



SOUTHWEST WATER  
AUTHORITY

2011  
ANNUAL  
OPERATING  
REPORT







# Vision

People and Business  
Succeeding with Quality Water

# Mission

Quality Water for  
Southwest North Dakota

*Southwest Water Authority does not discriminate on the basis of race, color, national origin, sex, religion, age, marital status or disability in employment or the provision of services.*

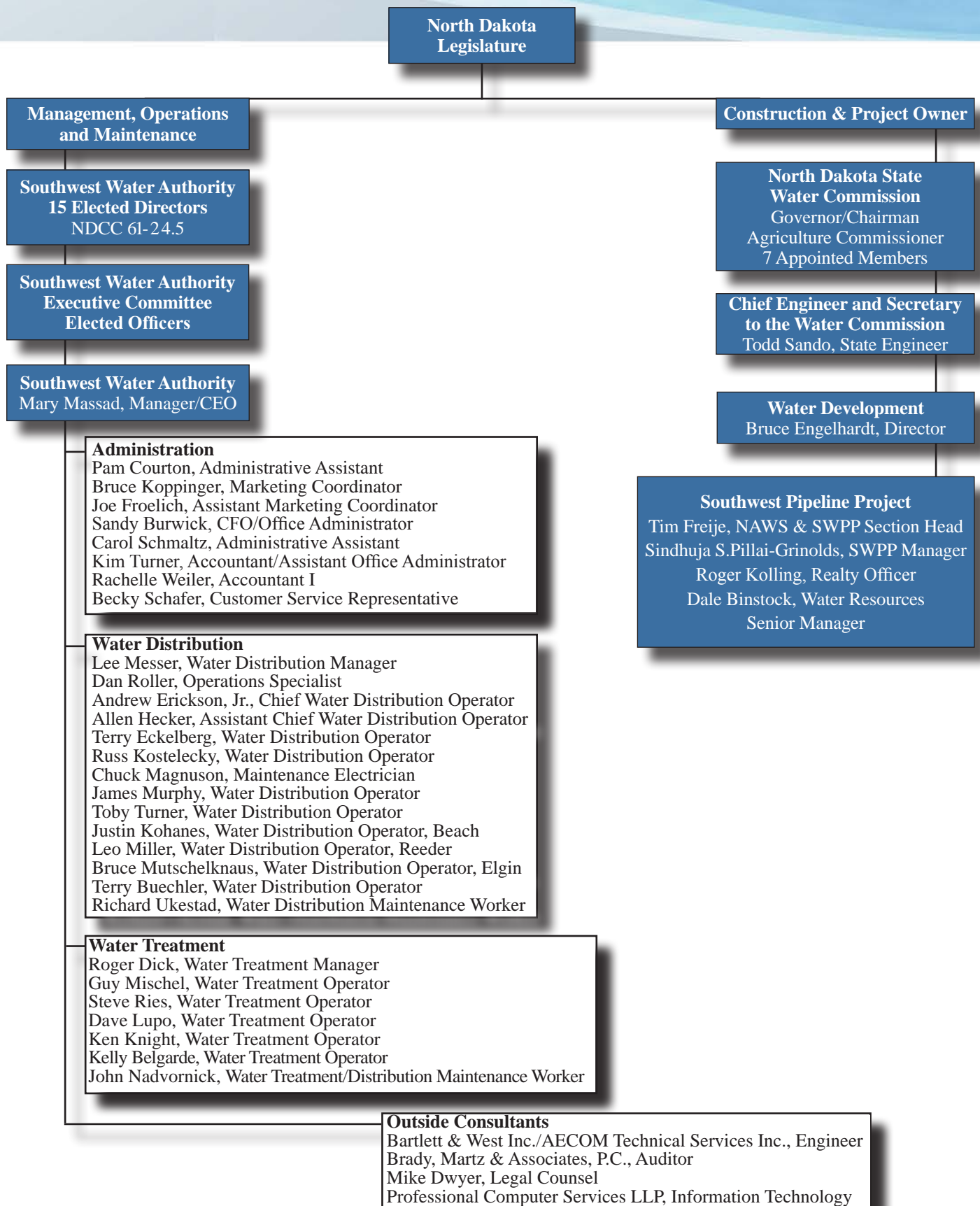
*Designed & Edited by Lew McCoy*



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# Organizational Chart





# *SWA Board of Directors*



*Chairman*  
**Larry Bares**  
*City of Dickinson*



*Vice Chairman*  
**James Odermann**  
*Billings County*



*Secretary*  
**Steve Schneider**  
*Stark County*



**Ray Bieber**  
*Hettinger County*



**Duane Bueligen**  
*Oliver County*



**Jonathon Eaton**  
*Adams County*



**Marie Johnson**  
*Mercer County*



**David Juntunen**  
*Slope County*



**Robert Leingang**  
*City of Mandan*



**Darrel Oech**  
*Golden Valley County*



**Brian Roth**  
*Grant County*



**George Saxowsky**  
*Morton County*



**Rick Seifert**  
*Bowman County*



**Larry Stang**  
*City of Dickinson*



**Emanuel Stroh**  
*Dunn County*

## *North Dakota* *State Water Commission*

**Governor Jack Dalrymple, Chairman - Bismarck, ND**

**Doug Goehring, Ag Commissioner - Bismarck, ND**

**Arne Berg - Devils Lake, ND**

**Maurice V. Foley - Minot, ND**

**Larry L. Hanson - Williston, ND**

**Jack Olin - Dickinson, ND**

**Harley Swenson - Bismarck, ND**

**Robert G. Thompson - Page, ND**

**Douglas Vosper - Neche, ND**

# Southwest Water Authority Staff

## Administration



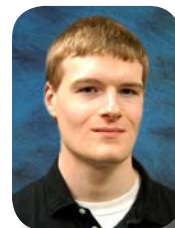
**Mary Massad**  
*Manager/CEO*



**Pam Courton**  
*Administrative Assistant  
to Manager/CEO*



**Bruce Koppinger**  
*Marketing Coordinator*



**Joe Froelich**  
*Assistant Marketing Coordinator*



**Sandy Burwick**  
*CFO/Office Administrator*



**Carol Schmaltz**  
*Administrative Assistant*



**Kim Turner**  
*Accountant/Assistant  
Office Administrator*



**Rachelle Weiler**  
*Accountant I*



**Becky Schafer**  
*Customer Service Representative*

## Treatment



**Roger Dick**  
*Water Treatment Plant  
Manager*



**Guy Mischel**  
*Water Treatment Plant  
Operator*



**Steve Ries**  
*Water Treatment Plant  
Operator*



**Dave Lupo**  
*Water Treatment Plant  
Operator*



**Ken Knight**  
*Water Treatment Plant  
Operator*



**Kelly Belgarde**  
*Water Treatment Plant  
Operator*



**John Nadvornick**  
*Maintenance*



## Distribution



***Lee Messer***  
*Water Distribution Manager*



***Dan Roller***  
*Operations Specialist*



***Andrew Erickson, Jr.***  
*Chief Water Distribution Operator*



***Allen Hecker***  
*Assistant Chief  
Water Distribution Operator*



***Terry Eckelberg***  
*Water Distribution Operator*



***Russ Kostelecky***  
*Water Distribution Operator*



***Chuck Magnuson***  
*Maintenance Electrician*



***James Murphy***  
*Water Distribution Operator*



***Toby Turner***  
*Water Distribution Operator*



***Justin Kohanes***  
*Water Distribution Operator,  
Beach*



***Leo Miller***  
*Water Distribution Maintenance Worker,  
Reeder*



***Bruce Mutschelknaus***  
*Water Distribution Operator,  
Elgin*



***Terry Buechler***  
*Water Distribution Operator*



***Richard Ukestad***  
*Water Distribution Maintenance Worker*

# *A Successful Project*

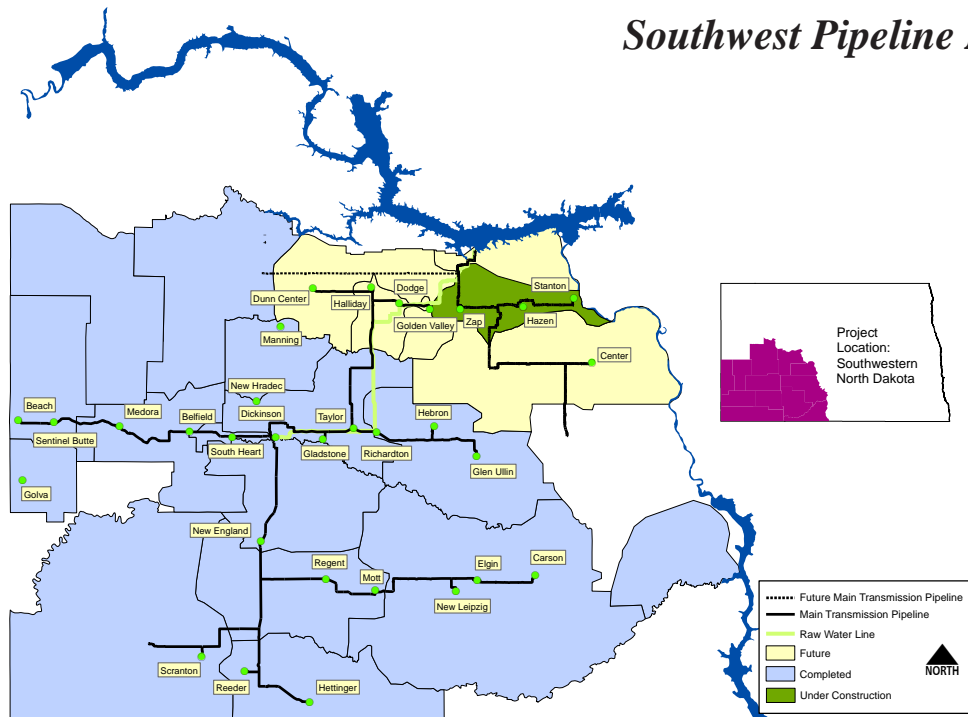


**Todd Sando**  
North Dakota  
State Engineer

The Southwest Pipeline Project (SWPP) will accomplish a major milestone in 2012 by serving the Cities of Hazen, Stanton, Center and Zap located in the Oliver, Mercer, North Dunn (OMND) Regional Service Area. The OMND Regional Service Area is the final regional service area for the project.

Construction of the central water treatment plant near Zap, which is the cornerstone for the OMND Regional Service Area, is nearly complete with its operation to begin in the spring of 2012. All the main transmission facilities for serving cities and rural users in Mercer and Oliver Counties are also almost complete. The contract for the first rural distribution system in Mercer County is already awarded with service to the rural customers expected in the Fall of 2012. Construction of the remaining rural distribution systems in Oliver and Mercer Counties are expected to be completed by the end of 2014. The remaining main transmission lines and rural distribution lines, which will serve the rest of the OMND Regional Service Area, could conceivably be funded in the next two to three biennia.

With the current oil boom in western North Dakota, the need for clean drinking water to meet the growing population is also increasing. The SWPP is working with other agencies and cities in identifying the needs and will continue to work towards providing clean, safe water to the residents of North Dakota. The SWPP has been and continues to be a successful water development project for the State of North Dakota. The SWPP proves goals can be achieved through teamwork and dedication.





# *Chairman's Annual Address*

The board's chief function is to oversee the management, operation and maintenance of the Southwest Pipeline Project (SWPP), which is owned by the North Dakota State Water Commission (SWC). The board consists of fifteen members: twelve members that represent the counties served by the SWPP (Adams, Billings, Bowman, Dunn, Golden Valley, Grant, Hettinger, Mercer, Morton, Oliver, Slope and Stark), two from the city of Dickinson, and one from the city of Mandan. Seven members of the board are up for reelection in June 2012. We encourage all that may have an interest in water to attend a board meeting to see what is involved and run for a board position.



**Larry Bares**  
*Chairman*

2011 was a monumental year for the state of North Dakota and southwest North Dakota, with epic snowfalls and subsequent flooding affecting the area. Even with these challenges, the SWPP was able to move forward with construction of the Oliver, Mercer, North Dunn (OMND) Regional Service Area and work towards our mission of quality water for southwest North Dakota.

The board, along with management and staff, are a dedicated and hard-working team. The board is fortunate to have their assistance in carrying out board decisions. This year the board approved a new SWA administrative building. This will allow hiring of additional staff as necessary to handle the demands of an increasing population in the region, as well as the completion and addition of customers from the OMND Regional Service Area. The board also approved construction of a water depot by Dickinson that should be operational by June 2012.

The board strives to make every decision based on the best information available, and many hours are put into researching all topics that come before us. The board of directors held a retreat in October in Dickinson. This retreat was facilitated by acclaimed board leadership and management expert Carolyn Bailey. It was extremely beneficial to the board members and management to reinforce the relationship between the board, management, and the public they represent. With Bailey's strategies for developing the vision of responsibilities, the board is better able to communicate, plan and govern with a unified approach. As always, our vision of people and business succeeding with quality water continues to be our focus.

This year, we welcomed a new Project Manager from the North Dakota State Water Commission. Sindhuja S.Pillai-Grinolds began working with Tim Freije and the SWPP in August. We look forward to working with Sindhuja and are confident in her ability to be a champion of water for southwest North Dakota. Welcome Sindhuja! We would also like to thank Tim Freije for his service and dedication to the SWPP and wish him the best of luck as his focus turns toward project management of Northwest Area Water Supply, or NAWS.

# Construction Summary



**Tim Freije**  
NAWS & SWPP  
Section Head

With approximately 45 million dollars committed or expended since 2009 for the construction in the Oliver, Mercer, North Dunn (OMND) Regional Service Area a lot of progress happened in 2011. The Phase I construction of the central Water Treatment Plant (WTP) is almost complete. The WTP is located approximately seven miles north of the City of Zap and is expected to begin production of clean drinking water in the Spring of 2012. The Phase I capacity of the WTP will be 3.5 million gallons per day (MGD) with an ultimate capacity upon completion of Phase II of 5 MGD. The WTP uses membrane processes for filtration and softening. Moder-

ately concentrated salts produced by the softening membrane process will be discharged through a diffuser structure in Renner Bay on Lake Sakakawea along with a 10 ½ mile pipeline from the new WTP, both constructed in 2011.

The construction of the 1.45 million gallons welded steel reservoir at the WTP site was substantially completed in 2011. In addition, the 750,000 gallon composite Center elevated tank, which will serve the City of Center, a portion of the Missouri West Water System and the rural users in Oliver county is almost complete with only painting and hydro-testing remaining.

The main transmission lines from Hazen to Stanton, from Beulah to the Center Elevated Tank, and from the Center Elevated Tank to the City of Center and the Missouri West Water System are almost complete. The cities of Hazen, Stanton and Zap are anticipated to be served with Southwest Pipeline Project Water in early summer of 2012 while the City of Center and the Missouri West Water System are expected to be served in mid to late summer.

The first rural distribution system contract in the OMND Regional Service Area, which serves southern Mercer County, was bid and awarded in August, with construction scheduled to be completed in the summer of 2012. The major portion of the design work for rural distribution systems serving northern Mercer County and the final transmission pipeline serving Dunn County were also completed in 2011.



**Sindhuja S. Pillai-Grinolds**  
SWPP Manager



# *Manager's Message*

I am pleased to share with you reflections and accomplishments of the Southwest Water Authority (SWA) and the Southwest Pipeline Project (SWPP) from the past year – it was indeed a successful one. So much has been accomplished, and yet so much remains to be done.

Construction is nearing completion on the Oliver, Mercer, North Dunn (OMND) Water Treatment Plant, located seven miles north of Zap. Treated water is expected to begin flowing from the plant by late spring 2012. The State Water Commission (SWC) also completed construction on the main transmission line from Hazen to Stanton, and from Beulah to the Center Elevated Tank. The communities of Hazen and Stanton will be our first communities served from the new WTP.

Many other transmission and storage facilities necessary for the OMND Regional Service Area are complete or nearing completion as of the end of this past year. These facilities are the backbone for the OMND Regional Service Area.

Service to the city of Center and the Missouri West Water System will be connected in the coming year. We are also committed to delivering water to the Zap service area with Zap Phase I, serving over 400 rural customers, to be completed in 2012.

SWA would like to take this opportunity to welcome Sindhuja A. S.Pillai-Grinolds as our new Project Manager with the SWC. We look forward to working with Sindhu. We will continue to work with Tim Freije as he will continue to oversee the SWPP. At the same time SWA would like to wish Bill Sharff a happy retirement from the SWC at the end of 2011 as Director of North Dakota's Water Education for Teachers (Project WET). Bill was instrumental in the development of the "Make a Splash" water festival.

For over 20 years, SWA has been working to complete the SWPP and fulfill our mission of quality water for southwest North Dakota. This past year brought new challenges with the severe flooding statewide, as well as the influx of the oil industry in our region. Our priority has always been, and still remains, our rural and municipal customers who are served by the SWPP, as well as providing for the needs of the region for economic development.

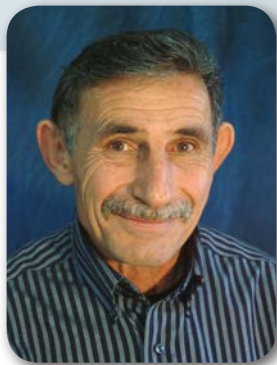
We are feeling the increased pace of life and the increased needs for water throughout our region. We can and will continue to meet these demands in the southwest corner of our state. SWA is continuing its partnerships and meeting demand by developing a second water depot east of Dickinson. This depot will use raw water from off-peak demand to aid in meeting the oil industry needs. With more than 4,000 miles of pipe in the ground and a new regional service area being developed, SWA is ever-expanding our reach in the region.

I would like to express my gratitude to those who make the dream of quality water a reality for the citizens of North Dakota. This includes Governor Dalrymple and his staff, the North Dakota State Legislature, the North Dakota State Water Commission and State Engineer, the Congressional delegation and their staff, USDA and USDA-Rural Development, the Bureau of Reclamation, Garrison Conservancy District, North Dakota Water Coalition and North Dakota Rural Water Systems Association. I would also like to thank the Board of Directors, staff and consultants for SWA as well as the people of this great state for their unwavering commitment to water. It is because of you we are successful.



**Mary Massad**  
Manager/CEO

# *Distribution Operations & Maintenance Report*



**Lee Messer**  
*Water Distribution Manager*

Too much, or not enough water? Contrasting viewpoints defined many activities for the water distribution staff during 2011.

Little Missouri River flooding and high water tables were the main contributors in terms of too much water. When Little Missouri flood waters were at their peak, our telemetry indicated we were losing about 100 gallons/minute that we could not account for. A customer's phone call indicated there was a potential leak near their home. Access to the property could only be accomplished through the use of a canoe. Two of our operators accepted the challenge and successfully paddled to the site only to find that the water gurgling through the sand was from the flooded river. They did eventually find the leak at another customer location, but required police escort to reach the scene.

SWA distribution operators responded to many calls from customers and landowners concerning possible leaks. Basements that had never been troubled with water problems previously suddenly required sump pumps. Springs and ground water emerged in fields and pastures where never seen before and large chunks of ground slid down hillsides. One of these slides proved costly and nearly catastrophic to SWA. Ground shifting at a blowoff valve on the 30" raw water pipeline near Dickinson caused the concrete manhole that housed the valve to move and put pressure on the riser pipe, cracking a flange below ground level and creating a leak. It took several days to schedule a contractor for the excavation and ensure we had every possible component that may need replacing available. Fortunately, the flange did not break completely until the night before the scheduled dig, and we were able to complete repairs without affecting service to customers.

On the flip side of the coin, a booming economy, spurred by oil exploration and production, has created huge demands for both industrial and domestic water, and we suddenly find ourselves challenged to meet those demands. In some areas, SWA pipelines that had surplus water a short time ago are now at or near capacity due to the development that has accompanied the oil industry.

During this past year, several transmission pipelines were temporarily taken out of service and relocated to accommodate development and infrastructure improvements. While temporary, transmission pipeline service disruptions typically affect a large area and many customers. We extend out apologies for any inconvenience experienced during these activities.

With the increased development and oil field activity, time spent performing specific tasks by our distribution operators is being redefined. Underground pipeline facility One-Call locates and subsequent customer hookups have risen dramatically, while routine pipeline maintenance items that would typically be wrapping up in October are now running into December. Thankfully the weather was cooperative and allowed us to continue working on these tasks.

We anticipate many new challenges in 2012 as construction of the Oliver, Mercer, North Dunn Water Treatment Plant is completed and we begin providing water service to the area.



# Water Treatment Report

It was a record year for water production at the Water Treatment Plant (WTP) in 2011. Record volumes of water were treated in nine of the twelve months, as well as for the calendar year. The WTP treated 1,632,972,000 gallons of raw water during 2011.

Construction of the new Oliver, Mercer, North Dunn (OMND) WTP is progressing at a swift pace. The building has been erected, the ultrafiltration (UF) and the reverse osmosis (RO) skids are in place, and many of the appurtenances are in the process of being installed, or have already been installed.



**Roger Dick**  
Water Treatment Plant  
Manager

In an effort to optimize the treatment process, chemical trials were conducted at the WTP during February and March. Two chemical suppliers were brought in to trial their coagulants and flocculants, which are chemicals used in the softening process. The trials showed that there would have been no improvement to the treatment process, so no changes were made. There was, however, one change made to the treatment process during the year. After extensive studies, the U.S. Department of Health and Human Services recommended that the fluoride level be lowered from 1.2 mg/L to 0.7 mg/L. Southwest Water Authority took a proactive approach by reducing fluoride levels in mid-February, from 1.2 mg/L to 0.7 mg/L.

Mandatory testing was performed on 16 synthetic organic compounds (SOCs) and 21 volatile organic compounds (VOCs) during 2011. SOCs and VOCs include herbicides, pesticides, and solvents and they are known to be harmful to human health. We are very pleased to report that none of these contaminants were detected in our drinking water. With that being said, we need to remember that everyone must do their part to help keep our water clean by properly using and disposing of these substances.

SWA presented its 13th annual Drinking Water Quality Report (also known as the Consumer Confidence Report) to the customers served by our Dickinson WTP and its 5th annual report to our customers in the three Morton County Service Areas and the Beulah Interim Service Area. These reports contain important information about our drinking water and are available on SWA's website at [www.swwater.com](http://www.swwater.com). All five water systems were in compliance with EPA's regulations.

Each treatment chemical, its main purpose, and amount used is listed below:

- Sodium Permanganate (NaMnO<sub>4</sub>): Taste & Odor reduction (2,160 lbs.)
- Lime (CaO): Softening (1,977,929 lbs.)
- Aluminum Sulfate (Al<sub>2</sub>(SO<sub>4</sub>)<sub>3</sub>): Cationic coagulant added for clarification (55,744 lbs.)
- Flocculant: Anionic emulsion added as a clarification aid (1,884 lbs.)
- Carbon Dioxide (CO<sub>2</sub>): pH adjustment (512,327 lbs.)
- Phosphate (K<sub>4</sub>O<sub>7</sub>P<sub>2</sub>): Corrosion inhibitor (26,476 lbs.)
- Fluoride (H<sub>2</sub>SiF<sub>6</sub>): Promotes dental health (7,363 lbs.)
- Ammonium Sulfate ((NH<sub>4</sub>)<sub>2</sub>SO<sub>4</sub>): Disinfection (14,466 lbs.)
- Chlorine (Cl<sub>2</sub>): Disinfection (62,640 lbs.)

The WTP discharged approximately 900,000 gallons of sludge, which is a combination of chemicals added and impurities removed from the raw water.

# *Background*

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 15-member Board of Directors representing the following counties: Adams, Billings, Bowman, Dunn, Golden Valley, Grant, Hettinger, Mercer, Morton, Oliver, Slope, and Stark, as well as the cities of Dickinson and Mandan.

The SWPP, a state-owned project, administered by the ND State Water Commission and managed, 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 26 years, the Southwest Pipeline Project 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, 28 communities, more than 4,300 rural service locations, 17 small businesses, and 20 raw water customers, including Dodge Water Depot, and Perkins County Rural Water System in South Dakota, are served by the Project.

In 2011, SWA continued construction of the Oliver, Mercer, North Dunn (OMND) Regional Service Area. Construction of the OMND Water Treatment Plant neared completion; delivery of water is scheduled to begin to the cities of Hazen, Stanton and Zap in 2012. Main transmission lines from the OMND Water Treatment Plant to Hazen, Stanton and Center neared completion. The first segment of construction on rural distribution was awarded in August and design of the remaining contracts in the OMND Service Area are being completed.

The Project pumped a total of 1,843,616,000 gallons of water from Lake Sakakawea in 2011. This is an increase of 213,228,000 gallons from 2010. Potable water delivered in 2011 to contract customers was 1,345,888,600 gallons, rural customers used 216,660,600 gallons and construction used 2,864,100 gallons for a total of 1,565,413,300 gallons. Total raw water delivered in 2011 was 191,145,900 gallons. The water delivered to the end user was 95.50% of the total water pumped from Lake Sakakawea by the Southwest Pipeline Project.

SWA purchases water from Missouri West Water System for delivery to customers in the Tower Hill, Junction Inn, and Crown Butte pockets of Morton County. Total potable water delivered to these customers in 2011 was 9,427,100 gallons.

SWA also purchases water from the city of Beulah to deliver to the city of Zap and to the rural customers in the Beulah Interim Service area. Total potable water delivered to these customers in 2011 was 9,572,400 gallons, which includes 6,688,000 gallons to the city of Zap and 2,884,400 gallons to the rural customers.

Total water delivered by Southwest Water Authority was 1,775,558,700 gallons.



# *Mill Levy Report*

<b>2011 Mill Levy Income</b>					<b>\$292,546.94</b>
	<b>Board of Directors</b>	<b>Administration</b>	<b>Easement</b>	<b>Sign-Up</b>	<b>Total</b>
<b>Per Diem/Salaries</b>	\$52,022.00	\$58,353.17	\$37,862.61	\$38,007.26	\$186,245.04
<b>Benefits/Payroll Taxes</b>	4,714.69	23,035.38	11,561.10	11,571.50	50,882.67
<b>Professional Fees</b>	43,884.45	29,502.61		21,621.58	95,008.64
<b>Supplies</b>	5,276.63	4,491.35	2,137.19	1,295.06	13,200.23
<b>Repairs</b>		3,174.82	857.87	857.85	4,890.54
<b>Travel</b>	27,955.84	1,708.54	1,725.15	1,681.98	33,071.51
<b>Telephone/Internet</b>	4,316.25	3,957.63	5,374.52	4,924.00	18,572.40
<b>Insurance</b>	8,621.00	2,125.00			10,746.00
<b>Printing and Promotion</b>	7,787.52	29,820.36	58.37	4,567.87	42,234.12
<b>Postage</b>	1,616.35	1,634.98	1,878.35	1,601.73	6,731.41
<b>Dues and Subscriptions</b>	13,367.50	9,972.61	220.00		23,560.11
<b>Development/Education</b>	12,895.36	2,613.38	97.50	97.50	15,703.74
<b>Depreciation</b>		431.77	831.53	831.31	2,094.61
<b>Miscellaneous</b>	21,000.00	462.15			21,462.15
<b>Total</b>	<b>\$203,457.59</b>	<b>\$171,283.75</b>	<b>\$62,604.19</b>	<b>\$87,057.64</b>	<b>\$524,403.17</b>
<b>Revenue necessary from other sources</b>					<b>\$231,856.23</b>

# *Independent Auditor's Report*



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 years ended December 31, 2011 and 2010, 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, 2011 and 2010, 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 March 22, 2012 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 considered in assessing the results of our audit.

Brady, Martz & Associates, P.C.  
207 E Broadway Ave, PO Box 1297  
Bismarck, ND 58502-1297 701.223.1717 Fax: 701.222.0894

[www.bradymartz.com](http://www.bradymartz.com)

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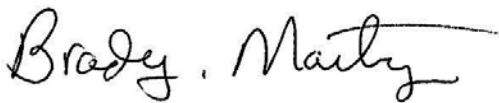




**Note:**  
***This is not a complete set of financial statements.***  
***A complete set is available at the Southwest Water Authority Office.***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



BRADY, MARTZ & ASSOCIATES, P.C.

March 22, 2012

# **Independent Auditor's Report,** **Continued**

## **SOUTHWEST WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011 AND 2010**

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 2011, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with Southwest Water Authority's financial statements and footnotes, which are presented within this report.

### **Financial Highlights**

The assets of the Southwest Water Authority totaled \$15,504,910 as of the end of the year 2011 compared with \$14,529,629 as of the end of the year 2010 and \$13,912,763 as of the end of the year 2009. This is an increase in total assets of \$975,281 between 2011 and 2010, and an increase in total assets of \$616,866 between 2010 and 2009. The liabilities totaled \$1,476,983 for 2011 compared with \$1,039,781 for 2010 and \$1,080,463 for 2009. The assets exceeded its liabilities at the end of the year 2011 by \$14,027,927 compared with \$13,489,848 at the end of the year 2010 and \$12,832,300 at the end of the year 2009. This is an increase in net assets of \$538,079 between 2011 and 2010, and an increase in net assets of \$657,548 between 2010 and 2009.

Assets held at the American Trust Center total \$10,712,030 at year-end 2011 compared with \$9,691,695 at year-end of 2010 and \$8,497,847 at year-end of 2009. The amount that is the Replacement and Extraordinary Maintenance Fund is \$9,450,918 year-end 2011 compared with \$8,523,737 at year-end 2010 and \$7,332,901 at year-end 2009. This is an increase of \$927,181 between 2011 and 2010, and an increase of \$1,190,836 between 2010 and 2009. The North Dakota Legislature established the Replacement and Extraordinary Maintenance Fund 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 for the rural distribution system, and an additional \$.50 per 1,000 gallons sold to oil industry customers is also collected. The fees are deposited on a monthly basis into this fund.

The amount in the Escrow Fund is \$448,949 at year-end 2011 compared with \$428,981 at year-end 2010 and \$457,206 at year-end 2009. This is an increase of \$19,968 between 2011 and 2010, and a decrease of \$28,225 between 2010 and 2009. Of this amount, \$338,695 is restricted. This compares with \$308,007 as of year-end 2010, which is an increase of \$30,688 between 2011 and 2010, and \$282,382 as of year-end 2009, which is an increase of \$25,625 between 2010 and 2009. These are the hookup fees paid by customers who sign up for water. When water becomes available, the hookup fees are recognized as revenue. If, however, 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 2011 is \$2,241,984 compared with \$2,734,632 at the end of 2010 and \$2,980,910 at the end of 2009. This is a decrease of \$492,648 between 2011 and 2010 and a decrease of \$246,278 between 2010 and 2009. This is made up of checking and money market accounts as well as certificates of deposit.

**Note:**  
*This is not a complete set of financial statements.  
A complete set is available at the Southwest Water Authority Office.*

**SOUTHWEST WATER AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011 AND 2010**

The liabilities total \$1,476,983 for year-end 2011 compared with \$1,039,781 at year-end 2010 and \$1,080,463 at year-end 2009. This is an increase in liabilities of \$437,202 between 2011 and 2010, and a decrease of \$40,682 between 2010 and 2009. Of this amount, \$1,014,548 is current liabilities mostly in the form of accounts payable. This compares with 2010 year-ending balance of \$622,882 in current liabilities, and year-ending balance of \$653,193 in current liabilities for 2009. This is an increase in current liabilities of \$391,666 between 2011 and 2010, and a decrease of \$30,311 between 2010 and 2009. The long-term liabilities total \$462,435 at year-end 2011 compared with \$416,899 at year-end 2010, and \$427,270 at year-end 2009. Of this amount, \$338,695 deferred revenue for year-end 2011 compared with \$308,007 year-end 2010, and \$282,382 year-end 2009. Deferred revenue or hookup fees are held in escrow for 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. Also included in long-term liabilities for year-end 2011 are rental deposits from tenants/customers of \$49,900, compared with \$49,000 for year-end 2010, and \$88,250 for year-end 2009.

### **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.



# **Independent Auditor's Report,** **Continued**

## **SOUTHWEST WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2011 AND 2010**

### **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.

The revenues from the sale of water totaled \$7,920,099 compared with \$6,828,462 for 2010, and \$6,459,759 for 2009. This is an increase in revenues of \$1,091,637 between 2011 and 2010, and an increase of \$368,703 between 2010 and 2009. The net income/net loss for each department are transmission net loss of \$260,205, distribution net income of \$28,260 and treatment net income of \$57,844. This compares with net income/net loss by department for 2010 of transmission net loss of \$324,450, distribution net income of \$85,153 and treatment net income of \$43,801, and net loss/net income by department for 2009 of transmission net loss of \$245,980, distribution net loss of \$1,859 and treatment net loss of \$111,804.

The mill levy generated income of \$292,603 for 2011 compared with \$276,625 for the year 2010 and \$257,555 for the year 2009. This is an increase of \$15,978 between 2011 and 2010, and an increase of \$19,070 between 2010 and 2009. The administration activities had a net loss of \$4,544 compared with a net loss of \$94,475 for 2010, and a net income of \$5,866 for 2009. Administration includes activities for the board of directors, administration, sign up and easements.

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 more than 7% of projections and the expenses were within reason of the budget parameters by being under budget within 1%.

The Southwest Water Authority sold a total of 1,775,558,700 gallons of water in 2011 compared with 1,600,642,180 gallons of water in 2010 and 1,497,743,900 gallons of water in 2009. This is an increase of 174,916,520 gallons between 2011 and 2010, and an increase of 102,898,280 gallons between 2010 and 2009. This is 8.27% over the projection for the year of 1,640,000,000 gallons for 2011.

### **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.swwater.com](http://www.swwater.com).

**Note:**  
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 A complete set is available at the Southwest Water Authority Office.*

**SOUTHWEST WATER AUTHORITY  
 BALANCE SHEETS  
 DECEMBER 31, 2011 AND 2010**

<b>ASSETS</b>	<u>2011</u>	<u>2010</u>
Current Assets		
Cash and cash equivalents - unrestricted	\$ 1,691,960	\$ 1,265,525
Investments	1,873,051	2,725,108
Receivables:		
Accounts (net of allowance of \$2,723 and \$2,566 in 2011 and 2010, respectively)	802,176	536,117
Interest	9,884	15,911
Prepaid expenses	25,445	22,467
Inventory	<u>322,946</u>	<u>321,118</u>
Total current assets	<u>4,725,462</u>	<u>4,886,246</u>
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents	61,193	191,373
Investments	9,450,918	8,523,737
Interest receivable	54,169	47,686
Capital Assets:		
Land	108,246	7,657
Improvements, furniture and equipment, net	<u>1,104,922</u>	<u>872,930</u>
Total noncurrent assets	<u>10,779,448</u>	<u>9,643,383</u>
Total Assets	<u>\$ 15,504,910</u>	<u>\$ 14,529,629</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 748,173	\$ 371,834
Accrued salaries	119,146	113,684
Compensated absences, current portion	90,290	85,949
Accrued expenses	<u>56,939</u>	<u>51,415</u>
Total current liabilities	<u>1,014,548</u>	<u>622,882</u>
Long-term Liabilities		
Compensated absences, net of current portion	73,840	59,892
Deferred revenue	338,695	308,007
Rental/customer deposits	<u>49,900</u>	<u>49,000</u>
Total long-term liabilities	<u>462,435</u>	<u>416,899</u>
Total liabilities	<u>1,476,983</u>	<u>1,039,781</u>
Net Assets		
Invested in capital assets, net of related debt	1,213,168	880,587
Restricted for replacement	9,566,280	8,762,796
Unrestricted	<u>3,248,479</u>	<u>3,846,465</u>
Total Net Assets	<u>14,027,927</u>	<u>13,489,848</u>
Total Liabilities and Net Assets	<u>\$ 15,504,910</u>	<u>\$ 14,529,629</u>

# *Independent Auditor's Report,* *Concluded*

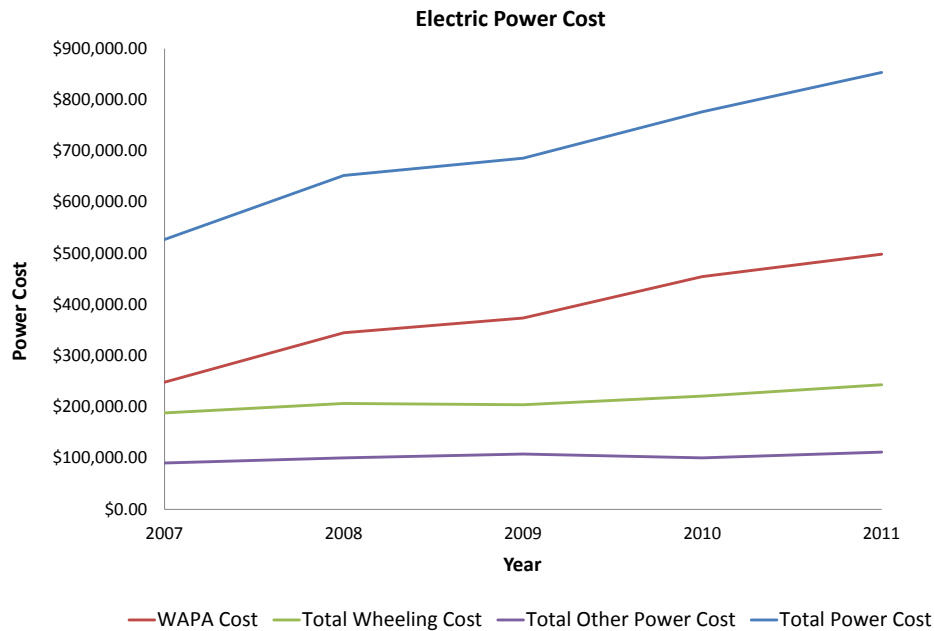
## **SOUTHWEST WATER AUTHORITY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011	2010
Operating revenues:		
Sales	\$ 7,920,099	\$ 6,828,462
Hook up fee transfers	77,323	40,823
Other	84,539	72,366
Total operating revenues	8,081,961	6,941,651
Operating expenses:		
Transmission	4,168,824	3,287,592
Distribution	2,325,737	2,002,402
Board of directors	203,458	200,449
Administrative	487,252	491,408
Easement acquisition	62,605	64,527
Rural water sign-up	87,058	85,917
Customer service	111,904	88,966
Treatment	1,018,193	861,506
Total operating expenses	8,465,031	7,082,767
Operating loss	(383,070)	(141,116)
Nonoperating revenue:		
Property taxes	292,603	276,625
Unrealized gain/(loss) on investments	217,209	97,009
Investment income	411,337	425,030
Total nonoperating revenue	921,149	798,664
Change in net assets	538,079	657,548
Total net assets - beginning of year	13,489,848	12,832,300
Total net assets - end of year	\$ 14,027,927	\$ 13,489,848



# *Electric Power Usage*

Southwest Water Authority (SWA) purchases power from the federal government through the Department of Energy for the main transmission pumping facilities throughout the Project. These expenses are identified as Western Area Power Association (WAPA) costs. Local utility companies supply or distribute the power to each location. These expenses are identified as wheeling costs. Southwest Water Authority pays for wheeling the power from the local utility companies.



Below is a chart illustrating the history of power cost at these locations:

WAPA Power	2007	2008	2009	2010	2011
Beach Pump Station	\$2,856.11	\$4,061.44	\$3,326.00	\$5,254.64	\$6,083.55
Bucyrus Pump Station	5,201.13	6,508.06	8,718.89	10,836.27	10,530.90
Burt Pump Station	2,212.72	2,675.93	3,519.60	2,855.07	3,765.80
Dodge Pump Station	34,711.35	48,569.85	52,391.38	58,325.27	71,045.58
Fryburg Pump Station	3,761.52	4,800.97	5,280.61	7,780.69	9,138.29
Intake Pump Station	89,722.43	128,326.67	134,015.76	160,412.27	175,494.97
Jung Lake Pump Station	15,780.66	18,855.08	24,407.09	34,690.59	31,036.80
Ray Christensen Pump Station	32,541.01	40,615.20	47,822.65	61,196.37	66,915.15
Richardton Pump Station	52,790.24	79,483.76	83,085.17	99,634.04	109,427.12
Scranton Pump Station	1,908.07	2,110.29	1,282.49	1,478.68	1,592.24
Water Treatment Plant	6,877.99	8,815.28	9,805.41	12,200.91	13,269.84
<b>Total</b>	<b>\$248,363.23</b>	<b>\$344,822.53</b>	<b>\$373,655.05</b>	<b>\$454,664.80</b>	<b>\$498,300.24</b>
<b>Total Wheeling Cost</b>	\$188,240.59	\$206,862.83	\$204,413.45	\$221,161.88	\$243,363.81
<b>Total Other Power Cost</b>	\$90,609.45	\$100,501.50	\$107,924.49	\$100,541.19	\$111,760.43
<b>Total Power Cost</b>	<b>\$527,213.27</b>	<b>\$652,186.86</b>	<b>\$685,992.99</b>	<b>\$776,367.87</b>	<b>\$853,424.48</b>

# Service 2011

## Treated Water User & Gallons Used

Alliance Ag Co-op	556,900	McKenzie Co. Grazing Assn.	366,300
Assumption Abbey	1,022,300	Medora	19,645,700
Baker Boy	2,134,200	Missouri Basin	5,344,600
Beach	37,556,200	Mott	22,467,000
Belfield	51,400,200	Mott Grain	742,600
Billings County	541,200	New England	20,342,700
Carson	7,723,700	New Hradec	1,329,400
Dickinson	805,492,400	New Leipzig	5,712,600
Dickinson Research Center	875,100	Northern Improvement	53,200
Dodge	2,986,000	Perkins County Rural Water System	123,934,300
Dunn Center	4,875,900	Prairie Learning Center	1,206,400
Elgin	15,452,000	Reeder	4,870,400
Gladstone	5,638,500	Regent	5,786,000
Glen Ullin	22,425,400	Richardton	16,832,900
Golden Valley	5,267,900	Sacred Heart Monastery	407,000
Golva	2,011,200	Scranton	10,514,500
GTLE Dakota Plant	337,000	Sentinel Butte	18,652,200
Halliday	7,389,400	South Heart	10,820,300
Hebron	22,156,500	Steffes Manufacturing	3,225,100
Hettinger	57,880,900	Taylor	4,452,000
Home on the Range	552,800	West Medora Campground	1,400,000
Karsky Dairy	2,016,000	Zap	6,688,000
Travis & Tara Lambourn	1,561,100	Rural Usage *	228,972,100
Manning	1,871,800	Construction	2,864,100
		Other Usage	8,058,800
		<b>Total Treated Water</b>	<b>1,584,412,800</b>
<b>*Included in Rural Usage</b>			
Beulah Interim Service Area	2,884,400		
Missouri West Water System	9,427,100		

## Raw Water User & Gallons Used

Assumption Abbey	44,100	Dan Neurohr	189,700
Dodge Water Depot	31,957,000	Perhus Brothers 1	-
CB "Buck" Haas	455,500	Perhus Brothers 2	89,100
Ken Hueske	1,483,700	Perhus Brothers 3	-
Robert Jurgens	1,367,000	Perhus Brothers 4	984,100
Gerald Kadrmas 1	50,700	Red Trail Energy	153,370,000
Gerald Kadrmas 2	-	Ken Richau	20,600
Ervin Lorenz	38,600	Sacred Heart Monastery	184,000
Fred Lorenz	566,100	David Swenson	37,600
Dale & Sue Moline	123,200	Dale Weigum	184,900
		<b>Total Raw Water</b>	<b>191,145,900</b>

**Total Water Used                      1,775,558,700**

# *Rural Water Usage History*

<b>Year</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>
<b>1995</b>	638,000	722,000	797,000	841,000	934,000	1,282,000	1,601,000
<b>1996</b>	2,674,000	2,513,000	3,001,000	3,096,000	2,994,000	3,537,000	4,435,000
<b>1997</b>	4,508,000	4,513,300	3,876,400	4,383,300	4,642,000	5,516,800	6,041,300
<b>1998</b>	5,213,600	5,108,300	4,694,500	4,889,400	5,105,200	7,228,400	5,945,000
<b>1999</b>	5,627,700	5,355,100	4,912,600	6,081,700	5,589,900	6,078,700	7,307,200
<b>2000</b>	7,567,600	7,178,100	6,538,000	7,618,300	7,979,600	8,979,700	8,886,400
<b>2001</b>	7,566,100	7,182,800	6,803,000	7,199,700	7,890,200	9,377,700	8,687,300
<b>2002</b>	8,803,100	7,351,300	7,367,300	8,452,700	8,591,300	11,816,800	12,067,400
<b>2003</b>	9,747,700	9,030,800	8,645,200	8,999,500	10,030,800	12,353,200	12,869,800
<b>2004</b>	10,499,300	9,838,200	8,627,700	9,678,100	11,882,600	12,985,500	15,676,800
<b>2005</b>	10,438,000	9,806,900	9,593,300	11,043,100	11,416,100	13,780,800	13,786,700
<b>2006</b>	10,776,500	10,172,100	10,680,600	11,034,400	12,665,800	18,998,700	21,531,000
<b>2007</b>	12,867,600	11,771,000	11,329,700	12,448,400	14,496,100	16,721,800	18,379,400
<b>2008</b>	13,941,000	13,592,600	13,267,000	14,493,600	15,994,400	20,501,300	23,899,300
<b>2009</b>	15,579,500	12,289,100	11,789,800	14,893,100	15,245,700	19,033,200	20,674,000
<b>2010</b>	14,427,600	15,735,900	14,877,200	16,289,400	16,950,600	19,383,100	21,095,800
<b>2011</b>	16,490,100	14,266,700	13,389,500	14,932,200	14,646,300	19,300,500	21,521,700

<b>Year</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>Total</b>
<b>1995</b>	1,708,000	1,822,000	1,531,000	1,839,000	2,130,000	<b>15,845,000</b>
<b>1996</b>	4,829,000	5,598,000	4,342,000	4,026,400	5,328,000	<b>46,373,400</b>
<b>1997</b>	6,136,200	5,623,200	6,124,000	4,679,100	4,853,000	<b>60,896,600</b>
<b>1998</b>	7,279,200	6,742,300	6,672,900	6,136,000	4,776,100	<b>69,790,900</b>
<b>1999</b>	8,430,100	7,579,700	7,742,800	6,717,200	7,047,500	<b>78,470,200</b>
<b>2000</b>	9,147,300	10,089,100	10,638,200	7,627,100	7,166,100	<b>99,415,500</b>
<b>2001</b>	8,853,700	10,633,300	10,084,400	7,364,200	7,860,900	<b>99,503,300</b>
<b>2002</b>	12,878,000	11,186,900	16,109,900	9,111,700	8,463,100	<b>122,199,500</b>
<b>2003</b>	14,851,300	14,823,500	19,743,800	10,257,100	9,372,700	<b>140,725,400</b>
<b>2004</b>	14,729,100	14,405,200	19,217,100	10,106,100	9,765,600	<b>147,411,300</b>
<b>2005</b>	14,552,400	16,177,400	24,084,600	11,281,500	10,926,200	<b>156,887,000</b>
<b>2006</b>	20,737,600	19,738,000	28,259,600	11,319,100	11,990,200	<b>187,903,600</b>
<b>2007</b>	25,051,500	17,648,100	32,752,500	14,819,100	13,439,000	<b>201,724,200</b>
<b>2008</b>	23,046,000	23,696,100	44,924,600	13,687,900	14,743,200	<b>235,787,000</b>
<b>2009</b>	18,855,600	19,582,300	39,242,900	13,336,300	13,785,900	<b>214,307,400</b>
<b>2010</b>	21,414,000	20,329,500	31,186,000	26,640,100	33,531,100	<b>251,860,300</b>
<b>2011</b>	23,185,600	20,493,400	44,866,800	11,082,100	14,797,200	<b>228,972,100</b>



# Potable Water Usage

User	January	February	March	April	May	June
Alliance Ag Co-op	-	-	-	-	-	-
Assumption Abbey	86.30	75.10	90.50	110.10	86.40	80.90
Baker Boy	95.20	91.70	121.60	167.10	163.90	187.60
Beach	2,814.60	2,469.00	2,220.30	2,514.70	2,433.70	2,621.70
Belfield	2,806.90	3,216.80	4,068.20	3,808.60	3,510.80	3,609.40
Billings County	-	-	-	-	-	140.30
Carson	650.3	477.10	484.00	652.90	555.90	583.50
Dickinson	53,678.10	48,293.90	49,241.90	55,188.20	49,380.90	51,072.60
Dickinson Research Center	33.60	-	143.30	103.30	36.80	160.80
Dodge	179.00	145.00	151.00	184.00	166.00	248.00
Dunn Center	315.30	303.80	351.90	423.10	320.70	329.90
Elgin	1,402.30	1,126.40	1,131.30	1,266.40	1,164.00	1,281.20
Gladstone	473.90	410.40	395.40	428.40	437.60	435.50
Glen Ullin	1,894.90	1,577.00	1,620.30	1,899.90	1,772.40	1,854.60
Golden Valley	410.60	368.80	437.30	489.10	448.50	472.60
Golva	162.00	124.70	125.80	151.10	151.20	130.20
GTLE Dakota Plant	62.60	1.30	13.70	8.20	29.00	-
Halliday	507.00	441.20	438.90	537.20	703.90	576.00
Hebron	1,752.80	1,495.30	1,480.50	1,788.90	1,643.00	1,969.20
Hettinger	5,385.50	4,766.40	4,389.80	4,263.10	4,302.10	4,493.00
Home on the Range	47.90	38.30	46.40	51.90	44.00	44.70
Karsky Dairy	186.80	137.40	170.80	165.40	178.80	154.40
Travis & Tara Lambourn	-	-	-	-	-	-
Manning	104.70	90.40	94.40	127.70	120.20	136.90
McKenzie Co. Grazing Assn.	-	-	-	-	-	-
Medora	574.70	711.30	535.10	1,076.40	1,322.90	2,091.30
Missouri Basin	295.00	295.00	295.00	295.00	528.20	361.30
Mott	1,839.30	1,489.20	1,526.40	1,848.60	1,703.60	1,997.30
Mott Grain	11.10	18.20	1.90	-	83.30	203.90
New England	1,449.40	1,133.70	1,177.10	1,415.70	1,669.70	2,073.30
New Hradec	89.40	76.80	72.60	79.60	106.70	120.30
New Leipzig	513.90	432.00	369.80	464.10	406.70	503.20
Northern Improvement	-	-	-	-	-	-
Perkins Co. Rural Water Sys.	13,869.50	11,006.80	11,216.40	11,510.80	7,153.70	10,149.70
Prairie Learning Center	73.00	82.40	74.10	116.10	123.20	103.80
Reeder	339.70	585.10	389.80	416.80	360.60	313.60
Regent	482.30	342.70	340.50	417.80	447.50	587.50
Richardton	1,449.60	1,209.50	1,168.10	1,341.80	1,214.40	1,402.50
Sacred Heart	34.00	29.00	37.00	37.00	34.00	37.00
Scranton	734.40	626.60	597.20	681.10	803.50	1,045.20

## PER 1,000 GALLONS

July	August	September	October	November	December	User Total
-	-	-	556.90	-	-	556.90
92.70	85.00	83.40	67.60	77.30	87.00	1,022.30
165.20	288.00	209.60	216.80	221.80	205.70	2,134.20
5,226.10	4,642.20	4,717.90	2,889.00	2,466.00	2,541.00	37,556.20
5,379.20	3,901.40	4,979.70	4,728.50	5,696.20	5,694.50	51,400.20
187.20	75.90	44.50	37.30	37.20	18.80	541.20
957.30	805.40	810.60	681.60	565.40	499.70	7,723.70
102,118.60	95,507.10	99,209.90	69,689.30	67,944.50	64,167.40	805,492.40
32.20	58.00	105.20	60.30	50.50	91.10	875.10
299.00	535.00	303.00	260.00	263.00	253.00	2,986.00
448.50	406.20	475.20	385.50	567.90	547.90	4,875.90
1,680.20	1,353.80	1,554.70	1,192.60	1,169.60	1,129.50	15,452.00
650.60	532.20	552.60	387.80	532.50	401.60	5,638.50
2,285.50	2,232.80	2,198.10	1,728.10	1,699.30	1,662.50	22,425.40
671.10	509.40	456.30	324.40	336.00	343.80	5,267.90
242.00	249.70	229.40	130.70	155.90	158.50	2,011.20
-	28.00	87.70	97.90	8.40	0.20	337.00
781.50	761.00	778.00	568.90	650.10	645.70	7,389.40
2,435.50	2,161.30	2,280.00	1,732.00	1,766.10	1,651.90	22,156.50
7,014.40	5,629.10	6,245.20	4,150.90	3,492.60	3,748.80	57,880.90
48.60	44.80	50.60	45.00	45.30	45.30	552.80
190.40	184.10	154.40	171.70	174.40	147.40	2,016.00
403.50	250.10	142.50	234.50	220.80	309.70	1,561.10
218.50	226.50	280.30	214.30	127.80	130.10	1,871.80
102.30	87.20	93.40	75.60	7.80	-	366.30
3,807.30	3,656.60	2,746.10	1,205.30	997.40	921.30	19,645.70
610.40	715.20	505.70	438.30	331.50	674.00	5,344.60
2,320.40	2,039.50	2,153.10	1,980.30	1,809.00	1,760.30	22,467.00
188.00	40.30	158.30	35.10	0.70	1.80	742.60
3,314.10	1,879.50	2,089.70	1,475.60	1,362.70	1,302.20	20,342.70
165.60	133.30	134.60	116.50	114.60	119.40	1,329.40
653.80	534.70	584.50	431.60	452.00	366.30	5,712.60
-	-	-	0.30	29.80	23.10	53.20
11,009.40	10,023.00	13,434.80	8,640.00	7,623.90	8,296.30	123,934.30
92.00	76.30	115.30	119.30	226.90	4.00	1,206.40
522.50	378.90	500.70	331.60	314.10	417.00	4,870.40
693.30	554.80	645.20	447.30	466.30	360.80	5,786.00
1,876.10	1,611.70	1,716.40	1,360.20	1,255.40	1,227.20	16,832.90
46.00	42.00	38.00	25.00	25.00	23.00	407.00
1,585.20	1,115.80	1,287.60	764.00	625.90	648.00	10,514.50

*Continued*

# *Potable Water Usage, Continued*

User	January	February	March	April	May	June
Sentinel Butte	948.40	1,381.80	1,293.10	1,027.10	1,132.00	1,185.40
South Heart	854.00	622.50	789.80	734.30	624.00	657.20
Steffes Manufacturing	150.30	196.50	244.30	258.80	245.30	263.60
Taylor	309.00	263.00	265.00	314.00	297.00	331.00
West Medora Campground	156.00	120.00	87.00	42.00	241.00	27.00
<b>Monthly Total</b>	<b>97,921.90</b>	<b>86,972.10</b>	<b>88,402.50</b>	<b>96,111.30</b>	<b>84,338.50</b>	<b>94,037.10</b>

## **BEULAH INTERIM POTABLE WATER CONTRACT**

User	January	February	March	April	May	June
Zap	510.70	455.90	476.60	541.10	501.30	1,143.50
<b>Grand Total</b>	<b>98,432.60</b>	<b>87,428.00</b>	<b>88,879.10</b>	<b>96,652.40</b>	<b>84,839.80</b>	<b>95,180.60</b>



## PER 1,000 GALLONS

July	August	September	October	November	December	User Total
1,861.50	2,151.70	2,071.60	1,731.40	1,989.00	1,879.20	<b>18,652.20</b>
1,527.50	1,246.80	1,343.20	891.90	767.80	761.30	<b>10,820.30</b>
351.90	190.30	369.10	375.60	354.60	224.80	<b>3,225.10</b>
571.00	546.00	557.00	362.00	323.00	314.00	<b>4,452.00</b>
258.00	238.00	107.00	80.00	22.00	22.00	<b>1,400.00</b>
<b>163,084.10</b>	<b>147,728.60</b>	<b>156,600.10</b>	<b>111,438.50</b>	<b>107,368.00</b>	<b>103,827.10</b>	<b>1,337,829.80</b>

July	August	September	October	November	December	User Total
616.60	568.30	584.20	435.30	428.60	425.90	<b>6,688.00</b>
<b>163,700.70</b>	<b>148,296.90</b>	<b>157,184.30</b>	<b>111,873.80</b>	<b>107,796.60</b>	<b>104,253.00</b>	<b>1,344,517.80</b>

# Water Service Contracts

User	Billed (kgal)	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Alliance Ag Coop	1,200.00	\$1,272.00	\$840.00	\$84.00	\$420.01	\$1,260.01		\$3,876.02
Assumption Abbey	1,022.30	1,083.64	715.61	71.57	357.84	1,073.45	\$1,073.45	4,375.56
Assumption Abbey	100.00	106.00		8.99	35.01	105.01		255.01
Baker Boy	2,134.20	2,262.26	1,493.94	149.39	746.99	2,240.93		6,893.51
Beach	37,556.20	39,809.57	26,289.34	2,628.93	13,144.70	39,434.04		121,306.58
Belfield	51,400.20	54,484.20	35,980.14	3,598.02	17,990.09	53,970.23		166,022.68
Billings County	1,200.00	1,272.00	840.00	83.99	420.02	1,260.02		3,876.03
Carson	7,723.70	8,187.12	5,406.59	540.66	2,703.33	8,109.92		24,947.62
Dickinson	805,492.10	853,821.94	563,844.68	56,384.46	281,922.38	845,767.06		2,601,740.52
Dickinson Research Center	1,200.00	1,272.00	840.00	84.00	420.00	1,260.00	1,260.00	5,136.00
Dodge	2,986.00	3,165.16	2,090.20	209.02	1,045.10	3,135.30		9,644.78
Dodge Water Depot	31,957.00	59,120.45	27,163.45	12,782.80	27,163.45	193,339.85		319,570.00
Dunn Center	4,875.90	5,168.44	3,413.13	341.31	1,706.61	5,119.74		15,749.23
Elgin	15,452.00	16,379.12	10,816.40	1,081.64	5,408.22	16,224.62		49,910.00
Gerald Kadrmas 1	100.00	106.00		9.00	35.00	105.00		255.00
Gerald Kadrmas 2	100.00	106.00		9.02	35.02	105.02		255.06
Gladstone	5,513.50	5,844.31	3,859.45	385.95	1,929.74	5,789.19		17,808.64
Glen Ullin	22,425.70	23,770.93	15,697.78	1,569.79	7,848.93	23,546.71		72,434.14
Golden Valley	5,267.90	5,583.99	3,687.53	368.77	1,843.79	5,531.32		17,015.40
Golva	2,011.20	2,131.86	1,407.84	140.79	703.95	2,111.79	2,111.79	8,608.02
GTLE Dakota Plant	1,200.00	1,271.99	840.00	83.99	420.02	1,260.02		3,876.02
CB "Buck" Haas	500.00	530.01		45.00	175.01	525.01		1,275.03
Halliday	7,389.40	7,832.75	5,172.58	517.25	2,586.32	7,758.90		23,867.80
Hebron	22,156.50	23,485.89	15,509.55	1,550.96	7,754.81	23,264.36		71,565.57
Hettinger	57,880.90	61,353.76	40,516.63	4,051.68	20,258.34	60,774.97		186,955.38
Home on the Range	1,200.00	1,272.00	840.00	84.00	420.00	1,260.00	1,260.00	5,136.00
Ken Hueske	1,483.70	1,572.73		133.53	519.31	1,557.90		3,783.47
Robert Jurgens	1,367.00	1,449.02		123.03	478.45	1,435.35		3,485.85
Karsky Dairy	2,016.00	2,136.94	1,411.20	141.15	705.61	2,116.81		6,511.71
Travis & Tara Lambourn	1,561.10	1,654.77	1,092.77	109.30	546.41	1,639.18		5,042.43
Ervin Lorenz	100.00	106.00		9.00	35.00	105.00		255.00
Fred Lorenz	566.10	600.04		50.94	198.17	594.44		1,443.59
Manning	1,871.80	1,984.10	1,310.26	131.04	655.17	1,965.43	1,965.43	8,011.43
McKenzie Co. Grazing Assn.	1,230.00	1,303.80	861.00	86.10	430.51	1,291.51		3,972.92
Medora	19,645.70	20,824.45	13,751.99	1,375.20	6,876.04	20,628.03		63,455.71
Missouri Basin	5,344.60	6,197.73	3,842.32	596.54	2,207.63	8,981.85		21,826.07
Dale and Sue Moline	123.20	130.60		11.08	43.14	129.38		314.20
Mott	22,467.00	23,815.03	15,726.90	1,572.69	7,863.48	23,590.38		72,568.48
Mott Grain	1,200.00	1,272.00	840.00	83.99	420.04	1,260.04		3,876.07
Dan Neurohr	189.70	201.09		17.08	66.42	199.21		483.80
New England	20,342.70	21,563.26	14,239.89	1,424.00	7,119.99	21,359.88		65,707.02

User	Billed (kgal)	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
New Hradec	1,329.40	\$1,409.18	\$930.58	\$93.06	\$465.31	\$1,395.89	\$1,395.89	<b>\$5,689.91</b>
New Leipzig	5,712.60	6,055.36	3,998.82	399.89	1,999.44	5,998.26		<b>18,451.77</b>
Northern Improvement	300.00	318.00	210.00	21.00	105.01	315.01		<b>969.02</b>
Perhus Brothers 1	100.00	106.00		9.00	35.00	105.00		<b>255.00</b>
Perhus Brothers 2	100.00	105.99		9.00	35.01	105.01		<b>255.01</b>
Perhus Brothers 3	100.00	106.00		9.00	35.00	105.00		<b>255.00</b>
Perhus Brothers 4	984.10	1,043.15		88.57	344.47	1,033.34		<b>2,509.53</b>
Perkins Co. Rural Water System	123,934.30	131,370.35	86,754.01	8,675.42	43,377.03			<b>270,176.81</b>
Prairie Learning Center	1,206.40	1,278.79	844.48	84.45	422.27	1,266.75		<b>3,896.74</b>
Red Trail Energy	160,000.00	169,600.00		14,400.00	56,000.05	168,000.04		<b>408,000.09</b>
Reeder	4,870.40	5,162.64	3,409.28	340.94	1,704.67	5,113.95		<b>15,731.48</b>
Regent	5,786.00	6,133.17	4,050.20	405.04	2,025.14	6,075.34		<b>18,688.89</b>
Richardton	16,832.90	17,842.87	11,783.03	1,178.32	5,891.54	17,674.57		<b>54,370.33</b>
Ken Richau	33.33	35.33		3.00	11.67	35.00		<b>85.00</b>
Sacred Heart	500.00	530.00		45.00	175.00	525.00		<b>1,275.00</b>
Sacred Heart Monastery	407.00	431.42	284.90	28.49	142.45	427.35	427.35	<b>1,741.96</b>
Scranton	10,514.50	11,145.37	7,360.15	736.01	3,680.09	11,040.24		<b>33,961.86</b>
Sentinel Butte	18,652.20	19,771.33	13,056.54	1,305.67	6,528.29	19,584.83		<b>60,246.66</b>
South Heart	10,820.30	11,469.52	7,574.21	757.43	3,787.13	11,361.34		<b>34,949.63</b>
Steffes Manufacturing	3,225.10	3,418.63	2,257.57	225.76	1,128.82	3,386.39		<b>10,417.17</b>
David and Douglas Swenson	37.60	39.86		3.38	13.16	39.48		<b>95.88</b>
Taylor	4,452.00	4,719.12	3,116.40	311.64	1,558.20	4,674.60		<b>14,379.96</b>
Dale Weigum	184.90	195.99		16.65	64.73	194.16		<b>471.53</b>
West Medora Campground	1,400.00	1,484.00	980.00	98.00	490.00	1,470.00	1,470.00	<b>5,992.00</b>
Zap	6,688.00	10,700.80		869.46	2,353.73	7,022.44		<b>20,946.43</b>

	Billed (kgal)	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
<b>Total</b>	<b>1,547,724.33</b>	<b>\$1,669,977.82</b>	<b>\$966,951.34</b>	<b>\$122,843.83</b>	<b>\$558,033.26</b>	<b>\$1,658,135.85</b>	<b>\$10,963.91</b>	<b>\$4,986,906.01</b>

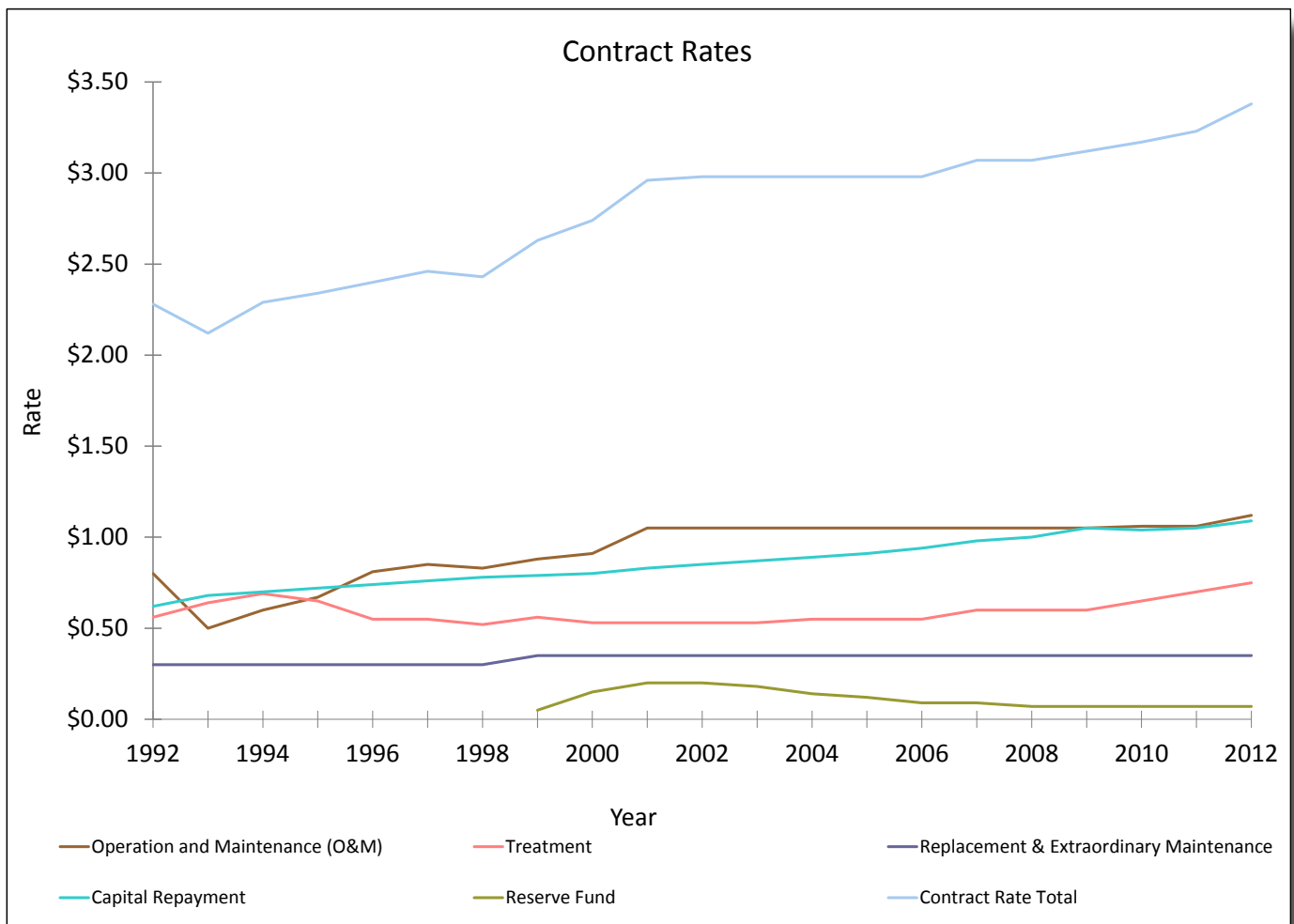


# Rate History

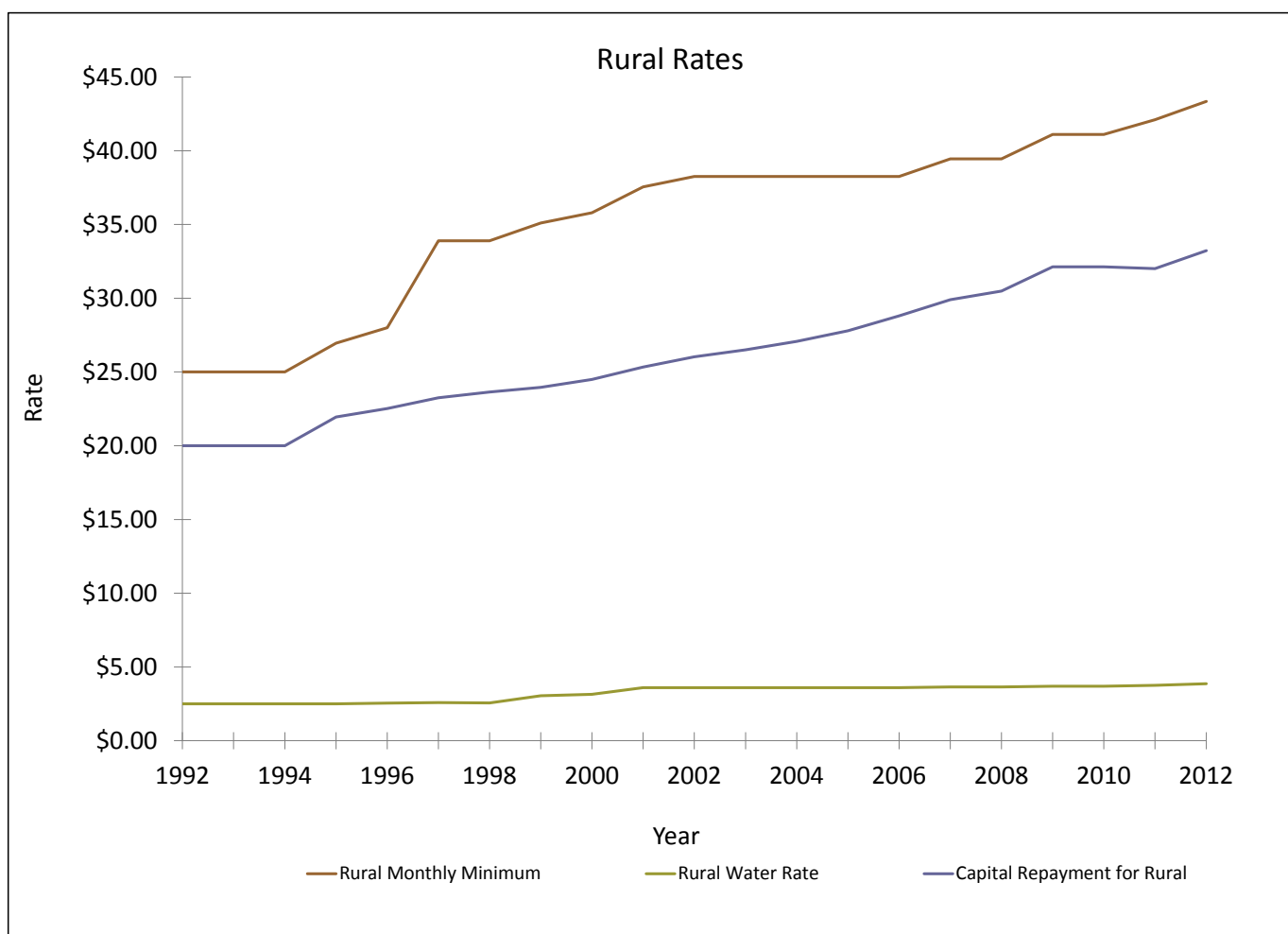
Year	1992	1993	1994	1995	1996	1997	1998	1999
<b>Operation and Maintenance (O&amp;M)</b>	\$0.80	\$0.50	\$0.60	\$0.67	\$0.81	\$0.85	\$0.83	\$0.88
<b>Treatment</b>	0.56	0.64	0.69	0.65	0.55	0.55	0.52	0.56
<b>Replacement &amp; Extraordinary Maintenance</b>	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.35
<b>Capital Repayment</b>	0.62	0.68	0.70	0.72	0.74	0.76	0.78	0.79
<b>Reserve Fund</b>								0.05
<b>Contract Rate Total</b>	\$2.28	\$2.12	\$2.29	\$2.34	\$2.40	\$2.46	\$2.43	\$2.63
<b>Capital Repayment as a Percentage of Total</b>	27.19%	32.08%	30.57%	30.77%	30.83%	30.89%	32.10%	30.04%

<b>Rural Monthly Minimum</b>	\$25.00	\$25.00	\$25.00	\$26.95	\$28.00	\$33.90	\$33.90	\$35.10
<b>Rural Water Rate</b>	\$2.50	\$2.50	\$2.50	\$2.50	\$2.55	\$2.59	\$2.56	\$3.05
<b>Capital Repayment for Rural</b>	\$20.00	\$20.00	\$20.00	\$21.95	\$22.52	\$23.25	\$23.64	\$23.96
<b>Capital Repayment as a Percentage of Total</b>	80.00%	80.00%	80.00%	81.45%	80.43%	68.58%	69.73%	68.26%



2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$0.91	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.06	\$1.06	\$1.12
0.53	0.53	0.53	0.53	0.55	0.55	0.55	0.60	0.60	0.60	0.65	0.70	0.75
0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
0.80	0.83	0.85	0.87	0.89	0.91	0.94	0.98	1.00	1.05	1.04	1.05	1.09
0.15	0.20	0.20	0.18	0.14	0.12	0.09	0.09	0.07	0.07	0.07	0.07	0.07
\$2.74	\$2.96	\$2.98	\$2.98	\$2.98	\$2.98	\$2.98	\$3.07	\$3.07	\$3.12	\$3.17	\$3.23	\$3.38
29.20%	28.04%	28.52%	29.19%	29.87%	30.54%	31.54%	31.92%	32.57%	33.65%	32.81%	32.51%	32.25%
\$35.80	\$37.55	\$38.25	\$38.25	\$38.25	\$38.25	\$38.25	\$39.45	\$39.45	\$41.10	\$41.10	\$42.10	\$43.35
\$3.15	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.65	\$3.65	\$3.70	\$3.70	\$3.75	\$3.86
\$24.50	\$25.34	\$26.03	\$26.50	\$27.07	\$27.79	\$28.80	\$29.90	\$30.49	\$32.13	\$32.13	\$32.01	\$33.22
68.44%	67.48%	68.05%	69.28%	70.77%	72.65%	75.29%	75.79%	77.29%	78.18%	78.18%	76.03%	76.63%



# *Rates 2011*

The water rate for rural customers in 2011 consisted of a minimum payment of \$42.10 per month and included 2,000 gallons of water. The rate for water use in excess of the 2,000 gallons was \$3.75 per thousand gallons. On July 1, 2002, SWA implemented a volume discount for rural customers, reducing water rates from \$3.75 to \$2.75 on usage over 10,000 gallons. Also, customers with pasture taps received a rate reduction, from \$3.75 to \$2.75 on water usage in excess of 60,000 gallons, billed annually.

## **Rural Customers under 10,000 gallons**

Treatment .....	\$0.70
Transmission Operations and Maintenance .....	\$1.06
Transmission Replacement and Extraordinary Maintenance (REM) .....	\$0.35
Transmission Reserve .....	\$0.07
Distribution Operation and Maintenance .....	\$1.32
Distribution Replacement (REM).....	\$0.10
Distribution Reserve .....	\$0.15
<b>Total</b> .....	<b>\$3.75</b>

## **Rural Customers over 10,000 gallons**

Treatment .....	\$0.67
Transmission Operation and Maintenance .....	\$0.73
Transmission Replacement and Extraordinary Maintenance (REM).....	\$0.35
Transmission Reserve .....	\$0.00
Distribution Operation and Maintenance .....	\$0.90
Distribution Replacement (REM).....	\$0.10
Distribution Reserve .....	\$0.00
<b>Total</b> .....	<b>\$2.75</b>

The standard rural minimum fee (\$42.10) is broken into three separate components: meter fee, capital repayment, and operations and maintenance. The capital repayment (\$32.01) and meter fee (\$5.00) portions of the minimum are used to pay the interest and principal on the Series A and Series B bonds, with the remaining balance paid to the Resources Trust Fund. These bonds helped 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 (\$5.09) is for the operation and maintenance fund to cover fixed costs.

The 2011 rate for demand contract customers was \$4.28 per 1,000 gallons of potable water.

The 2011 rate for contract customers was \$3.23 per 1,000 gallons of potable water.

## **Demand Contract Customers**

Treatment .....	\$0.70
Transmission Operation and Maintenance..	\$1.06
Transmission REM .....	\$0.35
Capital Repayment.....	\$1.05
Demand Charge.....	\$1.05
Transmission Reserve .....	\$0.07
<b>Total</b> .....	<b>\$4.28</b>

## **Contract Customers**

Treatment .....	\$0.70
Transmission Operation and Maintenance..	\$1.06
Transmission REM .....	\$0.35
Capital Repayment.....	\$1.05
Transmission Reserve .....	\$0.07
<b>Total</b> .....	<b>\$3.23</b>

The 2011 rate for oil industry customers is \$10.00 per 1,000 gallons of water.

The raw water contract rate was \$2.55 per 1,000 gallons of water. Raw water customers do not pay for the cost of treatment.



# *Rates 2012*

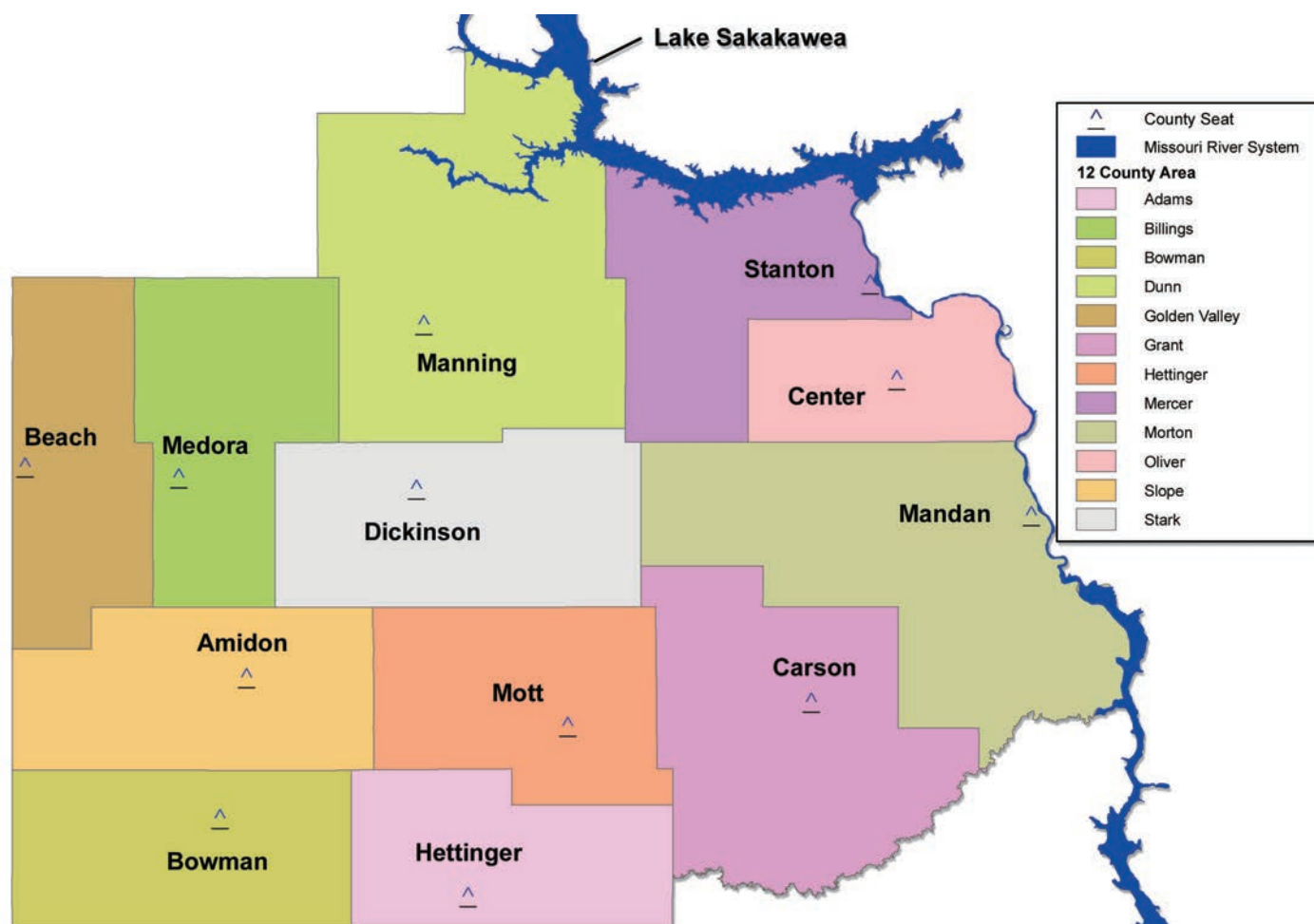
## **Rural Rates**

The rural monthly minimum will increase to \$43.35 which includes 2,000 gallons of water with a monthly meter reading. This includes capital repayment (\$33.22), meter fee (\$5.00), and operations and maintenance (\$5.13). The capital repayment amount is tied to the Consumer Price Index and adjusted annually by the North Dakota State Water Commission. Capital repayment was increased by \$1.21 for 2012.

The rural customer rate per 1,000 gallons will increase to \$3.86 for up to 10,000 gallons, and usage over 10,000 gallons will increase to \$2.86. Rural customers served water purchased from Beulah will not receive the volume discount of \$2.86 until SWA can provide service to the Oliver, Mercer and North Dunn Phase Service Area by the OMND WTP.

## **Contract Customers**

There will be a rate increase for demand, contract, raw and oil industry customers. The demand rate will be \$4.47 per 1,000 gallons of potable water. The contract customer rate will be \$3.38 per 1,000 gallons of potable water. The raw water contract rate will be \$2.65 per 1,000 gallons of water. The oil industry rate will be \$18.00 per 1,000 gallons of water. Capital repayment will increase \$0.04 and transmission O&M will increase \$0.06 for demand, contract and raw water customers. The demand charge will also increase \$0.04, and treatment will increase \$0.05 for demand and contract customers.



# *Replacement & Extraordinary Maintenance Fund*

In 1981, when the Southwest Pipeline Project (SWPP) was authorized, the North Dakota Legislature established the Replacement & Extraordinary Maintenance (REM) Fund. This fund was established to create an account to cover costs of an extraordinary nature and replacement of the SWPP in the years to come as the system wears and reaches its life expectancy. Disbursements from this account have to meet these criteria and be approved by the North Dakota State Water Commission and the SWA Board of Directors.

A portion of the water rate charged by SWA is for REM. The rate is charged on a per thousand gallons of water billed. The REM rate is one of the components of the rate structure which is paid by all customers, both contract and rural. Rural Customers pay an additional \$0.10 per thousand gallons for rural REM.

Originally, the rate was set at \$0.30 per thousand gallons water, but in 1998 a rate study was completed to determine the fairness and correctness of the rate structure. At the time, it was determined in order to meet the needs of extraordinary maintenance of the Pipeline in the future, the rate for REM should be increased to \$0.35 per thousand gallons, and has remained this amount since 1999.

When SWA took over management, operations and maintenance of the SWPP from the North Dakota State Water Commission in 1996, SWA established a separate account to track REM funds and to adhere to the ND Century Code. The following table gives a summary of activity of this account:

	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)
<b>Ending Balance</b>	<b>\$735,372</b>	<b>\$1,016,563</b>	<b>\$1,315,966</b>	<b>\$1,630,497</b>	<b>\$2,002,873</b>	<b>\$2,314,893</b>

	2001	2002	2003	2004	2005	2006
Beginning Balance	\$2,314,893	\$2,804,274	\$3,301,016	\$3,835,485	\$4,220,502	\$4,787,646
Contributions						
Contract	329,448	333,308	346,330	335,340	347,808	425,777
Rural	44,066	53,121	62,334	67,709	64,725	82,115
Interest	127,292	160,258	150,883	188,652	198,149	202,716
Dividends	16,575	4,016	3,985	2,279	5,633	8,203
Fiduciary Fees	(9,552)	(12,177)	(14,190)	(15,845)	(17,417)	(19,135)
Disbursements	(18,448)	(41,784)	(14,874)	(193,119)	(31,754)	(149,084)
<b>Ending Balance</b>	<b>\$2,804,274</b>	<b>\$3,301,016</b>	<b>\$3,835,485</b>	<b>\$4,220,502</b>	<b>\$4,787,646</b>	<b>\$5,338,238</b>

	2007	2008	2009	2010	2011	Total
Beginning Balance	\$5,338,238	\$6,141,750	\$7,004,573	\$7,865,343	\$8,629,770	
Contributions						
Contract	467,831	472,933	457,040	478,501	543,731	<b>\$6,604,507</b>
Rural	90,793	106,858	101,620	115,801	114,383	<b>1,056,936</b>
Interest	258,201	295,859	329,085	331,850	313,990	<b>2,939,693</b>
Dividends	8,335	12,461	1,943	12,412	14,189	<b>133,389</b>
Fiduciary Fees	(21,648)	(25,288)	(28,918)	(32,218)	(34,927)	<b>(260,555)</b>
Disbursements	0	0	0	(141,919)	(348,696)	<b>(1,241,529)</b>
<b>Ending Balance</b>	<b>\$6,141,750</b>	<b>\$7,004,573</b>	<b>\$7,865,343</b>	<b>\$8,629,770</b>	<b>\$9,232,440</b>	<b>\$9,232,440</b>

# *Annual Capital Repayment*

Capital Repayment is a portion of the water rate charged by Southwest Water Authority (SWA) to pay back the cost of construction of the pipeline. In 1982, a study determined that due to economic constraints in southwest North Dakota, there would be a limit to the amount customers could pay in order to cover the cost of construction. Since capital repayment is based on the ability to pay, the portion of the rate designated for capital repayment is indexed to the Consumer Price Index (CPI) and adjusted annually.

For all contract customers, the capital repayment rate is based upon a per thousand gallons charge. For all rural customers, the capital repayment rate is a portion of the monthly minimum payment. This money is paid monthly to the ND State Water Commission or to the bond bank.

Below is a chart showing the payment history of capital repayment by water users throughout the system:

	1991-1992	1993	1994	1995	1996	1997	1998
<b>Contract</b>	\$224,065.00	\$190,433.00	\$292,997.00	\$408,563.00	\$418,179.77	\$487,828.22	\$568,497.91
<b>Rural</b>		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	2005
<b>Contract</b>	\$580,865.33	\$634,275.73	\$751,392.41	\$800,159.52	\$861,015.31	\$846,041.48	\$897,289.69
<b>Rural</b>	445,131.91	524,952.50	556,470.52	630,004.66	718,768.94	774,667.77	809,668.64
<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>\$1,706,958.33</b>

	2006	2007	2008	2009	2010	2011	Total
<b>Contract</b>	\$1,067,345.59	\$1,244,385.61	\$1,269,698.28	\$1,255,131.37	\$1,344,386.07	\$1,595,570.21	<b>\$15,738,120.50</b>
<b>Rural</b>	881,134.67	1,063,680.25	1,184,034.70	1,363,856.74	1,432,160.52	1,480,846.23	<b>13,008,201.89</b>
<b>Total</b>	<b>\$1,948,480.26</b>	<b>\$2,308,065.86</b>	<b>\$2,453,732.98</b>	<b>\$2,618,988.11</b>	<b>\$2,776,546.59</b>	<b>\$3,076,416.44</b>	<b>\$28,746,322.39</b>



# *Southwest Pipeline Project*

## *Funding Sources* *(in Millions of Dollars)*

### State Funding

Resources Trust Fund	\$ 61.90
Water Development Trust Fund	\$ 8.47
<b>Subtotal</b>	<b>\$ 70.37</b>

### Grants

Garrison Diversion Conservancy District Municipal Rural & Industrial Fund	\$ 95.31
United States Department of Agriculture - Rural Development	\$ 15.09
Natural Resources Conservation Service PL566	\$ 0.93
<b>Subtotal</b>	<b>\$ 111.33</b>

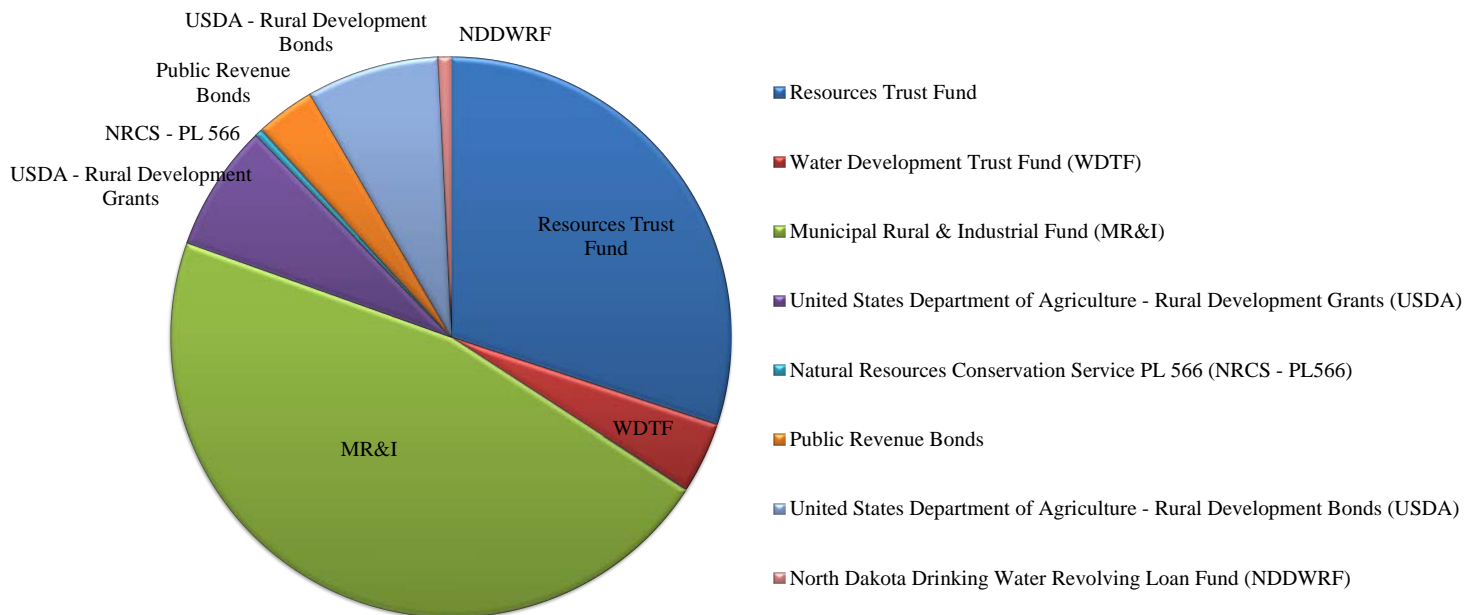
### State Bonds Repaid by Users

Public Revenue Bonds	\$ 7.04
United States Department of Agriculture - Rural Development	\$ 15.70
ND Drinking Water Revolving Loan Fund	\$ 1.50
<b>Subtotal</b>	<b>\$ 24.24</b>

***Total Funding*** ***\$205.94***

### SWPP FUNDING SOURCE

**\$205.94 Million as of December 31, 2011**

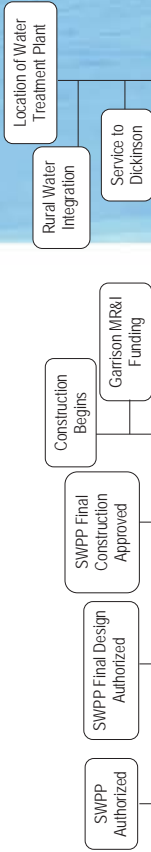


### *PHASED DEVELOPMENT PLAN*

**Development Phase:**  
**Oliver, Mercer, North Dunn Phase**

**North**

# SWPP Project Timeline



	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
<b>PROJECTS</b>																					
West River Diversion																					
SW Area Water Supply																					
Southwest Pipeline Project																					

<b>ORGANIZATIONS</b>																					
West River Water Supply District																					
West River Joint Board																					
Southwest Water Authority (Non-Profit)																					
Southwest Water Authority (Political Subdivision)																					

<b>FUNDING (In Millions)</b>																					
Slate Resources Trust Fund																					
Garrison Diversion MR&I													23.60				7.38	8.33	6.67	2.65	0.04
Natural Resources Conservation Service																					5.32
Revenue Bonds																					
USDA - Rural Development (loans)																					
USDA - Rural Development (grants)																					
Drinking Water State Revolving Loan Fund																					
Water Development Trust Fund																					
<b>TOTAL</b>													23.60				7.38	8.33	6.67	2.65	5.36



	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
<b>PROJECTS</b>																					
West River Diversion																					
SW Area Water Supply																					
Southwest Pipeline Project																					

<b>ORGANIZATIONS</b>																					
West River Water Supply District																					
West River Joint Board																					
Southwest Water Authority (Non-Profit)																					
Southwest Water Authority (Political Subdivision)																					

<b>FUNDING (In Millions)</b>																					
Slate Resources Trust Fund																					
Garrison Diversion MR&I	0.06	0.68	0.77	1.46	1.77	1.18	0.70	1.34	4.21	0.83	0.33	3.06	2.38	3.05	1.62	0.69	2.70	5.43	1.27	4.73	61.90
Natural Resources Conservation Service	6.87	5.30	10.10	7.77	5.41	0.18	2.47	1.24									2.94	1.13	4.64	16.91	95.31
Revenue Bonds			0.13	0.41	0.39	3.96	3.08														0.93
USDA - Rural Development (loans)							3.50	0.02	1.38	0.50	0.23	1.63	1.54		2.47	1.43	3.00				7.04
USDA - Rural Development (grants)							1.04	1.54	1.59	2.48	0.92	1.04	0.56	1.30	1.93	0.52	2.07	0.10			15.70
Drinking Water State Revolving Loan Fund									1.00	0.50											15.09
Water Development Trust Fund										1.45	5.17	0.26	0.45		0.09	1.05					1.50
<b>TOTAL</b>	6.93	5.98	11.00	9.64	7.57	5.32	10.79	4.14	8.18	5.76	6.65	5.99	4.93	4.35	6.11	3.69	10.71	6.66	5.91	21.64	205.94





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