

2012 Annual Operating Report



MORE than a PIPELINE – It's a LIFELINE



A close-up photograph of a young child with blonde hair drinking from a public water fountain. The child's face is in profile, with their mouth open and water splashing around it. The fountain's brass spout is on the left, and the background is blurred, showing other people and greenery.

Our Vision:

People and
Business
Succeeding with
Quality Water

Our 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.

TABLE OF CONTENTS

4	ORGANIZATIONAL CHART
5	SWA BOARD OF DIRECTORS & STATE WATER COMMISSION
6	SOUTHWEST WATER AUTHORITY STAFF
8	A SUCCESSFUL PROJECT - STATE ENGINEER
9	CHAIRMAN'S ANNUAL ADDRESS
10	CONSTRUCTION SUMMARY - PROJECT MANAGER
11	MANAGER'S MESSAGE
12	DISTRIBUTION OPERATIONS & MAINTENANCE REPORT
13	WATER TREATMENT REPORT
14	BACKGROUND
15	MILL LEVY REPORT
16	INDEPENDENT AUDITOR'S REPORT
23	ELECTRIC POWER USAGE
24	SERVICE CONTRACTS 2012
25	RURAL WATER USAGE HISTORY
26	POTABLE WATER USAGE
30	WATER SERVICE CONTRACTS
32	RATE HISTORY
34	RATES 2012
35	RATES 2013
36	REPLACEMENT & EXTRAORDINARY MAINTENANCE FUND
37	ANNUAL CAPITAL REPAYMENT
38	SWPP FUNDING SOURCES
39	SWPP TIMELINE

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



Glenn Eckelberg
Dunn County



Marie Johnson
Mercer County



Dave 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

North Dakota State Water Commission

Governor Jack Dalrymple, Chairman - Bismarck, ND

Arne Berg - Devils Lake, ND

Larry L. Hanson - Williston, ND

Harley Swenson - Bismarck, ND

Douglas Vosper - Neche, ND

Doug Goehring, Ag Commissioner - Bismarck, ND

Maurice V. Foley - Minot, ND

Jack Olin - Dickinson, ND

Robert G. Thompson - Page, ND

SOUTHWEST WATER AUTHORITY ADMINISTRATION



Mary Massad
Manager/CEO



Bruce Koppinger
*Marketing
Coordinator*



Misti Conzemius
*Signup & Easement
Assistant*



Sandra Burwick
*CFO/Office
Administrator*



Stacie Gress
*Front Desk /
Office Support*



Kim Turner
*Accountant /
Assistant Office
Administrator*



Leann Schaff
*Accounting
Support*



Cindy Fetch
*Accounting
Support*

SOUTHWEST WATER AUTHORITY TREATMENT



Grace Rixen-Handford
*Water Treatment
Plant Manager*



Ken Knight
*Water Treatment
Plant Operator*



Dave Lupo
*Water Treatment
Plant Operator*



Guy Mischel
*Water Treatment
Plant Operator*



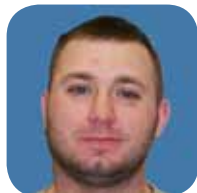
John Nadvornik
Maintenance



Steve Ries
*Water Treatment
Plant Operator*



AJ Sokolofsky
*Water Treatment
Plant Operator*



Perry Grammond
*Water Treatment Plant
Operator, OMND*



Brandon Nelson
*Water Treatment Plant
Operator, OMND*

SOUTHWEST WATER AUTHORITY DISTRIBUTION



Lee Messer
*Water Distribution
Manager*



Dan Roller
*Operations
Specialist / IT*



Andrew Erickson, Jr.
*Chief Water
Distribution Operator*



Allen Hecker
*Assistant Chief Water
Distribution Operator*



Terry Beuchler
*Water Distribution
Operator*



Justin Kohanes
*Water Distribution
Operator, Beach*



Chuck Magnuson
*Maintenance
Electrician*



Russ Kostelecky
*Water Distribution
Operator*



Leo Miller
*Water Distribution
Operator, Reeder*



James Murphy
*Water Distribution
Operator*



Bruce Mutschelknaus
*Water Distribution
Operator, Elgin*



Toby Turner
*Water Distribution
Operator*



Mary Link
*Water Distribution
Operator, OMND*



A SUCCESSFUL PROJECT



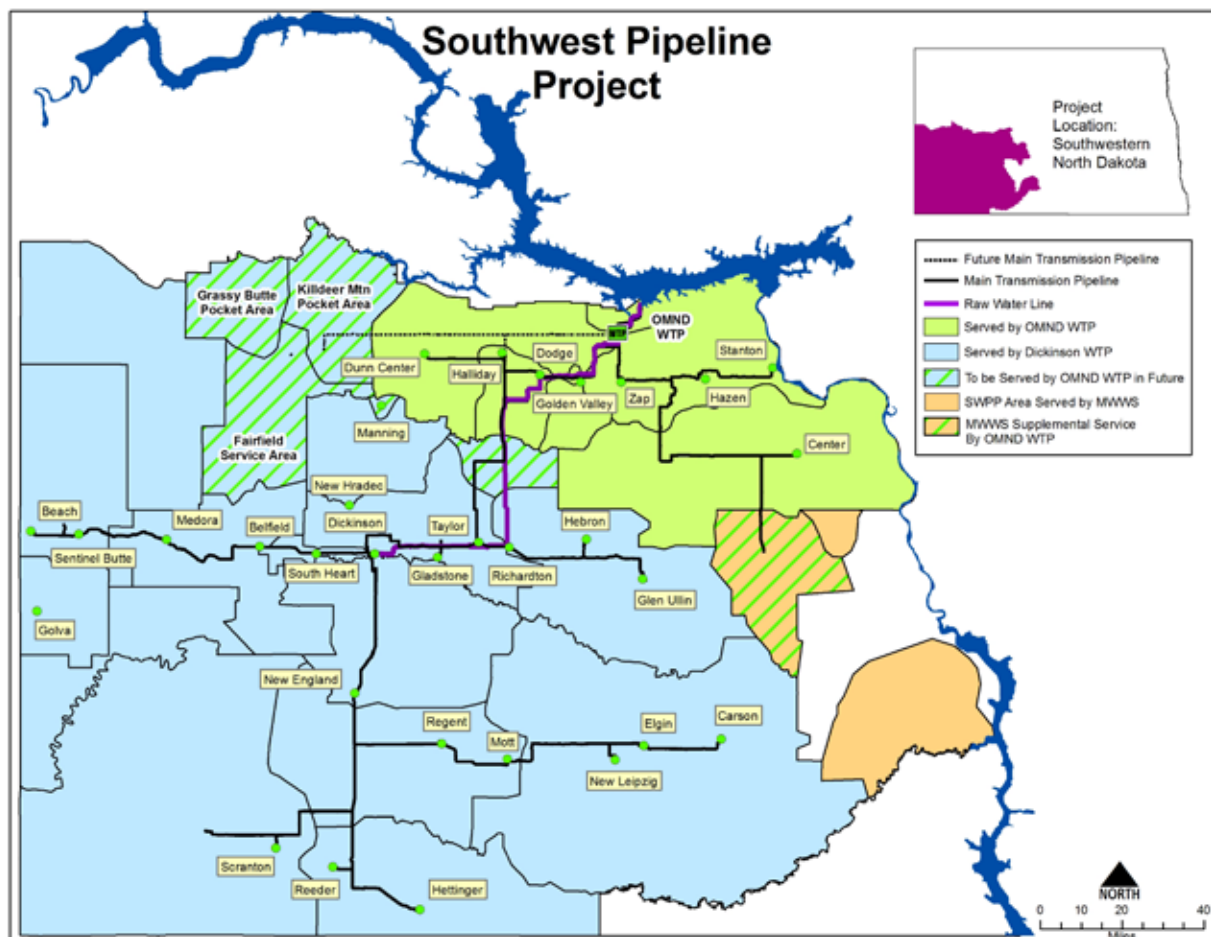
Todd Sando
North Dakota
State Engineer

The year 2012 was a time to celebrate the Southwest Pipeline Project (SWPP). The Oliver, Mercer, North Dunn (OMND) Regional Service Area, that is the final regional service area for the Project, started receiving water from the state-of-the-art, OMND Water Treatment Plant (WTP) in 2012. The OMND WTP has a current capacity of 3.5 million gallons per day (MGD), which will be expanded to an ultimate capacity of 5.25 MGD. The cities of Hazen, Stanton, Center and Zap are currently served from the OMND WTP and almost 200 rural users in the Mercer County are ready to receive quality water. Thanks to the vision and foresight of the legislative and local leaders who laid the framework for building the SWPP almost four decades ago.

The SWPP has been, and continues to be, a very successful water development project for the State of North Dakota. Funding has always been a controlling factor for the progress of the SWPP. The executive budget for the 2013-2015 biennium is favorable for water projects throughout the state. Regional water supply projects, including the SWPP, are expected to receive funding higher than any of the previous biennia in the history of the SWPP. With the unprecedented funding, the SWPP will be able to supply water to complete the construction of OMND Regional Service Area.

With unprecedented funding availability comes unprecedented water needs. The current oil boom in western North Dakota has resulted in unprecedented growth in population. The SWPP is working with other agencies, cities, and partners in identifying the needs and is continuing to work towards providing clean, safe water to the residents of North Dakota. Along with the treatment capacity, increase to the raw water transmission capacity and the intake capacity for the Project is needed and is being designed. To meet the projected needs, the current WTP at Dickinson will increase from 12 MGD to 18 MGD capacity.

Todd Sando



CHAIRMAN'S ANNUAL ADDRESS

The vision and foresight that years ago was just a blueprint on paper, has become reality for tens of thousands of North Dakotans. The mission: quality water for southwest North Dakota -- simple words that define the essential lifeline necessary for citizens, business, and industry in our state to thrive. Designing the infrastructure, constructing the Southwest Pipeline Project (SWPP), and obtaining the funding and support to reach our rural communities & region, has required a massive and cohesive effort in its planning and implementation. Southwest Water Authority (SWA) has proven its ability to do just that.

The progress and accomplishments made in 2012 are historically unsurpassed and may only be exceeded by those we realize in 2013. Achieving our goals could not be possible, however, without the financial support underscored by our proven track record of repayment back to the state. Our sincere appreciation goes to Governor Jack Dalrymple, the state legislature and all of the stakeholders that continue to make the SWPP a statewide priority. For it is by investing in providing our most precious resource that this legacy will live on for generations to come.

Together with our state's support, the Board of Directors, Manager/CEO Mary Massad, and everyone from customer service to field operators, our team's efforts continue to ensure quality water is being enjoyed by more of our citizens. It exemplifies the strength and tenacity of the hard-working people who have been challenged, yet held steadfast in their resolve to help the residents of southwest North Dakota.

We empathize with residents that are still waiting for the Pipeline to reach their areas. Who could possibly enjoy having to haul jugs of water for decades because their water wells do not produce drinkable water? That's why our persistence is non-negotiable. It is also why we remain steadfast with our mission of quality water for southwest North Dakota and focused on our vision of people and business succeeding with quality water.

What does it all mean? It means a better quality of life for thousands. It means economic development for our region and the state. It means providing the necessary foundation for the energy industry to grow and thrive in western North Dakota. Equally important, it is also proof that the American spirit is alive and well in our state.

Larry Bares



Larry Bares
Chairman

"High quality water is more than the dream of the conservationists, more than a political slogan; high quality water, in the right quantity at the right place at the right time, is essential to health, recreation, and economic growth."

~ Former U.S. Senator, Edmund Muskie



Tim Freije
NAWS & SWPP
Section Head

In the Spring of 2012, the state-of-the-art water treatment plant (WTP) located north of Zap, that is designed to serve the Oliver, Mercer, North Dunn (OMND) Regional Service Area, became operational. The OMND WTP uses ultra filtration membranes for filtration and reverse osmosis membranes for softening. The water from the OMND WTP flows by gravity to serve the cities of Hazen, Stanton and Zap. These cities started receiving water from the OMND WTP in May.

Water from the OMND WTP is pumped to the 750,000 gallon Center Elevated tank located in Oliver county. The tank became operational in August and the city of Center started receiving quality water from the OMND WTP during the same month. The Missouri West Water System (MWWS) started receiving water in September. The construction of rural distribution systems in the Mercer County started in the summer of 2012 and around 200 rural customers have been turned over to Southwest Water Authority for service from the OMND WTP, with another 300 more users to be completed in 2013.

In order to provide additional capacity north of the City of Dickinson, and to provide additional pressure for users in the South Fryburg Service Area, a contract that includes a total of 13.5 miles of 8" pipeline was bid in Summer of 2012. This contract is expected to be substantially complete in early summer of 2013.



Sindhuja S. Pillai-Grinolds
SWPP Manager

It was a busy year of design for the Southwest Pipeline Project in 2012. Design of the main transmission lines, associated reservoirs and pump stations in the Dunn County service area is almost complete and will be bid in early 2013. Preliminary design of the rural distribution system in Oliver County, Phase II upgrade of the OMND WTP, expansion of the WTP capacity at Dickinson, supplemental raw water intake capacity and raw water transmission capacity improvements from Lake Sakakwea to the Dickinson WTP were completed. Final design and construction is expected in the 2013-2015 biennium.

A handwritten signature in blue ink, appearing to read 'Tim Freije'.

A handwritten signature in blue ink, appearing to read 'S.A. Sindhuja'.



Growing optimism and a shared vision for understanding the economic impact quality water has on North Dakota's success are at the forefront of a year filled with accomplishments and promise for what's to come. The continued advancement of the Southwest Pipeline Project (SWPP) is very exciting and I am pleased continued funding and support for new service areas in development has been secured. But first, a year-in-review of our latest accomplishments:

- **Complete:** The Oliver, Mercer, North Dunn (OMND) Water Treatment Plant (WTP) construction of Phase I is complete. SWA began treating water at this new, state-of-the-art WTP in May of 2012. Water was officially delivered to the city of Stanton on May 16. This was followed by water service to Hazen on May 21 and water service to Zap on May 22. Water from the OMND WTP was also delivered to the city of Center on August 20 and 22. Missouri West Water System began receiving water in September from the OMND WTP.
- A raw water depot, east of Dickinson, became operational June 26. This resource is raw water allocated to other customers, but not currently being used, which paved the way for SWA to help the region without impacting our existing customers. The depot was built using operating reserves.
- SWA hosted a grand opening of the OMND WTP on August 22, 2012. The OMND WTP broke ground on November 2009. Many were in attendance to celebrate.
- A study (conducted by Bartlett & West, Inc.) was completed for additional water treatment capacity for the SWPP. This study provides SWA and the SWC relevant information on the options available for future planning in dealing with the growth throughout the region.
- Rehabilitation work at the WTP in Dickinson including work on the lime-softening basins and green leaf filters. Total cost is to be paid from the Replacement & Extraordinary Maintenance Fund.
- **Under Construction:** Contracts 7-9C and 7-9D are the two rural contracts underway in Mercer County. SWA has had 216 customers turned over for service in 2012. The balance of customers will be connected for water service in 2013. The Center Elevated Tank, south of Beulah, became operational. This water reservoir was necessary to serve Center and the MWWS as well as the upcoming rural customers in Oliver County.
- A new O&M Center Office Building. SWA is building new office space in order to meet the growing demands impacting SWA.



Mary Massad
Manager/CEO

As you can see, important progress is being made! New communities and more rural residents are receiving quality water from the SWPP. Our qualified and dedicated staff, Board of Directors, and support team are proof that persistence pays off.

What lies ahead? The state legislature approved to continue funding this Project. Their commitment allows the Project to reach out to those who still wait for their first glass of SWPP water. Economic development is more attractive. Quality of life is improved for more citizens in our region. And, most importantly, connection to new service areas is within reach.

I am truly grateful to you all.

DISTRIBUTION OPERATIONS & MAINTENANCE REPORT



Lee Messer
Water Distribution
Manager

Demand for water in the Southwest Pipeline Project's Service Area increased dramatically in 2012. Over 2.5 billion gallons of water were pumped from the Intake in 2012 as compared to 1.84 billion gallons in 2011. Contributing factors include increased industrial activity and rising populations which can be directly linked to the oil boom, as well as drought conditions following a mild and nearly snow-free winter.

The ripple effects of the oil boom were apparent in many other aspects of our operations and maintenance activities. Road improvement projects to accommodate the additional traffic and heavy loads required pipeline relocations or adjustments in several areas. Installation of buried utilities such as oil, gas and saltwater pipelines, as well as electrical and fiber optic lines created an explosion of One-Call locate requests and many hours spent locating and/or monitoring crossings of our facilities. The increase in housing construction to accommodate the influx of people had the linear effect of increased subsequent customer hookups and maintaining an inventory of materials.

Another contributing factor to increased water usage in 2012 was the start up of the newly constructed Oliver, Mercer, North Dunn (OMND) Water Treatment Plant (WTP) and service to the cities of Hazen, Stanton and Center. A connection to the Missouri West Water System (MWWWS) was also completed to provide water to a portion of their distribution system. Additional construction features necessary for service to these customers includes approximately 96 miles of Main Transmission Lines ranging in size from 6" to 18", the Zap treated-water reservoir, Center elevated tank, Center booster pump station, Missouri West pump station/PRV, and prefabricated steel vaults housing meter and pressure reducing valve equipment.

Construction began on two rural contracts in the OMND area in 2012 which, when complete, will provide service to more than 500 rural customers. Approximately 200 of these were completed and turned over to SWA in 2012. These two contracts are unique in that they will be the first to employ Automatic Meter Reading (AMR) systems of the individual meters. Two different AMR systems are being tested to determine which provides the most cost-effective and reliable service for future system-wide installation.

With the expansion of the distribution system in the OMND area and the distance from the O&M Headquarters in Dickinson, additional personnel stationed locally became a necessity. To meet this need, SWA currently has a Water Distribution Operator working out of the OMND WTP, with plans to add additional staff in 2013.

Lee Messer



WATER TREATMENT REPORT

Once again, it was a record breaking year for the Water Treatment Plant (WTP) in Dickinson in 2012. Record volumes of water were treated in eight of the twelve months, as well as for the calendar year. The WTP treated 2,086,688,500 gallons of raw water during 2012.

The WTP also went through a major plant rehabilitation from February through April. During this time, only treatment basin 105 could be used with a maximum treatment capacity of 3.9 MGD. At this time, plant operators went into a continuous operation mode to run the plant 24 hours-a-day, with restrictions on industrial water sales to meet the water demands.

A milestone has been reached with the construction of the Oliver, Mercer, North Dunn (OMND) Water Treatment Plant (WTP). The plant was put on-line producing potable water April 1, 2012. The OMND WTP treated 133,905,900 gallons of raw water, and 113,862,700 gallons of treated water was pumped to the distribution system during 2012.

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

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

Richardton Pumping Station

- Sodium Permanganate (NaMnO_4): Taste and Odor reduction (624 lbs.)

Dodge Pumping Station

- Ammonium Sulfate ($(\text{NH}_4)_2\text{SO}_4$): Disinfection (4,851 lbs.)
- Chlorine (Cl_2): Disinfection (23,483 lbs.)

Dickinson Water Treatment Plant (DWTP)

- Lime (CaO): Softening (2,372,753 lbs.)
- Aluminum Sulfate ($\text{Al}_2(\text{SO}_4)_3$): Cationic coagulant added for clarification (66,931 lbs.)
- Flocculants: Anionic emulsion added as a clarification aid (2,314 lbs.)
- Carbon Dioxide (CO_2): pH adjustment (578,157 lbs.)
- Phosphate ($\text{K}_2\text{O}_7\text{P}_2$): Corrosion inhibitor (30,855 lbs.)
- Ammonium Sulfate ($(\text{NH}_4)_2\text{SO}_4$): Disinfection (11,423 lbs.)
- Fluoride (H_2SiF_6): Promotes dental health (9,436 lbs.)
- Chlorine (Cl_2): Disinfection (50,182 lbs.)

Oliver, Mercer, North Dunn Water Treatment Plant (OMND WTP)

- Ammonium Sulfate ($(\text{NH}_4)_2\text{SO}_4$): Disinfection (11,423 lbs.)
- Chlorine (Cl_2): Disinfection (4,000 lbs.)
- Fluoride (H_2SiF_6): Promotes dental health (2,150 lbs.)
- Vitec 3000 RO: Anti-Scalant (2,000 lbs.)
- Caustic Soda 50% (NaOH): pH adjustment (3,502 lbs.)
- Sodium Bisulfite (NaHSO_3): Dechlorination (2,400 lbs.)
- Sodium Hypochlorite (NaClO): UF membrane backwash water (1,100 lbs.)
- Hydrochloric Acid (HCl): RO membrane cleaning (1,120 lbs.)



Grace Rixen-Handford
Water Treatment
Manager

A handwritten signature in blue ink that reads "Grace Rixen-Handford". The signature is written in a cursive, flowing style.

The North Dakota State Legislature established Southwest Water Authority (SWA), a political subdivision, in 1991. SWA was created to supply and distribute water to the people of southwestern North Dakota through a pipeline transmission and delivery system for purposes including domestic, rural water, municipal, livestock, light industrial, mining, and other uses, with primary emphasis on domestic, rural water, and municipal uses. SWA also provides for the future economic welfare and prosperity of the people of North Dakota, particularly the people of southwestern North Dakota.

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 the OMND WTP and the Dickinson WTP, where it is treated and delivered to the Project's customers. The Oliver, Mercer, North Dunn (OMND) Water Treatment Plant (WTP) was completed in May of 2012. Water was delivered to the cities of Stanton, Hazen and Zap in May, the city of Center in August and to the Missouri West Water System in September.

For 27 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 quantity of quality water. To date, 31 communities, more than 4,600 rural service locations, 22 contract customers, 21 raw water customers, including Dodge Water Depot, SWA Water Depot, Red Trail Energy, Missouri West Water System and Perkins County Rural Water System in South Dakota, are served by the Pipeline.

In June of 2012, SWA opened a raw water depot east of Dickinson to serve the energy and construction industries. This raw water is allocated to other customers, but not currently used by those customers. This allows for the greatest uses with the least impact.

The Project pumped a total of 2,501,213,000 gallons of water from Lake Sakakawea in 2012. This is an increase of 657,597,000 gallons from 2011 or 35.67%. Potable water delivered in 2012 to contract customers was 1,714,059,900 gallons, rural customers used 298,844,300 gallons and construction used 19,530,900 gallons for a total of 2,032,435,100 gallons. Total raw water delivered in 2012 was 325,826,880 gallons. The water delivered to the end user was 93.50% 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 2012 was 11,343,300 gallons.

Southwest Water Authority also purchased water from the city of Beulah to deliver to the city of Zap and to the rural customers in the Beulah Interim Service area until the OMND WTP was completed and came online in May 2012. Total potable water delivered to these customers in 2012 was 3,458,100 gallons, which includes 2,620,400 gallons to the city of Zap and 837,700 gallons to the rural customers.

Total water delivered to customers by Southwest Water Authority was 2,373,063,380 gallons.

2012 Mill Levy Income

\$341,631.26

	Board of Directors	Administration	Easement	Sign-Up	Total
Per Diem/Salaries	\$ 39,590.00	\$ 58,653.46	\$ 44,385.82	\$ 44,480.27	\$ 187,109.55
Benefits/Payroll Taxes	3,972.74	25,150.59	18,762.91	18,769.38	66,655.62
Professional Fees	47,242.40	33,221.77	359.50	38,595.27	119,418.94
Supplies	5,582.90	5,439.30	18,134.08	1,413.22	30,569.50
Repairs	--	558.37	911.71	911.68	2,381.76
Travel	23,523.33	6,131.81	2,301.79	1,491.53	33,448.46
Telephone/Internet	2,970.58	2,621.37	969.20	1,261.75	7,822.90
Insurance	8,830.00	2,041.00	--	--	10,871.00
Printing & Promotion	1,654.44	32,405.39	474.91	2,695.58	37,230.32
Postage	1,711.16	1,188.52	878.16	717.10	4,494.94
Dues & Subscriptions	14,249.25	9,972.33	460.00		24,681.58
Development/Education	4,018.00	2,699.48	192.00	192.00	7,101.48
Depreciation	--	340.54	570.74	570.49	1,481.77
Miscellaneous	1,929.40	677.58	--	--	2,606.98
Total	\$155,274.20	\$181,101.51	\$88,400.82	\$111,098.27	\$535,874.80

Revenue necessary from other sources

\$192,243.54





CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

Report on the Financial Statements

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, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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MCGLADREY ALLIANCE



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Southwest Water Authority, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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.

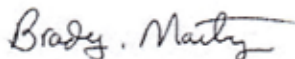
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2013 on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.

Bismarck, North Dakota

March 13, 2013

SOUTHWEST WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2012 AND 2011

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 2012, 2011 and 2010. 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 \$18,537,864 as of the end of the year 2012 compared with \$15,504,910 as of the end of the year 2011 and \$14,529,629 as of the end of the year 2010. This is an increase in total assets of \$3,032,954 between 2012 and 2011, and an increase in total assets of \$975,281 between 2011 and 2010. The liabilities totaled \$1,772,529 for 2012 compared with \$1,476,983 for 2011 and \$1,039,781 for 2010. The assets exceeded its liabilities at the end of the year 2012 by \$16,765,335 compared with \$14,027,927 at the end of the year 2011 and \$13,489,848 at the end of the year 2010. This is an increase in net assets of \$2,737,408 between 2012 and 2011, and an increase in net assets of \$538,079 between 2011 and 2010.

Assets held at the American Trust Center total \$10,669,655 at year-end 2012 compared with \$10,712,030 at year-end 2011 and \$9,691,695 at year-end of 2010. The amount that is the Replacement and Extraordinary Maintenance Fund is \$9,367,622 year-end 2012 compared with \$9,450,918 at year-end 2011 and \$8,523,737 at year-end 2010. This is a decrease of \$83,296 between 2012 and 2011, and an increase of \$927,181 between 2011 and 2010. 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 \$490,815 year-end 2012 compared with \$448,949 at year-end 2011 and \$428,981 at year-end 2010. This is an increase of \$41,866 between 2012 and 2011, and an increase of \$19,968 between 2011 and 2010. Of this amount, \$329,882 is restricted. This compares with \$338,695 as of year-end 2011, which is a decrease of \$8,813 between 2012 and 2011, and \$308,007 as of year-end 2010, which is an increase of \$30,688 between 2011 and 2010. 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 2012 is \$2,500,781 compared with \$2,241,984 at the end of 2011 and \$2,734,632 at the end of 2010. This is an increase of \$258,797 between 2012 and 2011 and a decrease of \$492,648 between 2011 and 2010. This is made up of checking and money market accounts as well as certificates of deposit.

**SOUTHWEST WATER AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012 AND 2011**

The liabilities total \$1,772,529 for year-end 2012 compared with \$1,476,983 for year-end 2011 and \$1,039,781 at year-end 2010. This is an increase in liabilities of \$295,546 between 2012 and 2011, and an increase in liabilities of \$437,202 between 2011 and 2010. Of this amount, \$1,316,143 is current liabilities mostly in the form of accounts payable. This compares with 2011 year-ending balance of \$1,014,548 in current liabilities, and year-ending balance of \$622,882 in current liabilities for 2010. This is an increase in current liabilities of \$301,595 between 2012 and 2011, and an increase in current liabilities of \$391,666 between 2011 and 2010. The long-term liabilities total \$456,386 at year-end 2012 compared with \$462,435 at year-end 2011, and \$416,899 at year-end 2010. Of this amount, \$329,882 deferred revenue for year-end 2012 compared with \$338,695 year-end 2011, and \$308,007 year-end 2010. 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 2012 are rental deposits from tenants/customers of \$51,400, compared with \$49,900 for year-end 2011, and \$49,000 for year-end 2010.

On June 20, 2012, the Southwest Water Authority opened a raw water depot east of Dickinson to serve the oil and construction industries. The depot was paid for by the Southwest Water Authority from reserves. Due to the increased usage from the depot, income, assets and expenses increased in 2012. It is anticipated that revenues from the depot sales will be used to stabilize rates system-wide, pay for the costs to construct the depot, pay for the costs to construct a new O&M office building and pay for auto-read meters for current and future rural contracts. This will relieve customers from having to cover these costs with increased rates.

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) Statement of Net Position, 2) Statement of Revenues, Expenses and Changes in Net Position, 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 *Statement of Net Position* presents information on all of the Southwest Water Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Southwest Water Authority is improving or deteriorating.

SOUTHWEST WATER AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2012 AND 2011

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 \$12,262,456 compared with \$7,920,099 for 2011, and \$6,828,462 for 2010. This is an increase in revenues of \$4,342,357 between 2012 and 2011, and an increase of \$1,091,637 between 2011 and 2010. The net income/net loss for each department are transmission net income of \$1,613,861, distribution net income of \$135,048 and treatment net income of \$206,423. This compares with net income/net loss by department for 2011 of transmission net loss of \$260,205, distribution net income of \$28,260 and treatment net income of \$57,844, and 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.

The mill levy generated income of \$341,631 for 2012 compared with \$292,603 for 2011 and \$276,625 for the year 2010. This is an increase of \$49,028 between 2012 and 2011, and an increase of \$15,978 between 2011 and 2010. The administration activities had a net income of \$138,290 compared with a net loss of \$4,544 for 2011, and a net loss of \$94,475 for 2010. Administration includes activities for the board of directors, administration, sign up and easements.

The actual revenues and expenses were over budget. The revenues were over budget by 42% of projections and the expenses were over budget by 16%.

The Southwest Water Authority sold a total of 2,373,063,380 gallons of water in 2012 compared with 1,775,558,700 gallons of water in 2011 and 1,600,642,180 gallons of water in 2010. This is an increase of 597,504,680 gallons between 2012 and 2011, and an increase of 174,916,520 gallons between 2011 and 2010. This is 31.30% over the projection for the year of 1,807,505,000 gallons for 2012.

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.swwater.com.

**SOUTHWEST WATER AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 2,019,765	\$ 1,691,960
Investments	1,852,034	1,873,051
Receivables:		
Accounts (net of allowance of \$3,754 and \$2,723 in 2012 and 2011, respectively)	838,259	802,176
Interest	10,099	9,884
Prepaid expenses	35,304	25,445
Inventory	458,863	322,946
Total current assets	<u>5,214,324</u>	<u>4,725,462</u>
Noncurrent Assets		
Restricted assets:		
Cash and cash equivalents	610,482	61,193
Investments	9,367,622	9,450,918
Interest receivable	73,114	54,169
Capital Assets:		
Land	109,196	108,246
Improvements, furniture and equipment, net	3,163,126	1,104,922
Total noncurrent assets	<u>13,323,540</u>	<u>10,779,448</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 999,192	\$ 748,173
Accrued salaries	148,069	119,146
Compensated absences, current portion	98,426	90,290
Accrued expenses	68,161	56,939
Construction costs due SWWC	2,295	-
Total current liabilities	<u>1,316,143</u>	<u>1,014,548</u>
Long-term Liabilities		
Compensated absences, net of current portion	75,104	73,840
Deferred revenue	329,882	338,695
Rental/customer deposits	51,400	49,900
Total long-term liabilities	<u>456,386</u>	<u>462,435</u>
Total liabilities	<u>1,772,529</u>	<u>1,476,983</u>
Net Position		
Invested in capital assets, net of related debt	3,272,322	1,213,168
Restricted for replacement	10,051,218	9,566,280
Unrestricted	3,441,795	3,248,479
Total Net Position	<u>\$ 16,765,335</u>	<u>\$ 14,027,927</u>

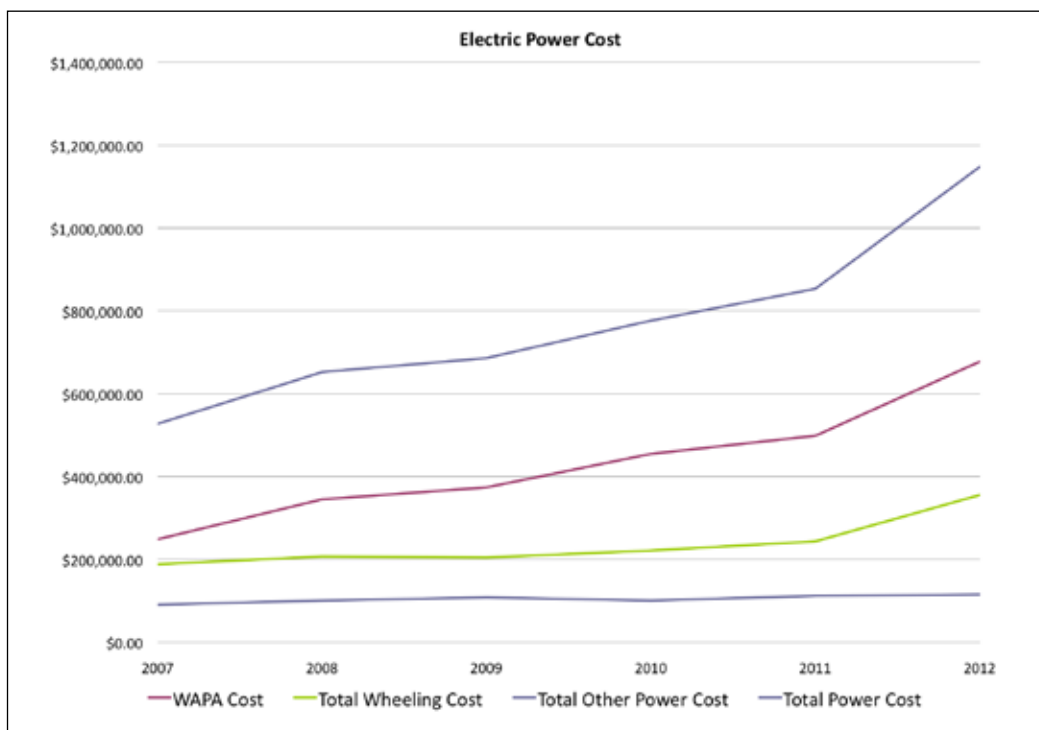
INDEPENDENT AUDITOR'S REPORT, CONCLUDED

SOUTHWEST WATER AUTHORITY STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating revenues:		
Sales	\$ 12,262,456	\$ 7,920,099
Hook up fee transfers	175,742	77,323
Other	92,978	84,539
Total operating revenues	<u>12,531,176</u>	<u>8,081,961</u>
Operating expenses:		
Transmission	5,834,259	4,168,824
Distribution	2,557,339	2,325,737
Board of directors	155,274	203,458
Administrative	493,908	487,252
Easement acquisition	88,401	62,605
Rural water sign-up	111,098	87,058
Customer service	110,283	111,904
Treatment	1,421,317	1,018,193
Total operating expenses	<u>10,771,879</u>	<u>8,465,031</u>
Operating income (loss)	<u>1,759,297</u>	<u>(383,070)</u>
Nonoperating revenue:		
Property taxes	341,631	292,603
Unrealized gain/(loss) on investments	108,932	217,209
Investment income	440,765	411,337
Total nonoperating revenue before contributions	891,328	921,149
Capital contributions	<u>86,783</u>	<u>-</u>
Change in net position	2,737,408	538,079
Total net assets - beginning of year	<u>14,027,927</u>	<u>13,489,848</u>
Total net position - end of year	<u>\$ 16,765,335</u>	<u>\$ 14,027,927</u>

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 to the local utility companies.



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

WAPA Cost	2007	2008	2009	2010	2011	2012
Beach Pump Station	\$ 2,856.11	\$ 4,061.44	\$ 3,326.00	\$ 5,254.64	\$ 6,083.55	\$ 6,080.73
Bucyrus Pump Station	5,201.13	6,508.06	8,718.89	10,836.27	10,530.90	11,802.40
Burt Pump Station	2,212.72	2,675.93	3,519.60	2,855.07	3,765.80	4,112.44
Center Pump Station	0.00	0.00	0.00	0.00	0.00	448.72
Dodge Pump Station	34,711.35	48,569.85	52,391.38	58,325.27	71,045.58	109,339.41
Fryburg Pump Station	3,761.52	4,800.97	5,280.61	7,780.69	9,138.29	9,898.95
Intake Pump Station	89,722.43	128,326.67	134,015.76	160,412.27	175,494.97	230,877.22
Jung Lake Pump Station	15,780.66	18,855.08	24,407.09	34,690.59	31,036.80	35,914.95
Ray Christensen Pump Station	32,541.01	40,615.20	47,822.65	61,196.37	66,915.15	77,218.27
Richardton Pump Station	52,790.24	79,483.76	83,085.17	99,634.04	109,427.12	153,474.25
Scranton Pump Station	1,908.07	2,110.29	1,282.49	1,478.68	1,592.24	2,438.64
Water Treatment Plant	6,877.99	8,815.28	9,805.41	12,200.91	13,269.84	15,293.02
Water Treatment Plant OMND	0.00	0.00	0.00	0.00	0.00	20,612.86
Total	\$248,363.23	\$344,822.53	\$373,655.05	\$454,664.80	\$498,300.24	\$ 677,511.86
Total Wheeling Cost	188,240.59	206,862.83	204,413.45	221,161.88	243,363.81	355,437.21
Total Other Power Cost	90,609.45	100,501.50	107,924.49	100,541.19	111,760.43	115,013.88
Total Power Cost	\$527,213.27	\$652,186.86	\$685,992.99	\$776,367.87	\$853,424.48	\$1,147,962.95

Treated Water Users & Gallons Used			
Alliance AG Co-op	453,200	Mott Grain	842,900
Assumption Abbey	1,308,500	Missouri West Water System	3,436,100
Baker Boy	1,411,000	New England	25,096,500
Beach	47,043,800	New Hradec	1,392,800
Belfield	68,942,800	New Leipzig	6,526,300
Billings County	1,387,100	Northern Improvement	675,100
Carson	8,660,100	Perkins Co Rural Water System	129,341,000
Center	7,293,800	Prairie Learning Center	1,215,200
Dickinson	1,017,655,500	Reeder	5,181,200
Dickinson Research Center	871,800	Regent	6,359,800
Dodge	3,468,000	Richardton	20,547,900
Dunn Center	5,398,400	Sacred Heart	349,000
Elgin	17,413,100	Scranton	12,694,700
Gladstone	8,781,900	Sentinel Butte	18,184,800
Glen Ullin	24,197,000	South Heart	15,905,400
Golden Valley	6,943,200	Stanton	7,912,200
Golva	2,436,800	Steffes Manufacturing	3,287,700
GTLE Dakota Plant	76,000	Target Logistics	1,094,400
Halliday	10,010,200	Taylor	5,506,000
Hazen	63,041,600	West Medora Campground	1,583,000
Hebron	23,657,000	Zap	6,812,400
Hettinger	59,992,600	Rural*	311,025,300
Home on the Range	3,172,700	Construction	19,541,300
Karsky Dairy	1,957,300	Other	2,817,900
Travis & Tara Lambourn	3,023,700	Total	2,049,560,800
Manning	2,632,000		
McKenzie Co. Grazing Assn.	1,357,500		
Medora	21,885,100		
Missouri Basin	3,566,200		
Mott	24,194,000		

*Included in Rural Usage	
Beulah Interim Service Area	837,700
Missouri West Water System	11,343,300

Raw Water Users & Gallons Used			
Assumption Abbey	63,600	Perhus Brothers 2	164,300
Dodge Water Depot	83,897,000	Perhus Brothers 3	56,700
CB "Buck" Haas	849,600	Perhus Brothers 4	1,131,100
Ken Hueske	2,539,500	Red Trail Energy	175,206,000
Gerald Kadrmas 1	42,600	Ken Richau	112,700
Gerald Kadrmas 2	112,400	Robert Jurgens	774,000
Ervin Lorenz	177,200	SWA Water Depot	55,781,98
Fred Lorenz	790,700	Sacred Heart	890,000
Dale & Sue Moline	5,300	David Swenson	580,700
Dan Neurohr	68,500	Dale Weigum	195,600
Perhus Brothers 1	63,100	Total	323,502,580

Total Water Used 2,373,063,380

RURAL WATER USAGE HISTORY

Year	January	February	March	April	May	June	July
1995	638,000	722,000	797,000	841,000	934,000	1,282,000	1,601,000
1996	2,674,000	2,513,000	3,001,000	3,096,000	2,994,000	3,537,000	4,435,000
1997	4,508,000	4,513,300	3,876,400	4,383,300	4,642,000	5,516,800	6,041,300
1998	5,213,600	5,108,300	4,694,500	4,889,400	5,105,200	7,228,400	5,945,000
1999	5,627,700	5,355,100	4,912,600	6,081,700	5,589,900	6,078,700	7,307,200
2000	7,567,600	7,178,100	6,538,000	7,618,300	7,979,600	8,979,700	8,886,400
2001	7,566,100	7,182,800	6,803,000	7,199,700	7,890,200	9,377,700	8,687,300
2002	8,803,100	7,351,300	7,367,300	8,452,700	8,591,300	11,816,800	12,067,400
2003	9,747,700	9,030,800	8,645,200	8,999,500	10,030,800	12,353,200	12,869,800
2004	10,499,300	9,838,200	8,627,700	9,678,100	11,882,600	12,985,500	15,676,800
2005	10,438,000	9,806,900	9,593,300	11,043,100	11,416,100	13,780,800	13,786,700
2006	10,776,500	10,172,100	10,680,600	11,034,400	12,665,800	18,998,700	21,531,000
2007	12,867,600	11,771,000	11,329,700	12,448,400	14,496,100	16,721,800	18,379,400
2008	13,941,000	13,592,600	13,267,000	14,493,600	15,994,400	20,501,300	23,899,300
2009	15,579,500	12,289,100	11,789,800	14,893,100	15,245,700	19,033,200	20,674,000
2010	14,427,600	15,735,900	14,877,200	16,289,400	16,950,600	19,383,100	21,095,800
2011	16,490,100	14,266,700	13,389,500	14,932,200	14,646,300	19,300,500	21,521,700
2012	17,082,200	15,256,600	18,943,700	20,231,200	21,178,300	27,213,500	29,723,000

Year	August	September	October	November	December	Total
1995	1,708,000	1,822,000	1,531,000	1,839,000	2,130,000	15,845,000
1996	4,829,000	5,598,000	4,342,000	4,026,400	5,328,000	46,373,400
1997	6,136,200	5,623,200	6,124,000	4,679,100	4,853,000	60,896,600
1998	7,279,200	6,742,300	6,672,900	6,136,000	4,776,100	69,790,900
1999	8,430,100	7,579,700	7,742,800	6,717,200	7,047,500	78,470,200
2000	9,147,300	10,089,100	10,638,200	7,627,100	7,166,100	99,415,500
2001	8,853,700	10,633,300	10,084,400	7,364,200	7,860,900	99,503,300
2002	12,878,000	11,186,900	16,109,900	9,111,700	8,463,100	122,199,500
2003	14,851,300	14,823,500	19,743,800	10,257,100	9,372,700	140,725,400
2004	14,729,100	14,405,200	19,217,100	10,106,100	9,765,600	147,411,300
2005	14,552,400	16,177,400	24,084,600	11,281,500	10,926,200	156,887,000
2006	20,737,600	19,738,000	28,259,600	11,319,100	11,990,200	187,903,600
2007	25,051,500	17,648,100	32,752,500	14,819,100	13,439,000	201,724,200
2008	23,046,000	23,696,100	44,924,600	13,687,900	14,743,200	235,787,000
2009	18,855,600	19,582,300	39,242,900	13,336,300	13,785,900	214,307,400
2010	21,414,000	20,329,500	31,186,000	26,640,100	33,531,100	251,860,300
2011	23,185,600	20,493,400	44,866,800	11,082,100	14,797,200	228,972,100
2012	32,261,800	28,952,800	62,453,500	17,218,500	20,510,200	311,025,300

POTABLE WATER USAGE

User	January	February	March	April	May	June
Alliance AG Co-op	0.00	0.00	1.00	11.10	42.70	147.70
Assumption Abbey	97.70	90.80	88.60	107.90	118.70	107.00
Baker Boy	116.90	87.10	74.20	83.10	71.60	85.00
Beach	3,089.00	2,507.10	2,546.00	3,365.10	4,224.80	4,943.00
Belfield	5,903.90	5,017.80	4,641.60	6,169.00	5,749.70	6,299.50
Billings County	0.00	0.00	0.00	148.30	191.00	161.80
Carson	595.00	548.00	614.90	762.90	684.90	848.00
Center	0.00	0.00	0.00	0.00	0.00	0.00
Dickinson	64,120.50	59,978.00	55,532.00	80,053.30	87,211.60	108,447.80
Dickinson Research Center	63.10	64.40	56.60	74.60	84.50	179.00
Dodge	291.00	234.00	230.00	273.00	257.00	316.00
Dunn Center	487.00	450.80	428.90	458.20	420.50	479.60
Elgin	1,309.20	1,108.90	1,115.70	1,408.10	1,330.70	1,894.20
Gladstone	527.90	440.10	458.20	602.20	623.10	744.20
Glen Ullin	1,830.00	1,475.60	1,488.50	1,953.90	2,166.20	2,406.40
Golden Valley	400.50	315.20	327.60	426.70	526.60	551.90
Golva	165.00	135.80	141.60	198.80	216.00	234.50
GTLE Dakota Plant	0.00	10.40	0.10	0.20	0.00	47.20
Halliday	815.30	701.40	645.90	784.60	778.10	965.70
Hazen	0.00	0.00	0.00	0.00	1,041.80	9,439.70
Hebron	1,976.60	1,549.40	1,486.60	1,960.10	1,845.70	2,337.20
Hettinger	4,511.00	3,627.90	3,566.40	4,843.70	4,425.00	5,984.60
Home on the Range	150.20	236.00	218.00	293.00	264.50	260.40
Karsky Dairy	137.30	184.90	153.60	156.50	169.70	168.80
Lambourn, Travis & Tara	442.40	89.50	194.50	300.20	312.50	321.60
Manning	172.00	156.70	147.80	211.30	213.10	260.50
McKenzie Co. Grazing Assn.	0.00	0.00	0.00	0.00	0.00	94.40
Medora	1,014.30	1,179.00	853.60	1,163.10	1,637.60	3,062.40
Missouri Basin	328.20	278.60	270.10	323.90	273.90	310.60
Mott	1,982.90	1,591.50	1,686.20	2,128.40	2,352.70	2,371.80
Mott Grain	2.20	3.20	3.30	87.80	245.80	206.90
Missouri West Water System	0.00	0.00	0.00	0.00	0.00	0.00
New England	1,539.50	1,292.30	1,419.10	2,023.80	2,527.10	3,141.90
New Hradec	139.40	122.70	109.30	142.80	143.00	165.10
New Leipzig	502.50	399.80	384.00	524.00	524.20	748.40
Northern Improvement	36.20	16.40	17.50	28.50	34.60	33.60
Perkins County Rural Water	10,062.50	8,166.70	7,052.70	10,033.10	9,963.90	12,869.20
Prairie Learning Center	53.10	154.90	34.80	170.90	98.00	200.90
Reeder	341.00	282.80	377.70	402.20	304.30	512.60

July	August	September	October	November	December	User Total
147.80	47.00	55.90	0.00	0.00	0.00	453.20
176.00	127.00	123.00	104.00	94.00	73.80	1,308.50
105.60	121.90	201.40	183.50	166.00	114.70	1,411.00
6,687.20	5,232.10	5,997.20	3,501.00	2,941.20	2,010.10	47,043.80
5,931.20	6,181.40	6,814.40	6,206.00	5,860.30	4,168.00	68,942.80
269.20	0.00	493.00	99.90	0.00	23.90	1,387.10
920.40	799.40	1,065.50	670.30	639.50	511.30	8,660.10
0.00	262.00	2,461.10	1,905.10	1,630.50	1,035.10	7,293.80
119,815.70	108,600.40	130,940.30	79,722.80	74,129.20	49,103.90	1,017,655.50
107.70	70.00	71.00	28.00	19.80	53.10	871.80
440.00	347.00	346.00	279.00	272.00	183.00	3,468.00
518.00	409.70	490.70	423.40	468.56	363.04	5,398.40
1,998.00	1,753.50	1,864.10	1,299.20	1,420.60	910.90	17,413.10
1,011.70	813.40	1,087.40	845.80	957.40	670.50	8,781.90
2,755.70	2,470.10	2,552.60	1,828.00	1,940.00	1,330.00	24,197.00
925.90	801.00	742.90	720.80	806.90	397.20	6,943.20
354.10	242.60	254.80	213.50	153.50	126.60	2,436.80
6.70	4.10	0.10	5.60	0.00	1.60	76.00
1,176.30	983.30	947.70	779.70	788.70	643.50	10,010.20
12,452.80	10,338.50	10,978.10	6,845.20	7,163.70	4,781.80	63,041.60
2,719.00	2,437.70	2,627.70	1,795.00	1,544.00	1,378.00	23,657.00
7,006.00	6,431.60	7,343.50	4,638.00	4,548.00	3,066.90	59,992.60
325.10	365.00	391.50	246.50	268.00	154.50	3,172.70
178.40	175.80	163.00	179.60	157.50	132.20	1,957.30
334.40	182.30	203.80	172.40	189.10	281.00	3,023.70
338.60	288.20	398.50	167.30	158.60	119.40	2,632.00
211.20	150.20	290.70	402.10	201.30	7.60	1,357.50
3,860.10	3,484.60	3,255.90	1,164.10	714.10	496.30	21,885.10
272.70	269.20	285.90	326.00	383.80	243.30	3,566.20
2,173.50	2,137.40	2,221.00	1,968.00	2,141.00	1,439.60	24,194.00
53.20	43.30	176.40	7.20	11.70	1.90	842.90
0.00	0.00	0.00	25.40	1,788.60	1,622.10	3,436.10
3,036.30	2,633.10	3,024.10	1,548.80	1,707.70	1,202.80	25,096.50
153.50	86.80	97.00	79.60	92.20	61.40	1,392.80
723.80	616.30	715.10	565.20	481.40	341.60	6,526.30
50.10	44.40	58.30	58.70	166.60	130.20	675.10
14,944.10	14,336.50	15,598.60	11,249.30	9,019.90	6,044.50	129,341.00
106.40	0.00	80.60	7.90	138.80	168.90	1,215.20
513.80	701.90	539.00	447.10	452.20	306.60	5,181.20

POTABLE WATER USAGE, CONT'D

User	January	February	March	April	May	June
Regent	405.30	326.90	329.90	547.50	719.30	700.40
Richardton	1,604.30	1,282.50	1,277.20	1,693.80	1,597.70	2,025.90
Sacred Heart	27.00	22.00	27.00	28.00	24.00	33.00
Scranton	698.50	575.40	569.80	1,022.00	1,173.00	1,106.10
Sentinel Butte	1,899.90	1,584.40	1,650.70	2,370.90	1,121.10	1,924.30
South Heart	995.20	751.80	758.90	1,051.00	1,321.00	1,600.20
Stanton	0.00	0.00	0.00	0.00	298.50	1,209.50
Steffes Manufacturing	338.00	355.70	217.10	286.00	322.00	217.80
Target Logistics	0.00	0.00	200.20	107.70	92.10	111.90
Taylor	377.00	312.00	318.00	438.00	450.00	515.00
West Medora Campground	22.00	20.00	18.00	22.00	59.00	231.00
Zap	498.30	447.80	433.30	576.70	664.30	674.60
Monthly Total	110,068.80	98,176.20	92,166.70	129,817.90	138,917.10	181,698.80



July	August	September	October	November	December	User Total
664.70	585.00	598.10	542.90	594.60	345.20	6,359.80
2,304.30	2,159.90	2,350.20	1,550.00	1,649.00	1,053.10	20,547.90
42.00	43.00	35.00	25.00	25.00	18.00	349.00
1,514.40	2,076.40	1,960.50	828.40	689.20	481.00	12,694.70
1,316.80	1,431.90	1,709.00	996.20	1,429.60	750.00	18,184.80
2,148.10	1,915.60	2,554.80	1,072.50	1,017.90	718.40	15,905.40
1,301.40	1,437.20	1,260.10	1,021.90	823.80	559.80	7,912.20
286.90	304.30	305.80	183.10	259.40	211.60	3,287.70
97.40	92.60	113.80	104.00	113.80	60.90	1,094.40
660.00	623.00	645.00	442.00	425.00	301.00	5,506.00
361.00	369.00	255.00	151.00	47.00	28.00	1,583.00
801.40	632.60	685.40	543.70	506.90	347.40	6,812.40
204,298.60	185,659.20	217,430.50	138,169.70	131,197.56	88,575.24	1,716,176.30



WATER SERVICE CONTRACTS

User	Billed (kgal)	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Alliance Ag Co-op	1,200.00	\$1,344.02	\$900.01	\$84.01	\$420.01	\$1,307.99		\$4,056.04
Assumption Abbey (Demand)	1,308.50	1,465.52	981.39	91.60	457.99	1,426.25	\$1,426.25	5,849.00
Assumption Abbey (Raw)	100.00	112.00		9.00	35.01	109.00		265.01
Baker Boy	1,411.00	1,580.31	1,058.28	98.77	493.88	1,537.99		4,769.23
Basic Energy	100.0	112.00	75.00	7.00	35.00	109.00		338.00
Beach	47,043.80	52,689.04	35,282.87	3,293.07	16,465.35	51,277.75		159,008.80
Belfield	68,942.80	77,215.94	51,707.12	4,826.00	24,130.00	75,147.66		233,026.72
Billings County	1,387.10	1,553.56	1,040.34	97.09	485.50	1,511.94		4,688.43
Carson	8,660.10	9,699.33	6,495.11	606.21	3,031.07	9,439.53		29,271.25
Center	7,193.80	8,057.05	5,395.37	503.58	2,517.85	7,841.25		24,315.10
Dickinson	1,017,655.50	1,139,774.17	763,241.65	71,235.89	356,179.45	1,109,244.50		3,439,675.66
Dickinson Research Center	1,200.00	1,344.00	900.00	84.00	420.00	2,289.00	327.00	5,364.00
Dodge	3,468.00	3,884.16	2,601.00	242.76	1,213.80	3,780.12		11,721.84
Dodge Water Depot (Raw)	83,897.00	424,518.82	83,897.00	419,485.00	71,312.45	510,932.73		1,510,146.00
Dunn Center	5,398.40	6,046.20	4,048.82	377.89	1,889.46	5,884.25		18,246.62
East Weidner Bay	150.00	168.00	112.50	10.50	52.50	163.50	163.50	670.50
Elgin	17,413.10	19,502.65	13,059.86	1,218.91	6,094.62	18,980.28		58,856.32
Gerald Kadrmas 1	124.10	139.00		11.18	43.44	135.28		328.90
Gerald Kadrmas 2	88.30	98.89		7.96	30.91	96.26		234.02
Gladstone	8,781.90	9,835.72	6,586.45	614.74	3,073.69	9,572.29		29,682.89
Glen Ullin	24,072.00	26,960.63	18,054.02	1,685.04	8,425.22	26,238.48		81,363.39
Golden Valley	6,943.20	7,776.38	5,207.43	486.01	2,430.15	7,568.08		23,468.05
Golva	2,436.80	2,729.22	1,827.62	170.60	852.90	2,656.11	2,656.11	10,892.56
Great River Energy-Stanton	100.00	112.00	75.00	7.00	35.00	109.00		338.00
GTLE Dakota Plant	1,200.00	1,343.98	900.02	84.00	420.02	1,308.00		4,056.02
Haas, CB "Buck"	849.60	951.55		76.48	297.37	926.08		2,251.48
Halliday	10,010.20	11,211.42	7,507.70	700.72	3,503.62	10,911.12		33,834.58
Hazen	63,041.60	70,606.59	47,281.22	4,412.93	22,064.58	68,715.34		213,080.66
Hebron	23,657.00	26,495.82	17,742.77	1,655.99	8,279.97	25,786.12		79,960.67
Hettinger	59,992.60	67,191.71	44,994.47	4,199.48	20,997.43	65,391.93		202,775.02
Home on the Range	3,172.70	3,553.42	2,379.55	222.11	1,110.47	3,458.27	3,458.27	14,182.09
Hueske, Ken	2,539.50	2,844.23		228.58	888.86	2,768.08		6,729.75
Jurgens, Robert	774.00	866.88		69.66	270.90	843.66		2,051.10
Karsky Dairy	1,957.30	2,192.18	1,468.00	137.02	685.08	2,133.46		6,615.74
Lambourn, Travis & Tara	3,023.70	3,386.55	2,267.80	211.68	1,058.32	3,295.86		10,220.21
Lorenz, Ervin	177.20	198.46		15.96	62.05	193.16		469.63
Lorenz, Fred	790.70	885.59		71.17	276.77	861.87		2,095.40
Manning	2,632.00	2,947.84	1,974.03	184.25	921.23	2,868.89	2,868.89	11,765.13
McKenzie Co. Grazing Assn.	1,357.50	1,520.39	1,018.14	95.02	475.14	1,479.68		4,588.37

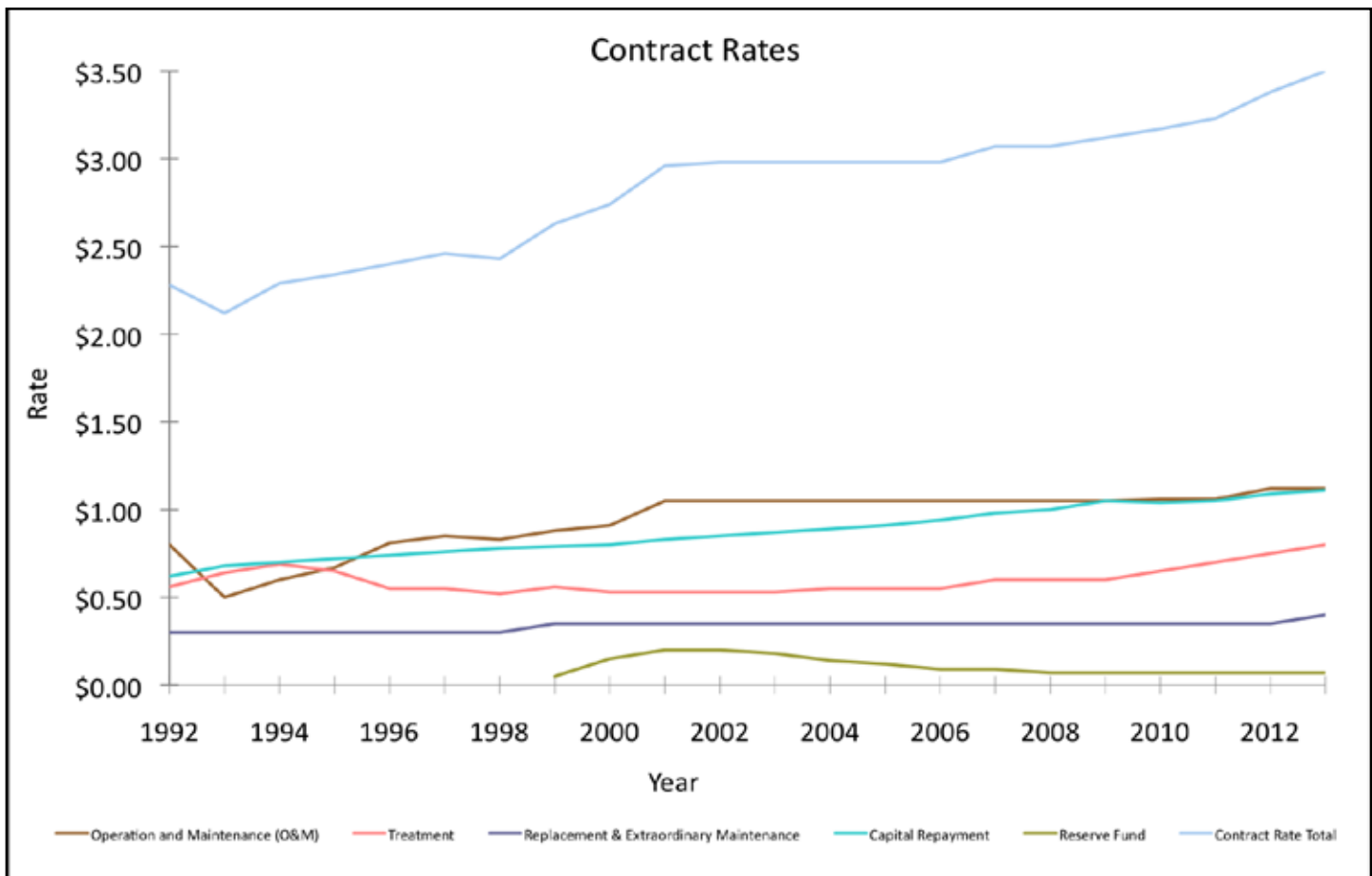
User	Billed (kgal)	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Medora	21,885.10	24,511.31	16,413.86	1,531.96	7,659.82	23,854.76		\$73,971.71
Missouri Basin	3,566.20	18,044.97	3,566.20	17,831.00	3,031.30	21,718.15		64,191.62
Moline, Dale & Sue	100.00	112.01		9.00	35.01	109.00		265.02
Mott	24,194.00	27,097.28	18,145.52	1,693.59	8,467.92	26,371.47		81,775.78
Mott Grain	1,200.00	1,344.00	900.02	83.99	420.02	1,308.01		4,056.04
Missouri West Water System-OMND	3,122.10	3,496.75	2,341.58	218.55	1,092.74	3,403.09		10,552.71
Neurohr, Dan	93.50	104.72		8.42	32.73	101.92		247.79
New England	25,096.50	28,108.09	18,822.42	1,756.78	8,783.82	27,355.19		84,826.30
New Hradec	1,392.80	1,559.94	1,044.62	97.53	487.50	1,158.16	1,518.16	6,225.91
New Leipzig	6,526.30	7,309.46	4,894.74	456.85	2,284.22	7,113.68		22,058.95
Northern Improvement	1,200.00	1,343.99	900.03	84.01	420.03	1,308.01		4,056.07
Perhus Brothers 1	100.00	112.01		9.01	35.02	109.01		265.05
Perhus Brothers 2	164.30	184.01		14.78	57.53	179.08		435.40
Perhus Brothers 3	100.00	112.01		9.00	35.02	109.00		265.03
Perhus Brothers 4	1,131.10	1,266.83		101.81	395.92	1,232.91		2,997.47
Perkins County Rural Water	129,341.00	144,861.91	97,005.80	9,053.88	45,269.40			296,190.99
Prairie Learning Center	1,215.20	1,361.04	911.43	85.06	425.35	1,324.56		4,107.44
Red Trail Energy	175,206.00	196,230.72		15,768.54	61,322.10	190,974.54		464,295.90
Reeder	5,181.20	5,802.94	3,885.92	362.68	1,813.44	5,647.50		17,512.48
Regent	6,359.80	7,122.98	4,769.89	445.18	2,225.97	6,932.19		21,496.21
Richardton	20,547.90	23,013.65	15,410.96	1,438.35	7,191.80	22,397.22		69,451.98
Richau, Ken	112.70	126.22		10.15	39.47	122.85		298.69
SWA Water Depot (Raw)	55,781.98	388,800.42	55,781.98	390,473.86	47,414.71	121,604.74		1,004,075.71
Sacred Heart (Raw)	349.00	390.88	261.75	24.43	122.15	380.41		1,179.62
Sacred Heart (Demand)	890.00	996.80		80.10	311.50	970.10	380.41	2,738.91
Scranton	12,694.70	14,218.07	9,521.04	888.65	4,443.16	13,837.25		42,908.17
Sentinel Butte	18,184.80	20,366.98	13,638.63	1,272.93	6,364.71	19,821.43		61,464.68
South Heart	15,905.40	17,814.05	11,929.07	1,113.38	5,566.91	17,336.89		53,760.30
Stanton	7,912.20	8,861.67	5,934.17	553.87	2,769.29	8,624.31		26,743.31
Steffes Manufacturing	3,287.70	3,682.23	2,465.80	230.15	1,150.72	3,583.59		11,112.49
Swenson, David & Douglas	580.70	650.39		52.27	203.26	632.97		1,538.89
Target Logistics	1,250.00	1,400.00	937.52	87.51	437.52	1,362.50		4,225.05
Taylor	5,506.00	6,166.72	4,129.50	385.42	1,927.10	6,001.54		18,610.28
Weigum, Dale	195.60	219.08		17.63	68.49	213.23		518.43
West Medora Campground	1,583.00	1,772.96	1,187.25	110.81	554.05	1,725.47	1,725.47	7,076.01
Zap	6,812.40	4,695.04	3,144.01	293.44	1,467.21	7,425.52		17,025.22

	Billed (kgal)	O&M	Treatment	Reserve	Replacement	Capital Repayment	Demand	Total
Total	2,043,020.18	\$2,956,177.35	\$1,428,024.25	\$964,273.43	\$785,763.97	\$2,585,010.01	\$14,524.06	\$8,733,773.07

RATE HISTORY

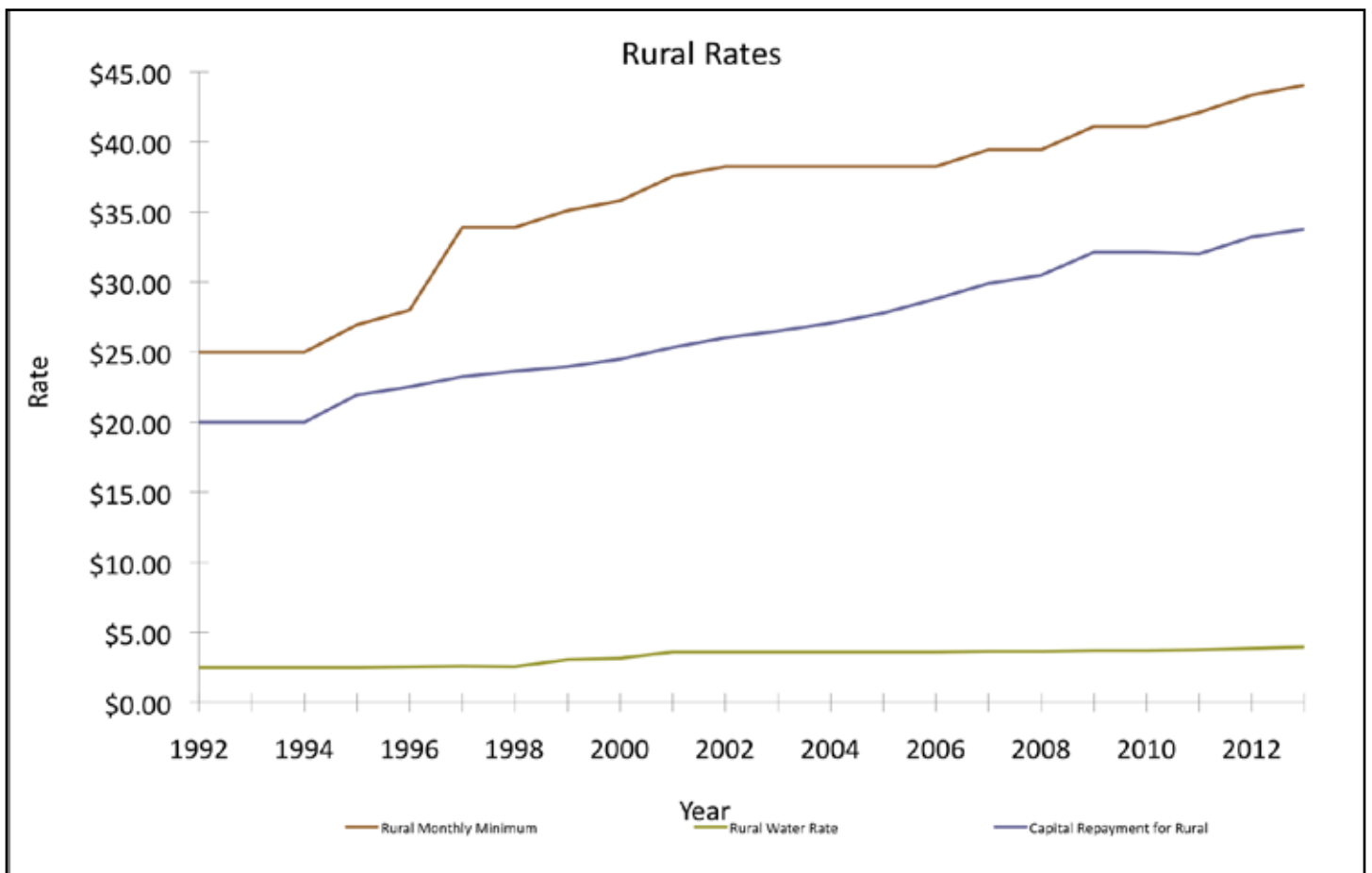
	1992	1993	1994	1995	1996	1997	1998	1999	2000
Operations & Maintenance (O&M)	\$0.80	\$0.50	\$0.60	\$0.67	\$0.81	\$0.85	\$0.83	\$0.88	\$0.91
Treatment	0.56	0.64	0.69	0.65	0.55	0.55	0.52	0.56	0.53
Replacement & Extraordinary Maintenance	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.35	0.35
Capital Repayment	0.62	0.68	0.70	0.72	0.74	0.76	0.78	0.79	0.80
Reserve Fund								0.05	0.15
Contract Rate Total	\$2.28	\$2.12	\$2.29	\$2.34	\$2.40	\$2.46	\$2.43	\$2.63	\$2.74
Capital Repayment as a Percentage of Total	27.19%	32.08%	30.57%	30.77%	30.83%	30.89%	32.10%	30.04%	29.20%

Rural Monthly Minimum	\$25.00	\$25.00	\$25.00	\$26.95	\$28.00	\$33.90	\$33.90	\$35.10	\$35.80
Rural Water Rate	\$2.50	\$2.50	\$2.50	\$2.50	\$2.55	\$2.59	\$2.56	\$3.05	\$3.15
Capital Repayment for Rural	\$20.00	\$20.00	\$20.00	\$21.95	\$22.52	\$23.25	\$23.64	\$23.96	\$24.50
Capital Repayment as a Percentage of Total	80.00%	80.00%	80.00%	81.45%	80.43%	68.58%	69.73%	68.26%	68.44%



2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.05	\$1.06	\$1.06	\$1.12	\$1.12
0.53	0.53	0.53	0.55	0.55	0.55	0.60	0.60	0.60	0.65	0.70	0.75	0.80
0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40
0.83	0.85	0.87	0.89	0.91	0.94	0.98	1.00	1.05	1.04	1.05	1.09	1.11
0.20	0.20	0.18	0.14	0.12	0.09	0.09	0.07	0.07	0.07	0.07	0.07	0.07
\$2.96	\$2.98	\$2.98	\$2.98	\$2.98	2.98	\$3.07	\$3.07	\$3.12	\$3.17	\$3.23	\$3.38	\$3.50
28.04%	28.52%	29.19%	29.87%	30.54%	31.54%	31.92%	32.57%	33.65%	32.81%	32.51%	32.25%	31.71%

\$37.55	\$38.25	\$38.25	\$38.25	\$38.25	\$38.25	\$39.45	\$39.45	\$41.10	\$41.10	\$42.10	\$43.35	\$44.05
\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.60	\$3.65	\$3.65	\$3.70	\$3.70	\$3.75	\$3.86	\$3.96
\$25.34	\$26.03	\$26.50	\$27.07	\$27.79	\$28.80	\$29.90	\$30.49	\$32.13	\$32.13	\$32.01	\$33.22	\$33.78
67.48%	68.05%	69.28%	70.77%	72.65%	75.29%	75.79%	77.29%	78.18%	78.18%	76.03%	76.63%	76.69%



RATES 2012

The water rate for rural customers in 2012 consisted of a minimum payment of \$43.35 per month and included 2,000 gallons of water. The rate for water use in excess of the 2,000 gallons was \$3.86 per thousand gallons. On July 1, 2002, SWA implemented a volume discount for rural customers. This reduced water rates from \$3.86 to \$2.86 on usage over 10,000 gallons. Also, customers with pasture taps received a rate reduction, from \$3.86 to \$2.86 on water usage in excess of 60,000 gallons, billed annually.

Rural Customers under 10,000 gallons

Treatment	\$0.75
Transmission Operations and Maintenance	\$1.12
Transmission Replacement and Extraordinary Maintenance	\$0.35
Transmission Reserve	\$0.07
Distribution Operation and Maintenance	\$1.32
Distribution Replacement	\$0.10
Distribution Reserve	\$0.15
Total	\$3.86

Rural Customers over 10,000 gallons

Treatment	\$0.70
Transmission Operation and Maintenance	\$0.76
Transmission Replacement and Extraordinary Maintenance.....	\$0.35
Transmission Reserve	\$0.00
Distribution Operation and Maintenance	\$0.95
Distribution Replacement	\$0.10
Distribution Reserve	\$0.00
Total	\$2.86

The standard rural minimum fee (\$43.35) is broken into three separate components: meter fee, capital repayment, operations and maintenance. The capital repayment (\$33.22) 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 to 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 (\$5.13) is for the operation and maintenance fund to cover fixed costs.

The 2012 rate for demand contract customers was \$4.47 per 1,000 gallons of potable water.

Demand Contract Customers

Treatment	\$0.75
Transmission Operation and Maintenance	\$1.12
Transmission Replacement and Extraordinary Maintenance	\$0.35
Capital Repayment	\$1.09
Demand Charge	\$1.09
Transmission Reserve	\$0.07
Total	\$4.47

The 2012 rate for contract customers is \$3.38 per 1,000 gallons of potable water.

Contract Customers

Treatment	\$0.75
Transmission Operation and Maintenance	\$1.12
Transmission Replacement and Extraordinary Maintenance	\$0.35
Capital Repayment	\$1.09
Transmission Reserve	\$0.07
Total	\$3.38

The 2012 rate for oil industry customers was \$18.00 per 1,000 gallons of water.

The raw water contract rate was \$2.65 per 1,000 gallons of water. Raw water customers do not pay for the cost of treatment.

RATES 2013

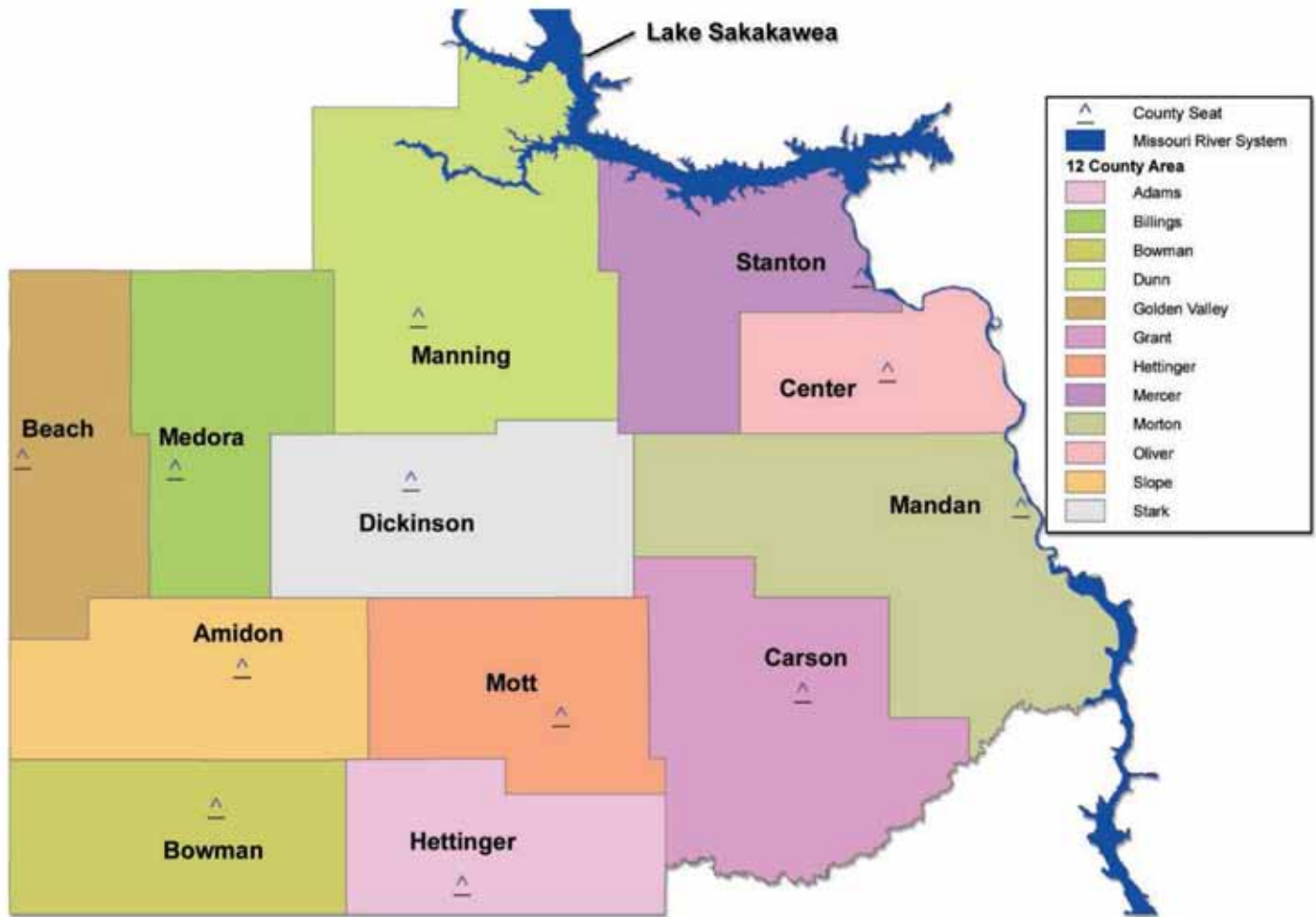
RURAL RATES

The rural monthly minimum will increase to \$44.05 which includes 2,000 gallons of water with a monthly meter reading. This also includes capital repayment (\$33.78), meter fee (\$5.00), and operations and maintenance (\$5.27). 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 \$0.56 for 2013.

The rural customer rate per 1,000 gallons will increase to \$3.96 up to 10,000 gallons and over 10,000 gallons in usage will increase to \$2.96.

CONTRACT CUSTOMERS

There will be a rate increase for demand, contract, raw and oil industry customers. The demand rate will be \$4.61 per 1,000 gallons of potable water. The contract customer rate will be \$3.50 per 1,000 gallons of potable water. The raw water contract rate will be \$2.72 per 1,000 gallons of water. The oil industry rate will be \$18.25 per 1,000 gallons of water. For demand, contract, and raw water customers, capital repayment will increase \$0.02. Transmission REM will increase \$0.05, while transmission O&M remains unchanged. The demand charge will also increase \$0.02, 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 set up to create an account to cover costs of an extraordinary nature or to replace parts of the SWPP in the years to come as parts of the system reach their life expectancy. Disbursements from this account have to meet these criteria and be approved by the North Dakota State Water Commission and SWA Board of Directors.

A portion of the water rate charged by SWA is for Replacement & Extraordinary Maintenance (REM). The rate is charged on every 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.

Originally, the rate was set at \$0.30 per thousand gallons of water sold, but 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 REM should be increased to \$0.35 per thousand gallons, and has remained this amount since 1999. Because of the anticipated outcome of a current REM study, the rate for REM will be increased to \$0.40 per thousand gallons for 2013.

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

	1991-1996	1997	1998	1999	2000	2001
Beginning Balance	\$735,372	\$1,016,563	\$1,315,966	\$1,630,497	\$2,002,873	\$2,314,893
Contributions						
Contracts	958,271	234,566	254,697	298,472	320,454	329,448
Rural	25,837	22,994	27,361	33,369	43,850	44,066
Interest	22,006	56,919	83,945	98,511	121,376	127,292
Dividends	13,025	6,524	9,070	5,601	9,137	16,575
Fiduciary Fees	(2,575)	(4,655)	(6,105)	(7,302)	(8,602)	(9,552)
Disbursements		(16,945)	(54,438)	(56,275)	(174,195)	(18,448)
Ending Balance	\$1,751,936	\$1,315,966	\$1,630,497	\$2,002,873	\$2,314,983	\$2,804,274

	2002	2003	2004	2005	2006	2007
Beginning Balance	\$2,804,274	\$3,301,016	\$3,835,485	\$4,220,502	\$4,787,646	\$5,338,238
Contributions						
Contract	333,308	346,330	335,340	347,808	425,777	467,831
Rural	53,121	62,334	67,709	64,725	82,115	90,793
Interest	160,258	150,883	188,652	198,149	202,716	258,201
Dividends	4,016	3,985	2,279	5,633	8,203	8,335
Fiduciary Fees	(12,177)	(14,190)	(15,845)	(17,417)	(19,135)	(21,648)
Disbursements	(41,784)	(14,874)	(193,119)	(31,754)	(149,084)	0
Ending Balance	\$3,301,016	\$3,835,485	\$4,220,502	\$4,787,646	\$5,338,238	\$6,141,750

	2008	2009	2010	2011	2012	Total
Beginning Balance	\$6,141,750	\$7,004,573	\$7,865,343	\$8,629,770	\$9,232,440	
Contributions						
Contract	472,933	457,040	478,501	543,731	799,134	\$7,403,641
Rural	106,858	101,620	115,801	114,383	140,126	1,197,062
Interest	295,859	329,085	331,850	313,990	332,206	3,271,899
Dividends	12,461	1,943	12,412	14,189	22,163	155,552
Fiduciary Fees	(25,288)	(28,918)	(32,218)	(34,927)	(38,594)	(299,149)
Disbursements	0	0	(141,919)	(348,696)	(891,282)	(2,132,811)
Ending Balance	\$7,004,573	\$7,865,343	\$8,629,770	\$9,232,440	\$9,596,193	\$9,596,193

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:

	1991-1993	1994	1995	1996	1997	1998	1999
Contract	\$ 414,498.00	\$ 292,997.00	\$ 408,563.00	\$ 418,179.77	\$ 487,828.22	\$ 568,497.91	\$ 580,865.33
Rural	5,540.00	7,475.00	95,616.00	316,814.38	370,085.00	347,293.46	445,131.91
Total	\$420,038.00	\$300,472.00	\$504,179.00	\$734,994.15	\$857,913.22	\$915,791.37	\$1,025,997.24

	2000	2001	2002	2003	2004	2005	2006
Contract	\$ 634,275.73	\$ 751,392.41	\$ 800,159.52	\$ 861,015.31	\$ 846,041.48	\$ 897,289.69	\$ 1,067,345.59
Rural	524,952.50	556,470.52	630,004.66	718,768.94	774,667.77	809,668.64	881,134.67
Total	\$1,159,228.23	\$1,307,862.93	\$1,430,164.18	\$1,579,784.25	\$1,620,709.25	\$1,706,958.33	\$1,948,480.26

	2007	2008	2009	2010	2011	2012	Total
Contract	\$ 1,244,385.61	\$ 1,269,698.28	\$ 1,255,131.37	\$ 1,344,386.07	\$ 1,595,570.21	\$ 2,634,953.62	\$18,373,074.12
Rural	1,063,680.25	1,184,034.70	1,363,856.74	1,432,160.52	1,480,846.23	1,652,322.24	14,660,524.13
Total	\$2,308,065.86	\$2,453,732.98	\$2,618,988.11	\$2,776,546.59	\$3,076,416.44	\$4,287,275.86	\$33,033,598.25

SOUTHWEST PIPELINE PROJECT (SWPP) FUNDING SOURCES

STATE FUNDING (IN MILLIONS OF DOLLARS)

Resources Trust Fund	\$ 70.76
Water Development Trust Fund	\$ 8.47
Subtotal	\$ 79.23

GRANTS

Garrison Diversion Conservancy District	
Municipal Rural & Industrial Fund	\$ 89.05
ARRA Funding	\$ 11.90
United States Department of Agriculture - Rural Development	\$ 15.09
Natural Resources Conservation Service PL566	\$ 0.93
Subtotal	\$ 116.97

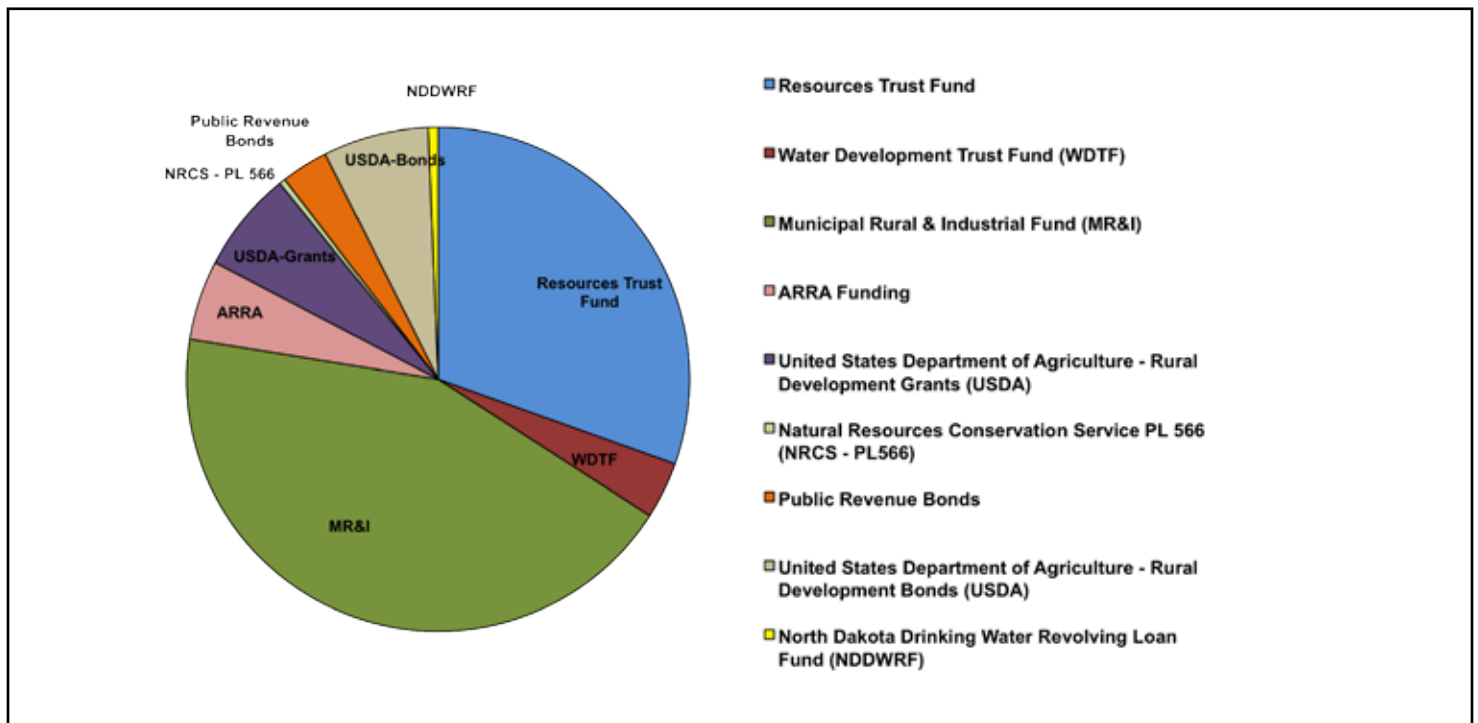
STATE BONDS REPAYED BY USERS

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

Total Funding **\$220.44**

SWPP FUNDING SOURCE

\$220.44 million



SWPP PROJECT TIMELINE

Rural Water
Integration

Construction
Begins

SWPP
Construction
Authorized

SWPP Final
Design
Authorized

SWPP
Authorized

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
PROJECTS																					
West River Diversion																					
SW Area Water Supply																					
Southwest Pipeline Project																					
ORGANIZATIONS																					
West River Water Supply District																					
West River Joint Board																					
Southwest Water Authority (Non-Profit)																					
Southwest Water Authority (Political Subdivision)																					
FUNDING (In Millions)																					
State Resources Trust Fund																					
Garrison Diversion MR&I																					
Natural Resources Conservation Service																					
Revenue Bonds																					
USDA - Rural Development (loans)																					
USDA - Rural Development (grants)																					
Drinking Water State Revolving Loan Fund																					
Water Development Trust Fund																					
TOTAL													23.60				7.38	8.33	6.67	2.65	5.36

First Rural
Water
Service
(Rehau)

SB
2193
Passed

Received
MR&I
Funding
first time
since 1959

State & USDA
Funding
Medora-Beach
Phase III

State & USDA
Funding
Medora-Beach
Phase II

State
Funding
Medora-
Beach
Phase

State
Funding
Bowman-
Scranton
Phase

USDA-
Rural Dev.
Funds and
Rev.
Bonds

Transfer
of C&M
to SWA

Full Scale
Rural
Service

Service
Beyond
Dickinson

SB
2188
Passed

Garrison
MR&I
Funding

USDA-
Rural Dev.
Funds and
Rev.
Bonds

SB
2188
Passed

State
Funding
Bowman-
Scranton
Phase

State
Funding
Medora-
Beach
Phase

State & USDA
Funding
Medora-Beach
Phase II

Received
MR&I
Funding
first time
since 1959

SB
2193
Passed

State & USDA
Funding
Medora-Beach
Phase III

Received
MR&I
Funding
first time
since 1959

SB
2193
Passed

State & USDA
Funding
Medora-Beach
Phase II

State
Funding
Medora-
Beach
Phase

State
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Bowman-
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Service
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Dickinson

SB
2188
Passed

Garrison
MR&I
Funding

USDA-
Rural Dev.
Funds and
Rev.
Bonds

SB
2188
Passed

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
PROJECTS																						
West River Diversion																						
SW Area Water Supply																						
Southwest Pipeline Project																						
ORGANIZATIONS																						
West River Water Supply District																						
West River Joint Board																						
Southwest Water Authority (Non-Profit)																						
Southwest Water Authority (Political Subdivision)																						
FUNDING (In Millions)																						
State Resources Trust Fund	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	1.82	0.69	2.70	5.43	1.27	4.73	8.86	70.76
Garrison Diversion MR&I	6.87	5.30	10.10	7.77	5.41	0.18	2.47	1.24									2.94	1.13	4.64	16.91	5.64	100.95
Natural Resources Conservation Service			0.13	0.41	0.39																	0.93
Revenue Bonds						3.96	3.08		1.38													7.04
USDA - Rural Development (loans)							3.50	0.02		0.50	0.23	1.63	1.54		2.47	1.43	3.00					15.70
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				15.09
Drinking Water State Revolving Loan Fund									1.00	0.50												1.50
Water Development Trust Fund										1.45	5.17	0.26	0.45		0.09	1.05						8.47
TOTAL	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	14.5	220.44

OUR VISION

People and Business Succeeding with
Quality Water

OUR MISSION

Quality Water for Southwest
North Dakota



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