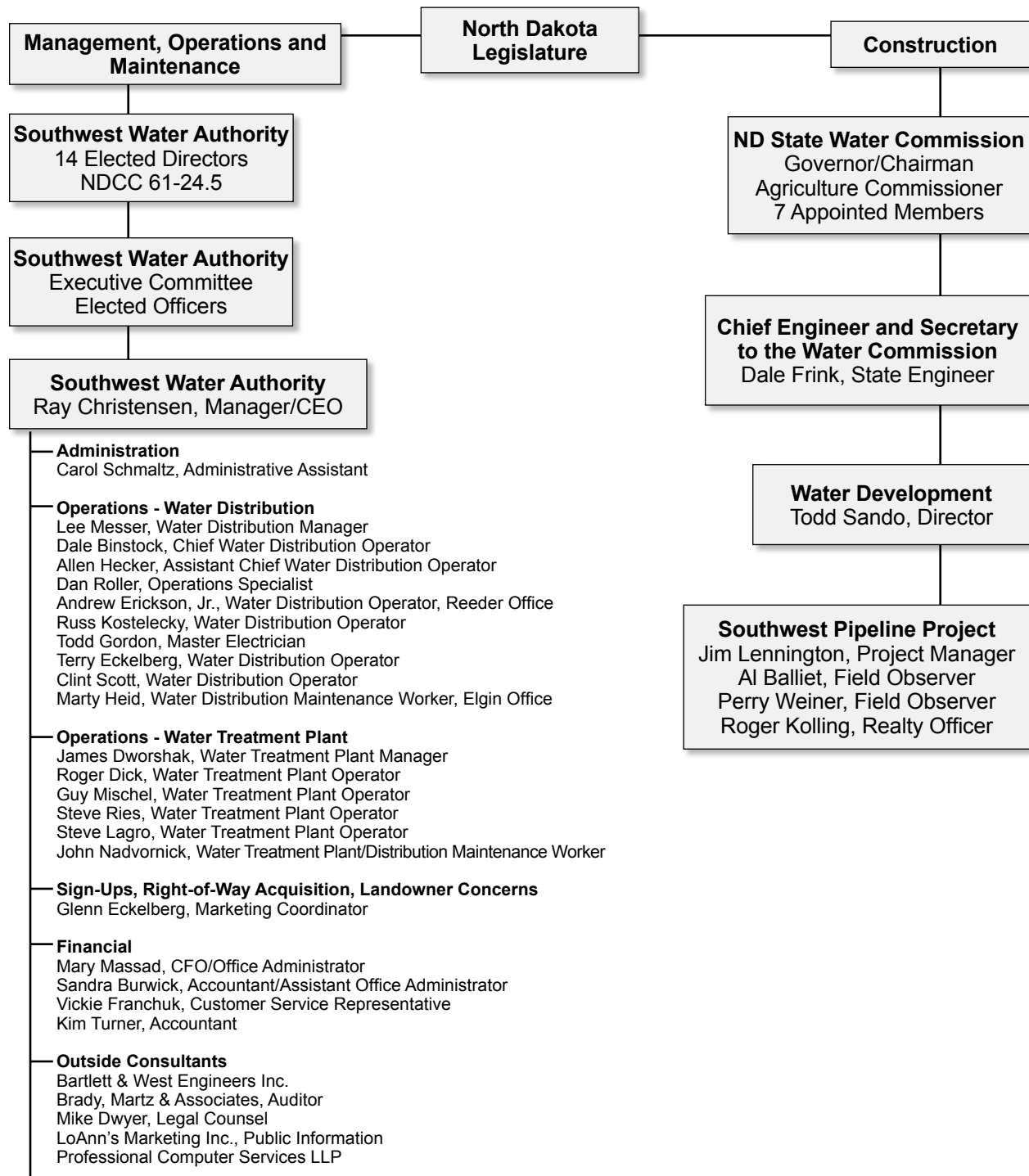




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Organizational Chart



Southwest Water Authority Board Members



Standing from left: Duane Bueligen, Oliver County; Brian Roth, Grant County; Darrel Oech, Golden Valley County; Ray Bieber, Hettinger County; Emanuel Stroh, Dunn County; Larry Bares, City of Dickinson; Steve Tomac, Morton County
Sitting from left: James Odermann, Billings County; Larry Ziegler, City of Dickinson; Secretary/Treasurer Leonard Jacobs, Adams County; Chairperson Loren Myran, Stark County; Vice Chairperson Don Flynn, Bowman County; John Klein, Mercer County
Not Pictured: David Juntunen, Slope County

ND State Water Commission Members

John Hoeven, Governor/Chairman, Bismarck, ND
Roger Johnson, Agriculture Commissioner, Bismarck, ND
Charles "Mac" Halcrow, Drayton, ND
Larry Hanson, Williston, ND
Elmer Hillesland, Grand Forks, ND
Curtis Hofstad, Devils Lake, ND
Jack Olin, Dickinson, ND
Harley Swenson, Bismarck, ND
Robert 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; James Dworshak, Water Treatment Plant Manager; Carol Schmaltz, Administrative Assistant

Row Two: Vickie Franchuk, Customer Service Representative; Sandra Burwick, Accountant/Assistant Office Administrator; Dale Binstock, Chief Water Distribution Operator; Dan Roller, Operations Specialist; Steve Ries, Water Treatment Plant Operator; Andrew Erickson, Jr., Water Distribution Operator, Reeder Office

Row Three: Russ Kostelecky, Water Distribution Operator; Allen Hecker, Assistant Chief Water Distribution Operator; Roger Dick, Water Treatment Plant Operator; Terry Eckelberg, Water Distribution Operator; Guy Mischel, Water Treatment Plant Operator; Todd Gordon, Master Electrician

Row Four: Marty Heid, Water Distribution Maintenance Worker, Elgin Office; Clint Scott, Water Distribution Operator; John Nadvornick, Water Treatment Plant Maintenance Worker; Kim Turner, Accountant; Steve Lagro, Water Treatment Plant Operator

Another Important Milestone in 2006

By: Dale Frink, State Engineer, ND State Water Commission

The Southwest Pipeline Project (SWPP) will accomplish another long-term objective in 2006 - the delivery of water to rural Golden Valley County and two pockets in Morton County. All of the original cities that signed up for water were served by 2004 and the majority of the original rural water areas will have SWPP water by the end of 2006. I congratulate the Southwest Water Authority and all those who contributed to this great feat.

Looking ahead, we still have some work to do. There are current needs in the Oliver, Mercer, North Dunn Service Areas. In addition, there are a couple of pocket areas with sign-up and other issues that could become feasible in the future.

Funding has always been the greatest challenge for SWPP. Originally, the concept was for the state, through the Resources Trust Fund, to fund 100 percent of the mainline transmission system and for rural water systems to be constructed separately and independently using a combination of funding sources. When oil prices and, thus, funding for the Resources Trust Fund dropped in the mid-1980s, it was obvious that alternative funding sources would be needed.

Through 2005, about \$151 million has been spent on the project from a number of funding sources. The United States Bureau of Reclamation's Municipal, Rural and Industrial water supply program has provided about \$70 million dollars. State funds total about \$60 million, mostly from the Resources Trust Fund. The United States Department of Agriculture, Rural Development, has contributed \$19 million through a combination of grants and loans. The United States Natural Resources Conservation Service contributed \$1 million - mostly in the Richardton/Taylor areas. Thank you to all who contributed to this wonderful project.



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



Becoming the Change We Wish to See

By: Loren Myran, SWA Chairperson

Each year, drafting this article provides the opportunity to reflect on the significant events of the year, as well as those major events that, through the course of time, positively advance water development in southwest North Dakota.

The significant changes I recall mostly relate to the process of funding acquisition. For example, utilizing grant/loan programs from the United States Department of Agriculture - Rural Development (USDA - RD) has created a consistent stream of federal funding for construction of water projects. Over the years, the water systems in North Dakota have become a unified voice through the North Dakota Water Coalition speaking out for the water needs of the state. This has at least preserved, if not increased, state funding.

Those changes, set in motion many years ago, play a major role in construction today. Through federal and state funding, the Southwest Pipeline Project (SWPP) began construction of Phase II of the Medora-Beach Service Area, including portions of Morton County. Due to the progress made in 2005 on rural water construction in this area, approximately 90 customers in Medora-Beach and 70 customers in Morton County are slated for connection in 2006. With adequate funding, construction could be complete on Phase III of the Medora-Beach Service

Area as early as the end of 2007.

Legislative changes now allow the SWPP to serve large industrial users, provided system capacity could adequately serve their needs and those of current customers. Thus, the SWPP anticipates delivery of both raw and potable water to Red Trail Energy LLC (RTE), an ethanol plant near Richardton. Due to the large water requirements of RTE, they probably would not exist without the availability of an adequate supply of quality water from the SWPP.

Finally, a significant change in management at the ND State Water Commission (SWC) occurred in December, with the resignation of SWPP Project Manager James Lennington. Mr. Lennington has been an asset to the SWPP. With a meticulous and open-minded approach to managing the project, he leaves large shoes to fill. We are committed to maintaining the strong,



*Loren Myran, SWA
Chairperson*



positive relationship established with the SWC and we look forward to working with the new project manager to complete the SWPP.

With all of these changes, it is comforting to know that some things remain unchanged, such as our philosophy of maintaining water rates. For the fourth consecutive year, the SWA board has not increased water rates.

Also, our commitment to completely finish the SWPP remains strong. SWA board members, management, staff, stakeholders and partners know that the road ahead will have challenges, particularly as funding becomes strained and construction prices increase. We will overcome these challenges by carefully exploring all options that facilitate or even expedite project completion.

Mahatma Gandhi once said, "You must be the change you wish to see in the world." Through the hard work and vision of many, real change

has occurred in southwest North Dakota. Where once there were families drinking water as black as coffee, there are now families enjoying clear, quality water from the SWPP. I applaud the men and women of southwest North Dakota who envisioned an adequate supply of quality water delivered to homes, businesses, farms and ranches. I respect the tremendous effort that has made that vision a reality.

With the help of our stakeholders and partners, state and federal government, funding agencies, and customers, we will continue to foster the change we wish to see in the world - people and business succeeding with quality water.

Unique Agreements Contribute to Project Growth

By: Ray Christensen, SWA Manager/CEO

On behalf of the Southwest Water Authority (SWA) board of directors, management and staff, I thank our customers for another banner year. Water sales once again exceeded one billion gallons as we continued our mission of "providing quality water for southwest North Dakota." Sales were slightly below projections due to a much needed increase in precipitation.

Our 20th year of construction for the Southwest Pipeline Project (SWPP) was somewhat disappointing as funding uncertainties delayed construction until September. The good news is that adequate funding was received to complete construction on a significant portion of the Medora-Beach Service Area. While contractors got a late start in 2005, we expect a significant amount of progress in 2006.

SWA board members envision "people and business succeeding with quality water." It has been said that with ordinary talents, extraordinary perseverance and a willingness to work together, all things are attainable. Such is the case with unique water purchase agreements made with both the Missouri West Water System (MWWS) and the city of Beulah. These agreements allow SWA to serve additional customers by utilizing alternative water sources. While the MWWS agreement provides a permanent water source for several customers in Morton

County, the city of Beulah agreement provides for an interim source of water for customers that will eventually receive water from the proposed Zap Regional Water Treatment Plant. That plant will ultimately provide water for the Oliver, Mercer, North Dunn (OMND) Service Area, the final phase of construction for the SWPP.



*Ray Christensen,
SWA Manager/CEO*

For 15 years, residents of OMND have patiently waited for water service from the SWPP. Therefore, it is very gratifying to be able to provide service to the city of Zap, Beulah's Country Club Estates and several customers along the service line to Zap as early as fall 2006. It is our sincere hope, dependent upon funding, that we will be able to begin construc-



tion on the remaining portions of the OMND phase during the 2007-2009 biennium.

Our ability to advance SWPP development is directly related to funding. Grassroots support, along with our ability to work with the North Dakota Water Coalition and other statewide water interests, will ultimately determine our future. SWA strongly supports this united approach to adequately fund the state's critical water needs. We commend our customers, both current and future, for the unified "grassroots" support of this project. Through continued cooperation and support from Governor Hoeven, the Congressional Delegation, North Dakota Legislature, ND State Water Commission, North Dakota Rural Water Systems Association and numerous federal, state and local agencies, we are determined and committed to completing the SWPP.

I am fortunate to work for a board of directors that is committed to excellence. I am also very proud of my staff and their daily contributions that ensure our customers receive a quality product at an affordable cost. Through the collective efforts of the board, management and staff, SWA rates will not increase in 2006. This marks the fifth year that rates have remained constant. With new regulatory issues and rising costs, it will be a challenge to keep rates stable. Rest assured the SWA board and staff alike look forward to meeting these new challenges while continuing to provide quality service.

2005 Construction Summary

By: Jim Lemington, Former SWPP Project Manager

A highlight of this past construction season was beginning construction on Phase II of the Medora-Beach Regional Service Area. At its August 30th meeting, the ND State Water Commission (SWC) approved Contract 7-8B, the rural water distribution system that serves the city of Golva and 236 users in western Stark, Billings and Golden Valley Counties. The transmission pipeline, tanks and booster pump stations for the area were completed in 2004.

SWC also authorized Contract 7-8C. This rural water distribution system serves 131 users in parts of Morton County that were unable to be served by the Missouri West Water System. The SWC-approved funding package for Phase II of Medora-Beach totaled \$9,823,000. This includes \$6,300,000 in state funding through the Resources Trust Fund, a \$1,999,000 loan from USDA secured by a revenue bond and a \$1,524,000 grant from USDA.

Work on these two rural water contracts began in September. By the end of the construction season, around Thanksgiving, approximately 74 out of 442 miles of pipeline had been installed. In all, about \$2.3 million was spent on construction of the Southwest Pipeline Project (SWPP) in 2005. This includes final payments on the five contracts making up Phase I construction, plus the work on Contracts 7-8B and 7-8C mentioned previously. Work on these two rural water projects will be substantially complete by late 2006, adding 367 rural water users to the project. By the end of 2006 nearly 1,973 miles of rural water pipeline will be installed on the project. The two contracts in Medora-Beach Phase II should also bring the total number of rural users to approximately 2,820.

On a more personal note, this is the last time I will contribute to this annual report as the SWPP Project Manager, having resigned my position with the SWC at the end of 2005. As project manager since 1998, I have seen dramatic progress on the project. From 1998 to the end of 2005 rural users



*Jim Lemington, Former
SWPP Project Manager*

increased from 1,160 to 2,450 and the number of cities and other bulk users increased from 23 to 42. The total amount spent on construction contracts during that same period exceeded \$33 million. It has been quite a ride and I've enjoyed every minute of it. This tremendous project is a testament to the efforts of the Southwest Water Authority board, staff and its many supporters - the people of southwestern North Dakota. Congratulations on all you've achieved and best wishes in the future.

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 and two directors represent the city of Dickinson. The counties include: Adams, Billings, Bowman, Dunn, Golden Valley, Grant, Hettinger, Mercer, Morton, Oliver, Slope and Stark.

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

For 20 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 2,500 rural service locations, 10 contract customers, five raw water customers and Perkins County Rural Water are served by the pipeline.

The project pumped a total of 1,156,448,000 gallons of water from Lake Sakakawea in 2005. This is a decrease of 473,000 gallons over 2004. Potable water delivered in 2005 was 1,133,512,300 gallons. Contract users consumed 976,625,300 gallons and 156,887,000 gallons were used by rural customers. Total raw water delivered in 2005 was 2,136,650 gallons. Potable water used by contractors during construction totaled 1,262,220 gallons. The water delivered to the end user was 98.3 percent of the total water pumped from Lake Sakakawea by SWPP.

For the fourth year in a row SWA Directors voted to absorb the required Consumer Price Index increasing capital repayment fees for both contract and rural customers. This action is consistent with the board's goal of stabilizing rates for customers, and it's philosophy that SWA's objective is to manage, operate and maintain the pipeline while covering costs.

To educate youth on the importance of quality water, SWA held its sixth annual "Make A Splash" Water Festival, September 22-23. Fifth

Introduction, continued

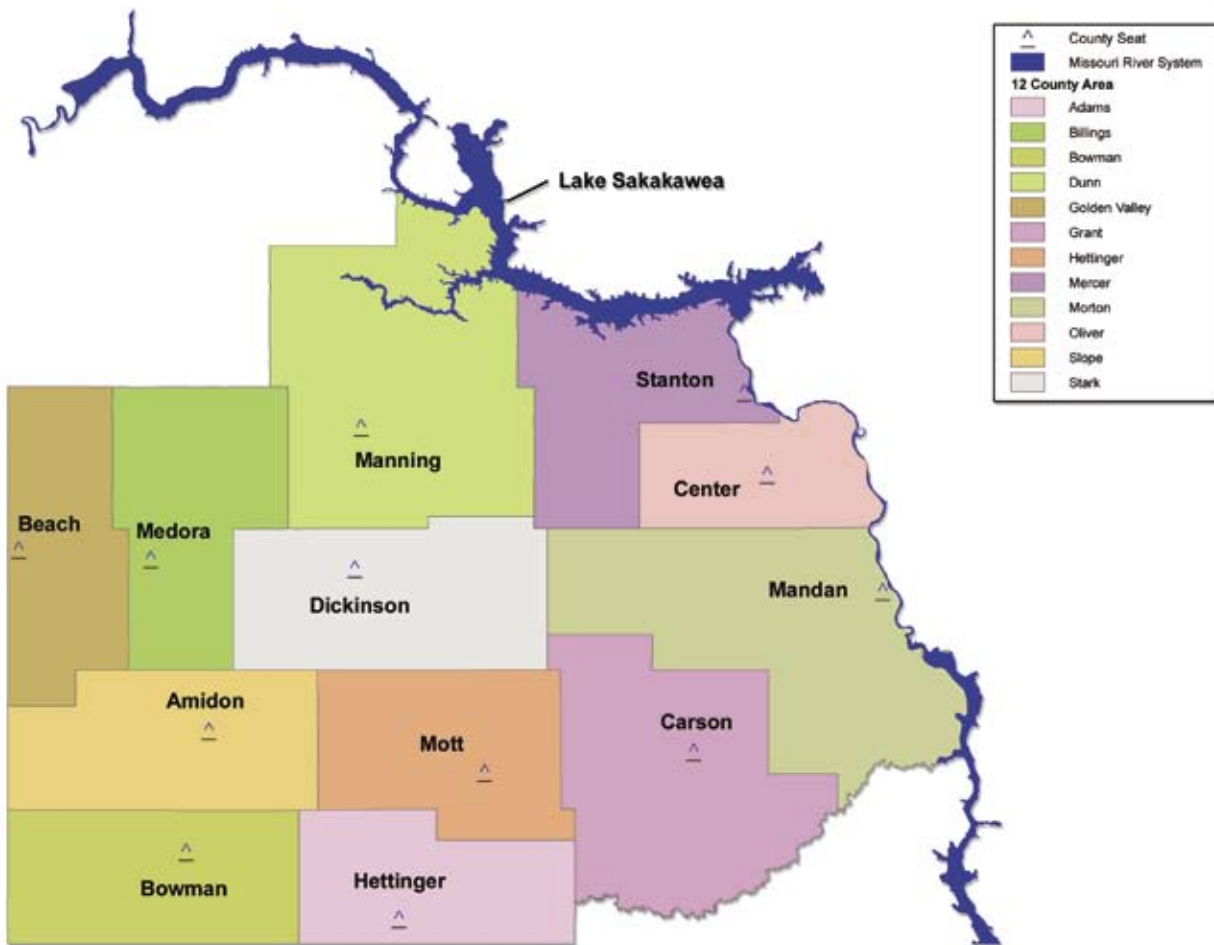
grade students throughout SWA's 12-county service area were invited to attend the event held at the Dickinson Recreation Center. A special Thursday evening session, "Family Night," was open to the public, attracting over 500 participants in 2005.

A bulk water purchase agreement between the SWC, SWA and Missouri West Water Systems (MWWS) will be necessary to cooperatively serve portions of Morton County. Under the agreement, SWPP will tie into existing MWWS infrastructure and the SWC will oversee construction, bringing service to approximately 131 customers. When complete, SWA will purchase water from MWWS to serve those customers.

On August 31, 2005, the United States Department of Agriculture approved the funding necessary (\$1.1 million) to construct the Beulah Interim Project. Contingent upon meeting the

requirements included in the letter of conditions, the project will deliver water from the city of Beulah to Country Club Estates, the city of Zap and several rural customers from Beulah to Zap. Although funding is available, construction is still contingent upon obtaining necessary contracts and agreements from the cities of Beulah, Zap and potential rural customers. Construction is expected to begin in 2006.

Southwest Water Authority Service Area - 12 Counties



Service 2005

Treated Water Users.....Gallons Used

Assumption Abbey	1,326,000
Baker Boy	1,634,100
Beach	38,000,500
Belfield	27,272,100
Carson	9,084,500
Dickinson	612,758,300
Dickinson Research Center	680,500
Dodge	2,832,000
Dunn Center	2,371,700
Elgin	18,289,200
Gladstone	5,269,400
Glen Ullin	21,933,900
Golden Valley	4,476,400
Halliday	7,090,400
Hebron	20,479,700
Hettinger	55,733,000
Home on the Range	172,000
Dean Karsky	1,954,600
Manning	1,462,900
Medora	9,983,300
Mott	22,641,000
Mott Grain	943,800
New England	20,379,600
New Hradec	1,226,500
New Leipzig	7,396,600
Perkins County	18,641,700
Prairie Learning Center	1,391,000

Treated Water Users.....Gallons Used

Reeder	4,932,400
Regent	6,370,200
Richardton	15,669,500
Sacred Heart Monastery	792,000
Scranton	11,871,500
Sentinel Butte	3,865,300
South Heart	9,351,600
Steffes Manufacturing	1,855,100
Taylor	3,762,000
West Medora Campground	2,731,000
Rural Usage	156,887,000
Construction	1,262,220
Total Treated Water	1,134,774,520

Raw Water UsersGallons Used

Assumption Abbey	50,100
Jurgens Farms	765,000
Ervin Lorenz	62,950
Taylor Nursery	731,600
Sacred Heart Monastery	527,000
Total Raw Water	2,136,650



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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.



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 years ended December 31, 2005 and 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 audits.

We conducted our audits 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 audits provide 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, 2005 and 2004, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 16, 2006 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 audits.

The Management's Discussion and Analysis (MD & A) 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.

BRADY, MARTZ & ASSOCIATES, P.C.
207 East Broadway, P.O. Box 1297
Bismarck, ND 58502-1297 (701) 223-1717 Fax (701) 222-0894

OTHER OFFICES: Minot and Grand Forks, ND
Thief River Falls, MN

Independent Auditor's Report

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Our audits were 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.

Brady, Martz
BRADY, MARTZ & ASSOCIATES, P.C.

February 16, 2006



Independent Auditor's Report

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SOUTHWEST WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2005 AND 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 years ended December 31, 2005 and 2004. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements and footnotes, which are presented within this report.

Financial Highlights

The assets of the Southwest Water Authority totaled \$10,105,192 as of the end of the year 2005 compared with \$9,365,629 as of the end of the year 2004. This is an increase in total assets of \$739,563. The liabilities totaled \$790,630 for 2005 compared with \$736,453 for 2004. The net assets exceeded its liabilities at the close of the most recent fiscal year by \$9,314,562. This compares with the year ending December 31, 2004 by \$8,629,176 for an increase in net assets of \$685,386.

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.

Assets held in the Trust Department at American Trust Center, at cost, total \$5,838,226 at the end of the year compared with \$5,271,818 at the end of 2004. The fair value of the investments that is the Replacement and Extraordinary Maintenance Fund is \$4,722,904 at year end 2005, compared with \$4,226,489 at year end 2004. 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. It is funded by water customers system wide. 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 was \$475,158 at year end 2005 compared with \$499,269 at year end 2004. This is a decrease of \$24,111. Of this last amount, \$302,243 is restricted. This compares with \$281,931 that was restricted as of year end 2004, which is an increase of \$20,312. These are the hookup fees paid by customers who sign up for water. If the Southwest Water Authority is unable to serve these individuals, the hookup fees must be refunded.

Total cash as of the end of 2005 is \$3,068,105 compared with \$2,889,499 at the end of 2004. This is an increase of \$178,606. This is made up of checking and money market accounts as well as certificates of deposit.

The liabilities total \$790,630 at year end 2005 compared with \$736,453 at year end 2004. This is an increase of \$54,177. Of this amount, \$445,244 are current liabilities mostly in the form of accounts payable. This compares with 2004 ending balance of \$417,370 in current liabilities. This is an increase of current liabilities of \$27,874. The long-term liabilities totaled \$345,386 at year end 2005 compared with \$319,083 at year end 2004. Of this amount, \$302,243 is deferred revenue for year end 2005 compared with \$281,931 year end 2004. Deferred revenue or hookup fees are held in escrow for customers who have signed up for water service with 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. The balance in long-term liabilities of \$3,910 is rental deposits from tenants at year end 2005 compared with \$3,760 for the year end 2004.

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 SHEETS

	2005	2004
ASSETS		
Unrestricted current assets	\$ 4,755,786	\$ 4,551,020
Restricted noncurrent assets	4,762,110	4,267,705
Capital assets	587,296	546,904
Total Assets	<u>\$ 10,105,192</u>	<u>\$ 9,365,629</u>
LIABILITIES		
Current liabilities	\$ 445,244	\$ 417,370
Long-term liabilities	345,386	319,083
Total Liabilities	<u>790,630</u>	<u>736,453</u>
NET ASSETS		
Invested in capital assets, net of related debt	587,296	546,904
Restricted net assets	4,762,110	4,267,705
Unrestricted net assets	3,965,156	3,814,567
Total Net Assets	<u>9,314,562</u>	<u>8,629,176</u>
Total Liabilities and Net Assets	<u>\$ 10,105,192</u>	<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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	2005	2004
Operating revenues:		
Sales	\$ 4,475,055	\$ 4,386,073
Hook up fee transfers	18,350	48,151
Other	47,331	153,824
Total operating revenues	<u>4,540,736</u>	<u>4,588,048</u>
Operating expenses:		
Transmission	2,028,895	2,110,652
Distribution	1,066,684	1,006,640
Board of directors	122,201	121,060
Administrative	332,019	398,736
Easement acquisition	42,670	39,379
Rural water sign-up	39,459	44,213
Customer service	64,703	58,467
Treatment	596,788	549,556
Grass Seeding	-	56,555
Total operating expenses	<u>4,293,419</u>	<u>4,385,258</u>
Operating income	<u>247,317</u>	<u>202,790</u>
Nonoperating revenues:		
Property taxes	196,923	193,778
Unrealized loss on investments	(80,882)	(23,962)
Investment income	322,028	278,689
Other	-	436
Total nonoperating revenues	<u>438,069</u>	<u>448,941</u>
Change in net assets	685,386	651,731
Total net assets - beginning of year	<u>8,629,176</u>	<u>7,977,445</u>
Total net assets - end of year	<u>\$ 9,314,562</u>	<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

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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The revenues from the sale of water totaled \$4,475,055 for 2005 compared with \$4,386,073 for 2004. This is an increase in revenues of \$88,982. The net income for each department is transmission of \$94,017, distribution net income of \$108,700 and treatment net income of \$201. This compares with net income by department for 2004 of transmission net income of \$197,230, distribution net income of \$129,915 and treatment net income of \$40,190.

The mill levy generated income of \$196,923 for the year 2005 compared with \$193,778 for the year 2004. This is an increase of \$3,145. The administration activities had a net loss of \$11,826 for the year 2005 compared with a net loss of \$82,498 for 2004. Administration includes activities for the board of directors, administration, sign up and easements.

Other major items of note for the year 2005 were the replacement of blowoffs on the raw water line. This was paid for by the Southwest Water Authority with reimbursement being approved by the board and the State Water Commission for the release of the funds from the Replacement and Extraordinary Maintenance Fund. The total cost of the blowoffs replaced and reimbursed in 2005 was \$31,754.

Other major items of note for the year 2004 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 Richardton 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 3.27% of projections and the expenses were within reason of the budget parameters by being under budget by 6%.

The Southwest Water Authority sold a total of 1,136,911,170 gallons of water in 2005 compared with 1,123,409,280 gallons of water in 2004. This is an increase of 13,501,880 gallons. This is, however, 4.78% under the projection for the 2005 year of 1,194,000,000 gallons. For 2004, the sales were 0.30% 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 or visit on the web at 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 Sheets

December 31, 2005 and 2004

	2005	2004
ASSETS		
Current Assets	\$ 879,823	\$ 856,962
Cash and cash equivalents	3,229,701	3,084,845
Investments		350,872
Receivables:	334,440	16,629
Accounts (net of allowance of \$3,448)	37,016	24,994
Interest	27,458	216,718
Prepaid expenses	247,348	
Inventory		
Total current assets	<u>4,755,786</u>	<u>4,551,020</u>
Noncurrent Assets		
Restricted assets:	4,722,904	4,226,489
Investments	39,206	41,216
Interest receivable	587,296	546,904
Improvements, furniture and equipment, net		
Total noncurrent assets	<u>5,349,406</u>	<u>4,814,609</u>
Total Assets	<u>\$ 10,105,192</u>	<u>\$ 9,365,629</u>
LIABILITIES AND NET ASSETS		
Current Liabilities	\$ 285,507	\$ 279,678
Accounts payable	1,006	-
Due to ND State Water Commission	72,850	64,421
Accrued salaries	55,850	47,740
Compensated absences, current portion	30,031	25,531
Accrued expenses		
Total current liabilities	<u>445,244</u>	<u>417,370</u>
Long-term Liabilities		
Compensated absences, net of current portion	39,233	33,392
Deferred revenue	302,243	281,931
Rental deposits from tenants	3,910	3,760
Total long-term liabilities	<u>345,386</u>	<u>319,083</u>
Total liabilities	<u>790,630</u>	<u>736,453</u>
Net Assets		
Invested in capital assets, net of related debt	587,296	546,904
Restricted for replacement	4,762,110	4,267,705
Unrestricted	3,965,156	3,814,567
Total Net Assets	<u>9,314,562</u>	<u>8,629,176</u>
Total Liabilities and Net Assets	<u>\$ 10,105,192</u>	<u>\$ 9,365,629</u>

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

Statements of Revenues, Expenses and Changes in Fund Net Assets

For the years ended December 31, 2005 and 2004

	2005	2004
Operating revenues:	\$ 4,475,055	\$ 4,386,073
Sales	18,350	48,151
Hook up fee transfers	47,331	153,824
Other		
Total operating revenues	4,540,736	4,588,048
Operating expenses:	2,028,895	2,110,652
Transmission	1,066,684	1,006,640
Distribution	122,201	121,060
Board of directors	332,019	398,736
Administrative	42,670	39,379
Easement acquisition	39,459	44,213
Rural water sign-up	64,703	58,467
Customer service	596,788	549,556
Treatment	-	56,555
Grass Seeding		
Total operating expenses	4,293,419	4,385,258
Operating income	247,317	202,790
Nonoperating revenue:	196,923	193,778
Property taxes	(80,882)	(23,962)
Unrealized decrease in investments	322,028	278,689
Investment income	-	436
Other		
Total nonoperating revenue	438,069	448,941
Change in net assets	685,386	651,731
Total net assets - beginning of year	8,629,176	7,977,445
Total net assets - end of year	\$ 9,314,562	\$ 8,629,176

Southwest Water Authority Board of Directors Education

In an effort to streamline communication among members and encourage visionary thinking, the Southwest Water Authority Board of Directors periodically participated in strategic planning and other educational activities including computer training.



Potable Water Usage

Total From Potable Water Contracts - Per 1,000 Gallons

User	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	User Total
Assumption Abbey	81.0	80.0	96.0	114.0	101.0	113.0	145.0	191.0	146.0	85.0	88.0	86.0	1,326.0
Baker Boy	41.6	43.7	39.1	45.1	62.7	88.1	59.1	300.4	308.5	302.7	177.0	166.1	1,634.1
Beach	2,874.3	3,628.3	2,258.3	2,898.4	2,931.8	3,071.2	5,240.2	3,808.9	4,156.7	2,384.6	2,337.8	2,410.0	38,000.5
Belfield	2,089.5	2,447.0	1,343.2	2,014.1	1,887.7	2,403.6	3,257.8	3,612.2	2,903.6	1,869.3	1,824.7	1,619.4	27,272.1
Carson	577.5	636.9	551.7	770.9	738.5	733.8	1,030.3	834.3	1,074.2	702.1	616.9	817.4	9,084.5
Dickinson	38,835.7	41,216.5	36,512.7	50,493.5	43,401.9	46,482.2	74,071.2	75,493.0	77,412.0	45,345.7	42,235.3	41,258.6	612,758.3
Dickinson Research	32.7	26.5	22.3	26.9	46.3	107.9	24.8	6.6	302.0	26.9	24.7	32.9	680.5
Dodge	199.0	201.0	196.0	259.0	213.0	244.0	279.0	307.0	293.0	221.0	207.0	213.0	2,832.0
Dunn Center	179.9	167.9	146.7	196.4	175.9	188.6	235.8	250.1	264.4	184.1	192.0	189.9	2,371.7
Elgin	1,254.7	1,338.7	1,176.6	1,587.4	1,463.7	1,484.3	2,152.9	1,818.8	2,085.6	1,337.0	1,344.7	1,244.8	18,289.2
Gladstone	476.1	373.3	341.1	445.5	392.3	428.7	541.5	518.2	549.3	457.8	369.3	376.3	5,269.4
Glen Ullin	1,546.7	1,588.8	1,403.5	2,206.8	1,754.0	1,843.2	2,447.2	2,085.0	2,237.0	1,643.5	1,530.5	1,647.7	21,933.9
Golden Valley	269.9	302.8	266.1	379.8	320.6	399.9	488.6	561.3	565.5	324.3	306.1	291.5	4,476.4
Halliday	500.4	454.6	440.9	581.8	628.1	558.3	703.2	712.2	776.5	580.0	613.7	540.7	7,090.4
Hebron	1,391.6	1,433.7	1,368.0	1,758.7	1,571.9	1,699.7	2,489.7	2,063.2	2,171.1	1,578.8	1,484.9	1,468.4	20,479.7
Hettinger	3,420.7	3,545.4	3,399.8	4,460.9	4,415.3	4,728.9	7,516.4	5,960.2	6,786.7	4,079.3	3,618.2	3,801.2	55,733.0
Home On The Range									34.3	44.7	49.3	43.7	172.0
Karsky Dairy	157.8	154.7	155.5	177.8	156.6	169.2	174.1	168.0	190.7	143.5	164.7	142.0	1,954.6
Manning	72.0	78.6	81.0	91.4	80.2	99.1	161.9	229.4	270.3	126.4	84.2	88.4	1,462.9
Medora			160.3	252.6	424.5	1,110.6	1,875.0	2,064.2	2,336.2	913.4	565.4	281.1	9,983.3
Mott	1,606.0	1,703.0	1,506.3	2,002.4	1,927.5	2,068.4	2,230.4	2,093.9	2,120.2	1,995.8	1,748.9	1,638.2	22,641.0
Mott Grain					250.6	236.9	193.0	77.2	155.6	26.9	3.6		943.8
New England	1,286.2	1,292.6	1,300.8	1,817.0	1,616.9	2,110.4	2,082.7	2,259.5	2,323.9	1,409.7	1,435.9	1,444.0	20,379.6
New Hradec	93.6	100.3	88.5	116.7	100.4	108.8	142.0	116.2	111.5	85.8	84.2	78.5	1,226.5
New Leipzig	595.6	550.3	503.7	622.8	575.0	789.2	864.1	597.0	809.3	537.8	455.2	496.6	7,396.6
Perkins Co. Rural Wa- ter Syst.	438.8	399.4	362.2	517.4	485.4	565.0	996.7	860.2	3,222.0	3,871.6	3,545.8	3,377.2	18,641.7
Prairie Learning Center	148.0	74.0	107.0	134.0	146.5	91.5	106.9	126.1	119.8	140.2	97.0	100.0	1,391.0
Reeder	428.9	341.5	359.9	452.2	306.6	498.3	640.4	413.4	459.4	337.5	373.9	320.4	4,932.4
Regent	424.3	347.6	318.2	531.8	616.4	698.9	554.7	705.0	657.3	584.8	515.6	415.6	6,370.2
Richardton	1,126.7	1,116.1	964.0	1,360.0	1,123.6	1,296.0	1,704.7	1,793.1	1,670.8	1,173.8	1,168.4	1,172.3	15,669.5
Sacred Heart	62.0	69.0	66.0	77.0	62.0	60.0	58.0	59.0	82.0	62.0	71.0	64.0	792.0
Scranton	776.6	721.4	588.5	1,138.6	1,041.9	1,307.7	1,258.9	1,174.8	1,451.8	927.8	744.1	739.4	11,871.5
Sentinel Butte	660.8	773.3	452.0	363.0	325.4	230.7	196.2	185.3	155.5	135.4	227.7	160.0	3,865.3
South Heart	651.8	654.0	597.6	795.3	657.5	639.8	1,151.7	1,104.6	1,168.3	709.4	596.6	625.0	9,351.6
Steffes	234.7	185.4	187.1	218.6	100.4	9.8	292.9	158.4	88.0	117.1	141.3	121.4	1,855.1
Taylor	241.0	256.0	237.0	320.0	324.0	271.0	479.0	470.0	398.0	254.0	276.0	236.0	3,762.0
West Medora Camp- ground				20.0	113.0	557.0	785.0	723.0	479.0	22.0	19.0	13.0	2,731.0
Monthly Total	62,776.1	66,302.3	57,597.6	79,247.8	70,539.1	77,493.7	116,631.0	113,900.7	120,336.0	74,741.7	69,338.6	67,720.7	976,625.3

Rates 2005



The water rate for rural customers in 2005 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, 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.

The standard rural minimum fee (\$38.25) is broken into three separate components: meter fee, capital repayment, operations and maintenance.

Rural Customers Under 10,000 Gallons

Treatment.....	\$0.55
Transmission O&M*	\$1.05
Transmission Replacement.....	\$0.35
Distribution O&M*	\$1.28
Distribution Replacement.....	\$0.10
Distribution Reserve.....	\$0.15
Transmission Reserve.....	\$0.12
Total	\$3.60

The 2005 rate for demand contract customers was \$3.83 per 1,000 gallons of potable water.

Demand Contract Customers

Treatment.....	\$0.55
Transmission O&M*	\$1.05
Transmission Replacement and Extraordinary Maintenance.....	\$0.35
Capital Repayment	\$0.91
Demand Charge	\$0.91
Transmission Reserve.....	\$0.06
Total	\$3.83

The 2005 rate for contract customers was \$2.98 per 1,000 gallons of potable water.

The capital repayment (\$27.79) and meter fee (\$5.00) portions of the minimum are used to pay the interest and principal on the Series A and B bonds, with the remaining balance paid to the Resources Trust Fund. These 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 to cover fixed costs.

Rural Customers Over 10,000 Gallons

Treatment.....	\$0.55
Transmission O&M*	\$0.72
Transmission Replacement.....	\$0.35
Transmission Reserve.....	\$0.08
Distribution O&M*	\$0.90
Total	\$2.60

Contract Customers

Treatment	\$0.55
Transmission O&M*	\$1.05
Transmission Replacement and Extraordinary Maintenance. . .	\$0.35
Capital Repayment	\$0.91
Transmission Reserve	\$0.12
Total	\$2.98

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.

O&M* stands for Operations and Maintenance

Rates 2006

Rural Customers Under 10,000 Gallons

Treatment.....	\$0.55
Transmission O&M*.....	\$1.05
Transmission Reserve.....	\$0.09
Transmission Replacement.....	\$0.35
Distribution O&M*.....	\$1.31
Distribution Replacement.....	\$0.10
Distribution Reserve.....	\$0.15
Total	\$3.60

Rural Customers Over 10,000 Gallons

Treatment	\$0.55
Transmission O&M*.....	\$0.72
Transmission Replacement	\$0.35
Distribution O&M*.....	\$0.88
Distribution Replacement.....	\$0.10
Total	\$2.60

The rural water rates for 2006 will remain the same for the fifth consecutive year. The minimum fee of \$38.25 includes 2,000 gallons of water. This also includes capital repayment, meter fee, 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 was increased by \$1.01. 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 (\$28.80) and meter fee (\$5.00) portions of the minimum are used to pay the interest and principal on the 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 (\$4.45) is for the Operations and Maintenance Fund to cover fixed costs.

O&M* stands for Operations and Maintenance

Rates 2006**Demand Contract Customers**

Treatment	\$0.55
Transmission O&M*	\$1.05
Transmission Replacement and Extraordinary Maintenance	\$0.35
Capital Repayment	\$0.94
Demand Charge	\$0.94
Total	\$3.83

Contract Customers

Treatment	\$0.55
Transmission O&M*	\$1.05
Transmission Replacement and Extraordinary Maintenance	\$0.35
Capital Repayment	\$0.94
Transmission Reserve	\$0.09
Total	\$2.98

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, travel, insurance, supplies, equipment, vehicles and their maintenance, legal fees, building, transmission and distribution equipment repair and maintenance, as well as 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 the Series A and B Bonds with the balance paid to the Resources Trust Fund. The North Dakota Legislature has authorized the fees contributed to the Resources Trust Fund to further fund Southwest Pipeline Project construction and other statewide water projects.

O&M* stands for Operations and Maintenance

Water Service Contracts

Total From Portable Water Contracts

User	Billed*	O&M**	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Assumption Abbey	1,326.00	\$1,392.27	\$729.30	\$79.56	\$464.10	\$1,206.66	\$1,206.66	\$5,078.55
Baker Boy	1,936.11	\$2,032.85	\$1,064.91	\$232.31	\$677.67	\$1,761.87		\$5,769.61
Beach	37,800.50	\$39,690.55	\$20,790.30	\$4,536.07	\$13,230.20	\$34,398.45		\$112,645.57
Belfield	27,272.10	\$28,635.73	\$14,999.68	\$3,272.64	\$9,545.26	\$24,817.62		\$81,270.93
Carson	9,084.50	\$9,538.77	\$4,996.52	\$1,090.15	\$3,179.63	\$8,266.90		\$27,071.97
Dickinson	612,758.30	\$643,396.25	\$337,017.11	\$73,530.98	\$214,465.42	\$557,610.07		\$1,826,019.83
Dickinson Research	1,200.00	\$1,260.03	\$660.03	\$72.00	\$420.03	\$1,092.01	\$1,092.00	\$4,596.10
Dodge	2,832.00	\$2,973.60	\$1,557.60	\$339.84	\$991.20	\$2,577.12		\$8,439.36
Dunn Center	2,371.70	\$2,490.32	\$1,304.47	\$284.61	\$830.13	\$2,158.25		\$7,067.78
Elgin	18,289.20	\$19,203.69	\$10,059.09	\$2,194.70	\$6,401.25	\$16,643.19		\$54,501.92
Gladstone	5,269.40	\$5,532.92	\$2,898.22	\$632.34	\$1,844.34	\$4,795.15		\$15,702.97
Glen Ullin	21,933.90	\$23,030.62	\$12,063.67	\$2,632.06	\$7,676.89	\$19,959.87		\$65,363.11
Golden Valley	4,476.40	\$4,700.26	\$2,462.06	\$537.18	\$1,566.78	\$4,073.54		\$13,339.82
Halliday	7,090.40	\$7,444.95	\$3,899.75	\$850.84	\$2,481.68	\$6,452.27		\$21,129.49
Hebron	20,479.70	\$21,503.72	\$11,263.87	\$2,457.55	\$7,167.93	\$18,636.54		\$61,029.61
Hettinger	55,733.00	\$58,519.68	\$30,653.18	\$6,687.96	\$19,506.57	\$50,717.02		\$166,084.41
Home on the Range	700	\$735.01	\$385.01	\$42.00	\$245.01	\$637.00	\$637.00	\$2,681.03
Karsky Dairy	1,954.60	\$2,052.36	\$1,075.06	\$234.54	\$684.14	\$1,778.71		\$5,824.81
Manning	1,462.90	\$1,536.06	\$804.61	\$87.76	\$512.03	\$1,331.21	\$1,331.22	\$5,602.89
Medora	14,955.48	\$15,703.28	\$8,225.51	\$1,794.65	\$5,234.45	\$13,609.48		\$44,567.37
Mott	22,641.00	\$23,772.99	\$12,452.57	\$2,716.93	\$7,924.37	\$20,603.30		\$67,470.16
Mott Grain	1,200.00	\$1,260.02	\$660.01	\$143.99	\$420.01	\$1,092.01		\$3,576.04
New England	20,379.60	\$21,398.61	\$11,208.81	\$2,445.55	\$7,132.89	\$18,545.45		\$60,731.31
New Hradec	1,226.50	\$1,287.85	\$674.60	\$73.59	\$429.30	\$1,116.13	\$1,116.13	\$4,697.60
New Leipzig	7,396.60	\$7,766.45	\$4,068.15	\$887.59	\$2,588.84	\$6,730.91		\$22,041.94
Perkins County Rural Water System	18,641.70	\$19,573.79	\$10,252.94	\$2,237.02	\$6,524.60	\$0.00		\$38,588.35
Prairie Learning Center	1,391.00	\$1,460.39	\$765.07	\$166.92	\$486.87	\$1,265.82		\$4,145.07
Reeder	4,861.80	\$5,104.92	\$2,674.02	\$583.43	\$1,701.66	\$4,424.24		\$14,488.27
Regent	6,370.20	\$6,688.73	\$3,503.63	\$764.43	\$2,229.59	\$5,796.89		\$18,983.27
Richardton	15,669.50	\$16,453.00	\$8,618.25	\$1,880.34	\$5,484.34	\$14,259.25		\$46,695.18
Sacred Heart	792	\$831.60	\$435.60	\$47.52	\$277.20	\$720.72	\$720.72	\$3,033.36
Scranton	11,871.50	\$12,465.11	\$6,529.35	\$1,424.59	\$4,155.05	\$10,803.08		\$35,377.18
Sentinel Butte	3,765.30	\$3,953.59	\$2,070.94	\$451.84	\$1,317.88	\$3,426.42		\$11,220.67
South Heart	9,296.40	\$9,761.24	\$5,113.04	\$1,115.58	\$3,253.76	\$8,459.73		\$27,703.35
Steffes	1,855.10	\$1,947.86	\$1,020.33	\$222.62	\$649.31	\$1,688.13		\$5,528.25
Taylor	3,762.00	\$3,950.09	\$2,069.10	\$451.44	\$1,316.70	\$3,423.42		\$11,210.75
West Medora Campground	2,731.00	\$2,867.55	\$1,502.05	\$163.86	\$955.85	\$2,485.21	\$2,485.21	\$10,459.73
Totals	982,777.39	1,031,916.71	540,528.41	117,366.98	343,972.93	877,363.64	8,588.94	2,919,737.61

* per thousand gallons billed

** Operations and Maintenance



Water Service Contracts

Total From Raw Water Contracts

User	Billed*	O&M**	Treatment	Reserve
Abbey	100	\$105.02	N/A	\$14.01
Jurgens Farm	765	\$803.25	N/A	\$107.10
Lorenz Farm	100	\$105.00	N/A	\$14.00
Sacred Heart	527	\$553.35	N/A	\$73.78
Taylor Nursery	731.6	\$768.20	N/A	\$102.42
Totals	2,223.60	\$2,334.82	N/A	\$311.31

User	Replacement	Capital Repayment	Demand	Total
Abbey	\$35.02	\$90.99	N/A	\$245.04
Jurgens Farm	\$267.75	\$696.15	N/A	\$1,874.25
Lorenz Farm	\$35.00	\$90.99	N/A	\$244.99
Sacred Heart	\$184.45	\$479.57	N/A	\$1,291.15
Taylor Nursery	\$256.08	\$665.76	N/A	\$1,792.46
Totals	\$778.30	\$2,023.46	N/A	\$5,447.89

* per thousand gallons billed

** Operations and Maintenance

Rural Water Usage History

Gallons Billed

Month	1995	1996	1997	1998	1999	2000
Jan.	638,000	2,674,000	4,508,000	5,213,600	5,627,700	7,567,600
Feb.	722,000	2,513,000	4,513,300	5,108,300	5,355,100	7,178,100
Mar.	797,000	3,001,000	3,876,400	4,694,500	4,912,600	6,538,000
April	841,000	3,096,000	4,383,300	4,889,400	6,081,700	7,618,300
May	934,000	2,994,000	4,642,000	5,105,200	5,589,900	7,979,600
June	1,282,000	3,537,000	5,516,800	7,228,400	6,078,700	8,979,700
July	1,601,000	4,435,000	6,041,300	5,945,000	7,307,200	8,886,400
Aug.	1,708,000	4,829,000	6,136,200	7,279,200	8,430,100	9,147,300
Sept.	1,822,000	5,598,000	5,623,200	6,742,300	7,579,700	10,089,100
Oct.	1,531,000	4,342,000	6,124,000	6,672,900	7,742,800	10,638,200
Nov.	1,839,000	4,026,400	4,679,100	6,136,000	6,717,200	7,627,100
Dec.	2,130,000	5,328,000	4,853,000	4,776,100	7,047,500	7,166,100
Total	15,845,000	46,373,400	60,896,600	69,790,900	78,470,200	99,415,500

Month	2001	2002	2003	2004	2005
Jan.	7,566,100	8,803,100	9,747,700	10,499,300	10,438,000
Feb.	7,182,800	7,351,300	9,030,800	9,838,200	9,806,900
Mar.	6,803,000	7,367,300	8,645,200	8,627,700	9,593,300
April	7,199,700	8,452,700	8,999,500	9,678,100	11,043,100
May	7,890,200	8,591,300	10,030,800	11,882,600	11,416,100
June	9,377,700	11,816,800	12,353,200	12,985,500	13,780,800
July	8,687,300	12,067,400	12,869,800	15,676,800	13,786,700
Aug.	8,853,700	12,878,000	14,851,300	14,729,100	14,552,400
Sept.	10,633,300	11,186,900	14,823,500	14,405,200	16,177,400
Oct.	10,084,400	16,109,900	19,743,800	19,217,100	24,084,600
Nov.	7,364,200	9,111,700	10,257,100	10,106,100	11,281,500
Dec.	7,860,900	8,463,100	9,372,700	9,765,600	10,926,200
Total	99,503,300	122,199,500	140,725,400	147,411,300	156,887,000

Rate History

Contract Water Rate	1992	1993	1994	1995	1996	1997	1998	1999
Operations & Maintenance	\$0.80	\$0.50	\$0.60	\$0.67	\$0.81	\$0.85	\$0.83	\$0.88
Treatment	\$0.56	\$0.64	\$0.69	\$0.65	\$0.55	\$0.55	\$0.52	\$0.56
Replacement & Extraordinary Maintenance	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.35
Capital Repayment	\$0.62	\$0.68	\$0.70	\$0.72	\$0.74	\$0.76	\$0.78	\$0.79
Reserve Fund								\$0.05
Total Contract Rates	\$2.28	\$2.12	\$2.29	\$2.34	\$2.40	\$2.46	\$2.43	\$2.63

Potable Water** 655,640.0 523,308.0 612,163.0 697,411.2 806,175.3 826,589.8 908,168.2 823,339.9

Distribution Water Rate
Rural Monthly Minimum* \$25.00 \$25.00 \$25.00 \$26.95 \$28.00 \$33.90 \$33.90 \$35.10
Rural Water Rate \$2.50 \$2.50 \$2.50 \$2.50 \$2.55 \$2.55 \$2.59 \$3.05

Contract Water Rate	2000	2001	2002	2003	2004	2005	2006
Operations & Maintenance	\$0.91	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05
Treatment	\$0.53	\$0.53	\$0.53	\$0.53	\$0.55	\$0.55	\$0.55
Replacement & Extraordinary Maintenance	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35	\$0.35
Capital Repayment	\$0.80	\$0.83	\$0.85	\$0.87	\$0.89	\$0.91	\$0.94
Reserve Fund	\$0.15	\$0.20	\$0.20	\$0.18	\$0.14	\$0.12	\$0.09
Total Contract Rates	\$2.74	\$2.96	\$2.98	\$2.98	\$2.98	\$2.98	\$2.98

Potable Water** 1,001,669 1,030,755 1,066,537 1,119,869 1,113,088 1,133,512

Distribution Water Rate
Rural Monthly Minimum* \$35.80 \$37.55 \$38.25 \$38.25 \$38.25 \$38.25 \$38.25
Rural Water Rate \$3.15 \$3.60 \$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 from 1997 through 2006.

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

Capital Repayment

A portion of the water rate charged by Southwest Water Authority (SWA) is designated for customers to pay back the cost of construction. It is called capital repayment. For all contract users, capital repayment is based on a per thousand gallons charge. For rural customers, a portion of the monthly minimum payment is designated for capital repayment.

In 1982, a study determined that the economic constraints in southwest North Dakota would limit the amount customers could pay to cover the cost of construction. Since capital repay-

ment is based on ability to pay, the portion of the rate designated for capital repayment for both contract and rural customers is 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
Contract	\$224,065.00	\$190,433.00	\$292,997.00	\$408,563.00	\$418,179.77
Rural		\$5,540.00	\$7,475.00	\$95,616.00	\$316,814.38
Total	\$224,065.00	\$195,973.00	\$300,472.00	\$504,179.00	\$734,994.15

	1997	1998	1999	2000	2001
Contract	\$487,828.22	\$568,497.91	\$580,865.33	\$634,275.73	\$751,392.41
Rural	\$370,085.00	\$347,293.46	\$445,131.91	\$524,952.50	\$556,470.52
Total	\$857,913.22	\$915,791.37	\$1,025,997.24	\$1,159,228.23	\$1,307,862.93

	2002	2003	2004	2005	Total
Contract	\$800,159.52	\$861,015.31	\$846,041.48	\$897,289.69	\$7,961,603.37
Rural	\$630,004.66	\$718,768.94	\$774,667.77	\$809,668.64	\$5,602,488.78
Total	\$1,430,164.18	\$1,579,784.25	\$1,620,709.25	\$1,706,958.33	\$13,564,092.15

Replacement and Extraordinary Maintenance Fund

	1991-1995	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	2005	Total
Beginning Balance	2,314,893	2,804,274	3,301,016	3,835,485	4,220,502	
Contributions						
Contract	329,448	333,308	346,330	335,340	347,808	3,758,695
Rural	44,066	53,121	62,334	67,709	64,725	445,366
Interest	127,292	160,258	150,883	188,652	198,149	1,207,992
Dividends	16,575	4,016	3,985	2,279	5,633	75,845
Fiduciary Fees	(9,552)	(12,177)	(14,190)	(15,845)	(17,417)	(98,421)
Disbursements	(18,448)	(41,784)	(14,874)	(193,119)	(31,754)	(601,831)
Ending Balance	2,804,274	3,301,016	3,835,485	4,220,502	4,787,646	4,787,646

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 and/or used. The rate was originally set at \$.30 per thousand gallons of water sold to all customers. In 1998 a rate study was completed 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. Thus, the rate has remained \$.35 per thousand gallons since 1999.

The Replacement and 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 worn out system parts of the SWPP in the years to come. Disbursements from this account have to meet these criteria and be approved by the ND State Water Commission (SWC) and SWA Board of Directors.

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.

REM is one of the rate structure components that is paid by all customers, both contract and rural. Rates are set every year and, according to the ND Century Code, this account is funded by the water rates. The rate for REM is set by the SWC. The table above gives a summary of activity of this account.



Phased Development Plan

Current Development Phase:

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

Next Development Phase:

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

Southwest Pipeline Project Funding Sources

State Funding (in millions of dollars)

Resources Trust Fund.....	\$ 45.45
Water Development Trust Fund	\$ 7.30
Subtotal	\$ 52.75

Grants

Garrison Diversion Conservancy District

Municipal Rural & Industrial Fund.....	\$ 69.70
USDA-Rural Development	\$ 10.50
Natural Resources Conservation Service PL566	\$ 0.90
Subtotal	\$ 81.10

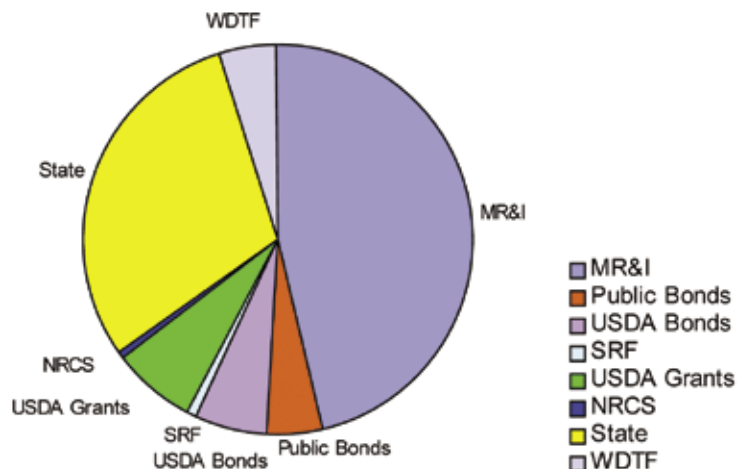
State Bonds Repaid by Users

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

Total Funding\$151.15

SWPP Funding Sources

\$151.15 Million as of 12/31/05



Electric Power Usage

The Southwest Pipeline Project has several main transmission pumping facilities throughout the system. For these locations, Southwest Water Authority (SWA) purchases its power from the federal government through the Department of Energy's Western Area Power Association (WAPA). Local utility companies then supply or distribute the power to each location.

These are known as wheeling costs. SWA pays the local utility companies to wheel the power provided by WAPA.

This table illustrates the total power usage for 2005 at these locations.

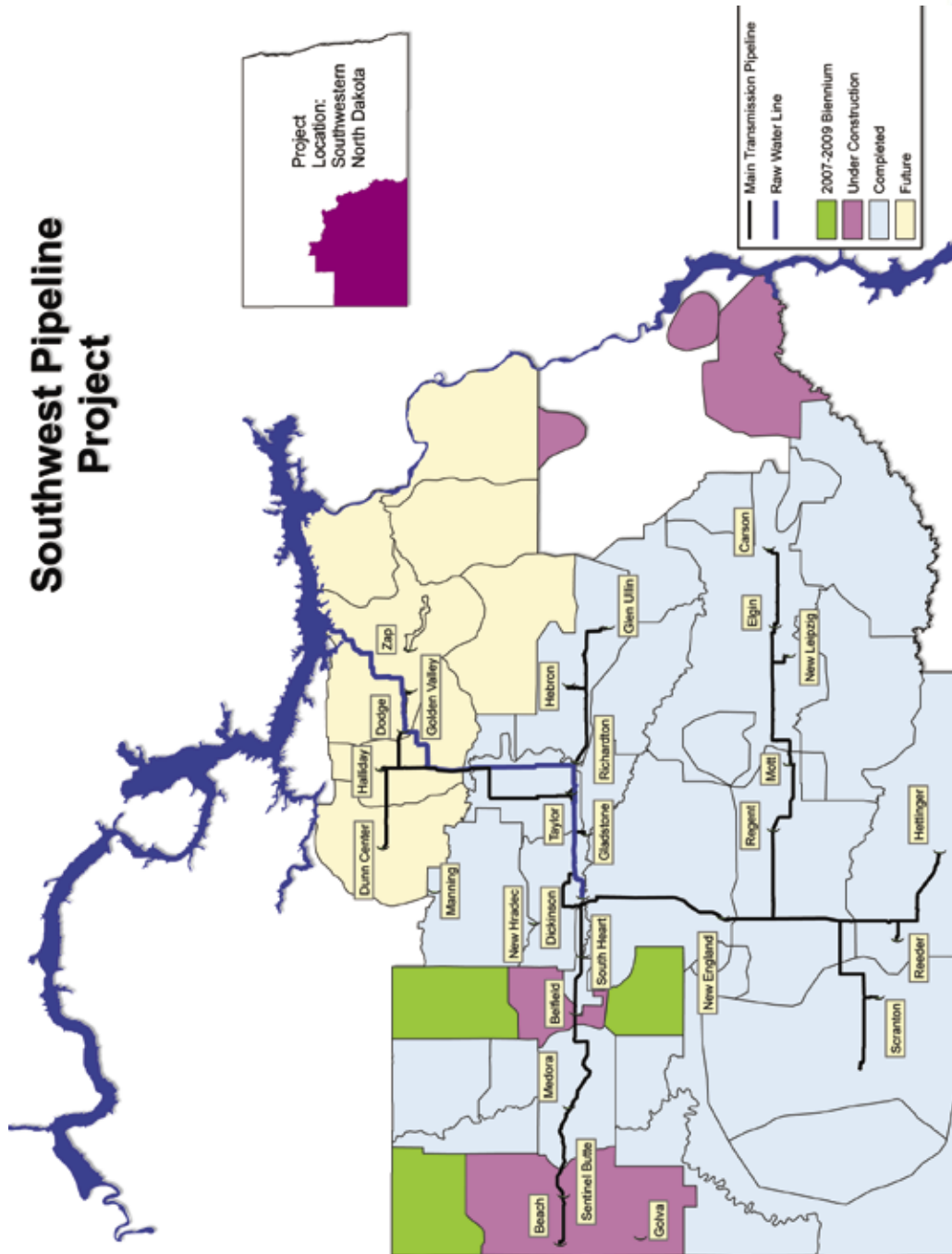
Location	1994	1995	1996	1997	1998	1999
Intake PS	1,645,820	1,855,579	2,192,366	2,129,824	2,302,460	2,334,674
Richardton PS	956,087	1,070,952	1,250,174	1,241,108	1,347,075	1,378,141
Dickinson PS	21,299	343,654	495,616	495,618	752,435	831,898
Dodge PS	47,820	238,364	386,470	385,973	405,366	384,563
Jung Lake PS					24,331	187,528
Bucyrus PS					223,039	128,217
Total	2,671,026	3,508,549	4,324,626	4,252,523	5,054,706	5,245,021

Location	2000	2001	2002	2003	2004	2005
Intake PS	2,573,895	2,661,280	2,771,644	2,930,468	2,909,556	3,003,794
Richardton PS	1,485,588	1,550,685	1,630,154	1,724,962	1,688,295	1,733,036
Dickinson PS	940,441	1,036,288	1,128,038	1,241,497	1,241,087	1,312,768
Dodge PS	429,567	454,764	548,086	612,649	566,817	538,056
Jung Lake PS	236,441	315,255	380,975	450,324	461,738	480,550
Bucyrus PS	127,212	139,462	136,942	136,226	139,823	161,163
WTP	22 3,935	312,018	324,991	322,634	323,419	342,292
Burt PS	23,803	87,630	93,624	97,740	97,593	102,398
Scranton PS			29,326	59,815	53,329	60,091
Fryburg PS					29,680	121,760
Beach PS					25,059	92,475
Total	6,040,882	6,557,382	7,043,780	7,576,315	7,536,396	7,948,383

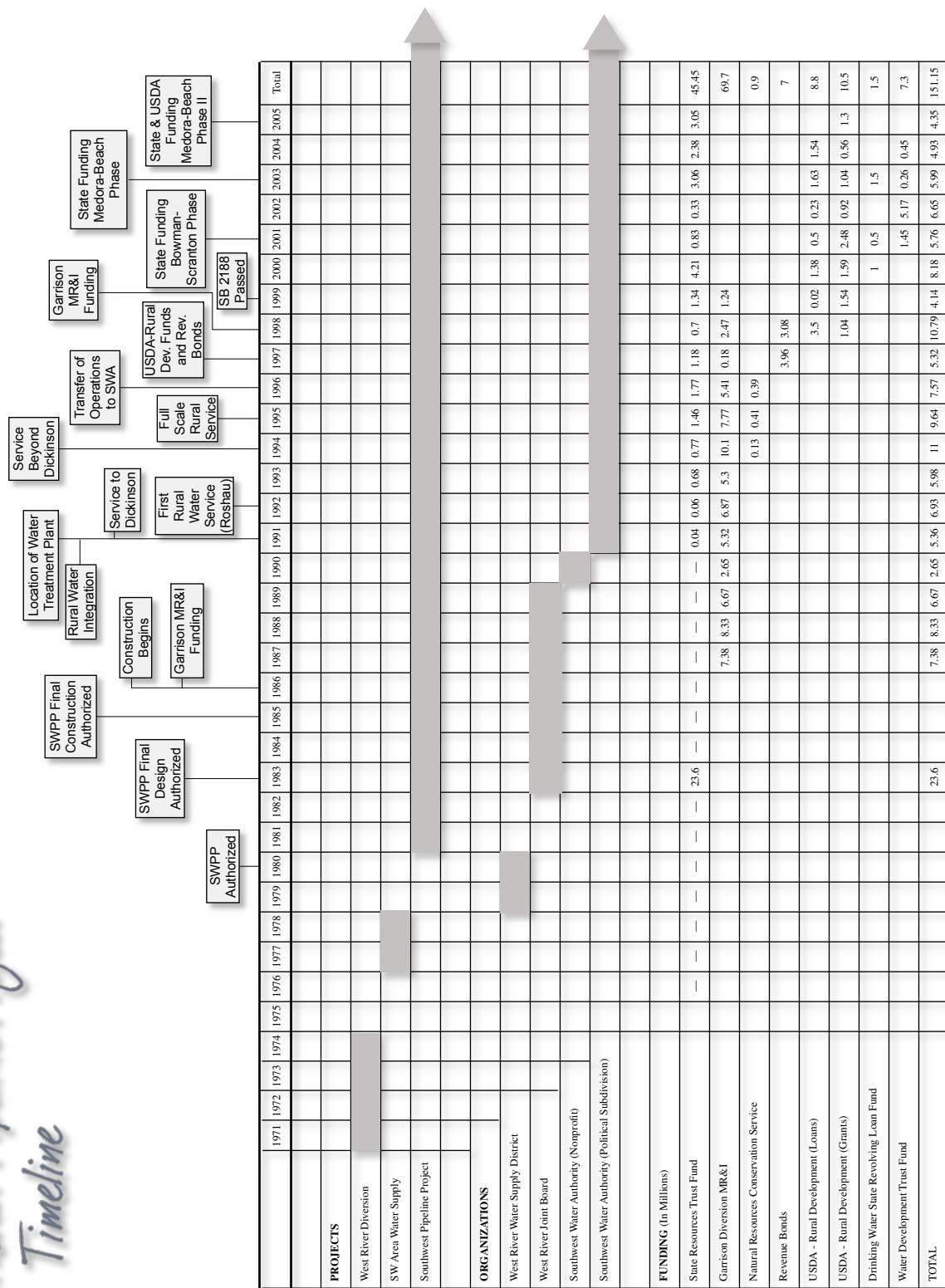
PS = Pump Station

WTP = Water Treatment Plant

Southwest Pipeline Project Construction Map



Southwest Pipeline Project Timeline



Vision Statement
"People and business
succeeding with quality water."



Mission Statement
"Providing quality water
for southwest North Dakota."

