

EID

2003 Annual Report

Eastern Irrigation District



Rolling Hills Reservoir - Looking North Towards Main Dam and Rolling Hills Canal Head Gates

Irrigation Districts Act [Section 45 (2)(b)]

NOTICE OF ANNUAL MEETING

TAKE NOTE that the annual meeting of the irrigators of the Eastern Irrigation District will be held at the Heritage Inn, 1217 - 2 Street West, Brooks, Alberta on Tuesday, the 30th day of March, 2004 beginning at 1:30 o'clock in the afternoon [PM] to present annual reports of the chair on behalf of the board, the manager, the auditor of the district, and the maintenance of irrigation works of the district and to conduct any other business.

Please bring this report with you to the meeting.

Eastern Irrigation District Annual Report

For Year Ending December 31, 2003

The Eastern Irrigation District [EID] operates an extensive water supply, storage and drainage network. Water diverted from the Bow River at the Bassano Dam provides water for:

- irrigated agriculture
- household and livestock water uses
- municipal and industrial water requirements
- many recreational needs and enhanced environmental conditions

The EID was organized under Alberta legislation in 1935. The formation of the District made it possible for the irrigators to take over the irrigation project started by the Canadian Pacific Railway Company in the early 1900's. The vision of these early settlers and agricultural entrepreneurs has created a long-lasting and positive legacy for the region.

The EID is governed by a Board of Directors, elected from and by the irrigators in the District. The main office of the District is located in the Town of Brooks.

In addition to the water management functions of the District, the EID owns and is responsible for the operation and management of large tracts of native and improved pasture lands. These lands are primarily used in support of the beef cattle industry.

The management of water and land resources is conducted with an integrated and sustainable approach. This approach allows the District and these important natural resources to act as a catalyst to support important regional economic development initiatives.

In the truest sense, water is more than agriculture. The Eastern Irrigation District is a place where **“WATER WORKS WONDERS”**.

Eastern Irrigation District
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Eastern Irrigation District -- Board of Directors

Members of the Board of Directors are elected by the irrigators. The Eastern Irrigation District has adopted a practice of staggered elections, in which two directors are elected in one year, two directors are elected the next year and three directors are elected in the following year. This method of elections provides for long-term stability in the governance, administration and operation of the district.



Floyd George
Division 01



Tom Livingston
Division 02



Clint Henrickson (Vice-Chair)
Division 03



Neil Johnson
Division 04



Allen Nielsen
Division 05



Bob Chrumka (Chairman)
Division 06



Pat Hemsing
Division 07

Photos by Gary Drake

Chairman and Board of Directors Report

The Board of Directors held eight regional meetings with the water users in February. We were very pleased with the turnout and participation in the meetings. The two main topics at the meetings were the District's policy on irrigation leases and a proposed expansion plan. There were updates also provided in relation to the ongoing rehabilitation program.

The Irrigation Districts Act requires the Board of Directors to have a plebiscite vote to change its expansion limit. The suggested change from 286,000 acres to 311,000 acres was the most significant topic introduced at the regional meetings. There was good support for this proposed change at these meetings and the plebiscite passed on March 12, 2003.

On the lease issue there were several options presented as to how to proceed with the irrigated leases once their terms expired. The most favorable alternative was to offer the land for sale through the bid process. The Board is to have the parcel appraised and set a minimum price. The current lease holders retain the option of extending the lease another ten years or matching the highest bid through the sale process. The first of these agreements expires in early 2004. Thank you to all water users who attended and provided input at these meetings.

With the District's larger than projected budget returns from the District's energy sector revenues and the tailspin that the agricultural industry has been thrust into due to the BSE situation, the directors felt it would be helpful to the water users to forego the water rate for the 2003 season. Waiving these charges left approximately 2.1 million dollars in rate payers' pockets. The directors passed the following resolution:

"The District waive the 2003 water charges on all acres to be irrigated and acres subject to terminable water agreements, due to the BSE case and subsequent severe drop in prices of cattle, feed and all related crops, the District water users will experience some hard economic times this fall, paying their bills including water will be difficult."

The Alberta Government through Alberta Environment completed a public consultation process and then announced a policy framework called "Water for Life, Alberta's Strategy for Sustainability" in late November. The District would like to commend the Government for undertaking this very important long range planning strategy that emphasizes the importance of water. We were involved in the process and will continue to work closely with the Province in developing a long range plan that ensures reliable, efficient, good quality water for the foreseeable future.

Expansion of what is now the District's third largest water storage reservoir, Rolling Hills Reservoir, was completed in early 2003. Filling began May 21st, a light early season demand combined with good water storage in other areas resulted in this reservoir being full by August 2nd. The availability of water storage is a tremendous benefit to the future management of our water diversions and supply.

During the expansion of the Rolling Hills Reservoir, a tiered campground was sculpted on a southwest hill along the waters edge. The camping area not only provided an adjacent dirt source for the main dam enlargement but resulted in seventy eight camping lots being developed, with expansion possible, depending on demand.

Over the past few years the Board has invested 1.5 million dollars in water lines and 350 thousand dollars in rejuvenating re-grass areas on the District's public grazing leases. The Board is committed to continue working through this improvement plan that will go a long way toward maximizing the availability and use of our grass resource.

The District, in continuing our commitment to education, sponsored the "Water and Agriculture Tour" program for Grade 5 students in the region. Almost 350 students, teachers and parents toured the Bassano Dam and participated in presentations highlighting the importance of water to this area. The feedback from this program has been extremely positive.

The Board appreciates the efforts of water users, District staff and the many government agencies in working together toward maintaining a successful, prosperous irrigation district.

Respectfully submitted:
Bob Chrumka, Chair
Clint Henrickson, Vice-Chair
Floyd George
Tom Livingston
Neil Johnson
Allen Nielsen
Pat Hemsing



Hines re-grass,
Tilley Swing Field



2003 was a very busy year for some areas of the District's business and an easier than average year in other areas. The late 2002 and early 2003 moisture made the irrigation demand very low until July. We delivered an average of .98 acre feet per acre (12 inches), which is only about 70% of average. Most of the irrigation took place in the second half of the growing

season, much of it after the river had dropped off, making our reservoirs very useful.

The District completed its largest infrastructure rehabilitation year spending \$23.8 million. We rehabilitated 71 kilometers of canal systems, as well as completed the Rolling Hills Reservoir project. The District canal system is 2048 kilometers in length. By the time this year's construction program is completed, we will have 677 kilometers of canal laterals pipelined and 271 kilometers of canal laterals plastic lined and armoured, as well as 200 kilometers of main canal rehabilitated.

The Rolling Hills Reservoir main dam has a 13 meter deep bentonite slurry cut off trench under the foundation to reduce seepage. This went in very well and tested very well allowing us to raise the reservoir an additional five feet over the original design. The additional construction was completed with only a slight time extension. These unusual things made the project distinctive and it was nice to see the Rolling Hills Reservoir engineering team of UMA Engineering Ltd. and Thurber Engineering Ltd. win the Consulting Engineers of Alberta "Award of Excellence" (the highest award) for this project.

The grazing leases were in better condition at the start of the growing season than they had been for a couple of years, and with enough late winter moisture, we anticipated a good grass year. With the May and June rains we had an exceptional grass growth year. The cattle were left out two weeks longer than planned and we have very good carry over grass.

The oil and gas sector was extremely busy in 2003. We continued with our policy of not allowing any land spreading or large drilling programs between April 15th and July 15th (the grass growing season). The drilling and land spreading that was allowed between mid July and mid October was coordinated to follow the grazing. There were 1091 wells drilled in 2003; 130 of them were twins drilled off existing leases and 961 new leases were taken. There were 810 kilometres (507 miles) of new pipeline installed on District lands in 2003.

The District took a proposed expansion plan to its water users, mailing out details of the plan to all water users, held eight regional meetings to discuss the plan and then held a plebiscite on March 12, 2003. The expansion plan was approved by the water users and the Board then passed the following bylaw:

"WHEREAS:

The Irrigation Districts Act [c. I-11, RSA 2000] sets out the method for the District to establish an expansion limit other than the expansion limit specified in Table 2 of the Schedule included in the Irrigation Districts Act, and

This by-law complies with the provisions as are set out in the Irrigation Districts Act [Appendix A, Completion of Regulatory Requirements, Increase in the Expansion Limit, is attached to and forms part of this by-law].

NOW THEREFORE BE IT ENACTED:

1. Subject to the requirements included in this by-law, the **expansion limit** of the Eastern Irrigation District is **changed from 286,000 acres to 311,000 acres.**
2. The increase in the expansion limit by 25,000 acres is apportioned as follows:
 - **Intensification [12,000 acres]** referring to increases in irrigation acres on existing irrigation parcels where a more efficient method of irrigation is being implemented, plus
 - **Return Flow Development [3,000 acres]** referring to increases in irrigation acres from return flow channels where water supplies do not need to be supplemented, plus



Rolling Hills Reservoir:
Main dam construction

General Manager's Report

- **Additional Intensification and/or New Irrigation Development [10,000 acres]** where the intensification on existing parcels and the conversion to a more efficient method does not provide enough acres or for new parcels of land, with 5,000 acres being considered downstream of the Crawling Valley Reservoir and 5,000 acres being considered downstream of Lake Newell Reservoir.
3. The District shall approve increases in irrigation acres under the increased expansion limit, subject to the evaluation and approval criteria that is approved of from time to time by resolution of the District, but **in no case shall the total annual approved increases under this by-law exceed 2,500 acres in any calendar year.**
 4. **The District shall not approve a change** in the apportionment of irrigation acres referenced in paragraph 2 or the total acres approved for increases in any one calendar year referenced in paragraph 3, **unless it first provides notice to the irrigators**, via direct mailing and advertisement in a newspaper of general circulation, **and holds a meeting** to discuss its intention to amend and/or replace this by-law."

Since deregulation of power, the high cost, poor service and no answers as to why the costs are so high, are very big concerns of all water users. The District took the necessary steps and became a self retailer of power in 2003. We are now purchasing our power directly from the power pool, this was a very lengthy slow process taking three months longer than we had hoped.

I would like to thank the Board of Directors, the irrigators and the staff of the District for their efforts , co-operation and support in 2003.

Respectfully submitted;

Earl Wilson, P. Eng.
General Manager



7 Bow Slope



Carrot field



Bean field



Rolling Hills Reservoir:
Campground beach area

Maintenance of Irrigation Works Report

2003 was an easier year for maintenance than 2002 resulting in less heavy equipment time and fewer pump station repairs. There was no unusual or extraordinary maintenance work done in 2002. We spent \$1,961,052 on maintenance, a drop of \$124,463 from 2002.



F Springhill

Maintenance Item	1999	2000	2001	2002	2003	Average
Canal cleaning, bank leveling and seeding	49 km	42 km	30 km	50 km	42 km	43 km
Drain cleaning, bank leveling and seeding	33 km	20 km	25 km	23 km	18 km	24 km
Drain and canal clipping		75 km	80 km	84 km	108 km	87 km
Drain relocations	5 km	7 km	4 km	5 km	2 km	4.6 km
Gravel armour placed on canal side-slopes	3.2 km	3 km	4 km	3.2 km		
Gravel placed on canal banks	7 km	38 km	35 km	40 km	32 km	30 km
Canals fenced	3 km	5 km	5 km	12 km	12 km	7.4 km
Chemical weed control on canal banks	2480 km	2410 km	2362 km	2405 km	2,100 km	2351 km
Mowing of canal banks	308 km	270 km	230 km	210 km	210 km	252 km
Canal liner installed	1.6 km	1 km	3 km	1.2 km	2.2 km	1.8 km
Road crossing repairs and replacements	7	10	12	15	10	11
Replacement of farm turnouts	12	15	15	22	15	16
Flood well to riser conversions [on pipelines]				22	29	25
Maintenance Costs	1999	2000	2001	2002	2003	Average
Heavy equipment	\$980,000	\$871,000	\$1,076,191	\$1,026,262	\$907,715	\$972,232
Labour	\$510,000	\$432,000	\$514,602	\$573,683	\$617,215	\$529,500
Materials [culverts, gates, fence posts, etc.]	\$215,000	\$186,000	\$175,265	\$219,020	\$164,563	\$191,970
Chemical for broad leaf weed control	\$65,000	\$72,000	\$73,786	\$69,368	\$74,714	\$70,974
Vehicles	\$104,000	\$127,000	\$132,600	\$132,600	\$140,400	\$127,320
Repairs to pump stations and control structures	\$65,000	\$23,000	\$36,981	\$46,294	\$36,246	\$41,504
Maintenance of building and grounds	\$13,000	\$21,000	\$20,559	\$18,288	\$20,199	\$18,609
Cost of operating vehicles and heavy equipment [in excess of charge out rates to Capital Construction Projects]	\$0	\$0	\$0	\$0	\$0	\$0
Total Costs	\$1,952,000	\$1,732,000	\$2,029,984	\$2,085,515	\$1,961,052	\$1,952,110



2003 Rehabilitation

In 2003, \$23.8 million was spent rebuilding the District’s water delivery infrastructure.

Twenty-eight large scale projects were constructed during the year, including completion of 13 projects from the 2002/2003 construction period and 15 projects underway in the winter 2003 construction period.

Irrigation Rehabilitation Program [IRP]

This is an Alberta Government sponsored program for irrigation districts in Southern Alberta. It is a cost-shared program based on a 75:25 cost sharing agreement.

In 2003 the Province provided \$4,447,312 (75%) and the District invested \$1,482,437 (25%). The 2003 expenditures amount to approximately \$6.9 million. Unused funds in the program are carried over for use in the following year.

Project	Description	Engineer	Contractor	2003 Project Cost	Total Project Cost
Spring					
Secondary E Springhill	36 km pipeline	EID	EID	\$5,723,000	\$6,754,000
Fall					
Tilley Canal	4 km plastic-lined canal and cast-in-place outlet structure	MPE	Richardson Bros./ Porter-Tanner Construction	\$636,000	\$1,790,000
10B Springhill	10 km pipeline	EID	EID	\$120,000	\$2,511,000
15 Bow Slope	8 km pipeline	MPE	Boulder Contracting Ltd.	\$116,000	\$1,490,000
15 East Branch	3.5 km pipeline	EID	EID	\$290,000	\$330,000
Total:				\$6,885,000	

Secondary E Springhill



Eastern Irrigation District



Tilley Canal

EID Capital Construction Program

Funds for this program are provided entirely from the District's Irrigation Works Fund. The 2003 expenditures amount to approximately \$16.9 million. In the 2003/2004 winter construction period, the District will complete the installation of 62 km of pipeline and 9 km of lined canal.

Spring Projects

Project	Description	Engineer	Contractor	2003 Project Cost	Total Project Cost
Rolling Hills Reservoir Expansion	Raise operating level by 4.5m	UMA	Chief Construction Co. Ltd.	\$5,729,000	\$12,700,000
03 East Branch	4.5 km pipeline	MPE	Brooks Asphalt & Aggregate Ltd./ Charmar Enterprises	\$663,000	\$745,000
05 East Branch	2.8 km and 2.6 km pipelines	EID	EID/ Brooks Asphalt & Aggregate Ltd.	\$566,000	\$957,000
Secondary C Springhill	6.5 km plastic-lined canal and .8 km pipeline	MPE	Richardson Bros./ EID	\$1,278,000	\$2,090,000
Secondary F Springhill	3.5 km plastic-lined canal and 1.5 km pipeline	EID	Richardson Bros./ EID	\$960,000	\$1,097,000
10 Rolling Hills	4.5 km pipeline	EID	Brooks Asphalt & Aggregate Ltd	\$343,000	\$1,215,000
14 H West Bantry (Upper)	1.5 km plastic-lined canal	EID	EID	\$83,000	\$436,000
17 G Springhill	4 km pipeline	EID	EID	\$89,000	\$772,000
20 and 21 Bow Slope	12 km pipeline	EID	EID	\$583,000	\$1,749,000
AH North Bantry Turnout Structure	Cast-in-place concrete structure	MPE	Robin Hansen Construction	\$155,000	\$159,000
Automation	Upgrade automation of control structures	MPE	various	\$175,000	\$180,000
Farm Improvement	Projects throughout the year	EID	EID	\$137,000	
Total:				\$10,761,000	



F Springhill (upper reach)



10 Rolling Hills

EID Capital Construction Program

Fall Projects

Project	Description	Engineer	Contractor	2003 Project Cost	Total Project Cost
12-01 Secondary A Rolling Hills	3 km pipeline	EID	EID	\$738,000	\$820,000
A West Bantry	2.2 km pipeline	EID	EID	\$235,000	\$252,000
7 Bow Slope	8 km plastic-lined canal	EID	Caliber Systems Inc.	\$1,791,000	\$2,773,000
AH North Bantry	7 km pipeline	EID	EID	\$59,000	\$1,060,000
03H West Bantry	2 km pipeline	EID	EID	\$52,000	\$353,000
F & G West Bantry	5 km pipeline	EID	EID	\$94,000	\$1,045,000
H Cowoki	8 km pipeline and cast-in-place concrete structure	MPE	EID/ BYZ Construction	\$1,020,000	\$1,670,000
23 Rolling Hills	3.5 km pipeline	EID	EID	\$519,000	\$534,000
01-08A Springhill	5.2 km pipeline	EID	EID	\$22,000	\$660,000
07B Springhill	3 km pipeline	EID	EID	\$226,000	\$330,000
G10 North Bantry	1 km plastic-lined canal and 2.3 km pipeline	EID	EID	\$494,000	\$600,000
2004 Projects	Preliminary work on several projects	EID/MPE	various	\$176,000	
Land Acquisition	Legal surveys & purchase of rights-of-way	EID		\$716,000	
Total:				\$6,142,000	



10 Rolling Hills

Water Delivery Operations Report Jim Meador, Manager of Operations



Plenty of late winter snow and early spring rains made the early irrigation demand very low. July through September was quite dry and demand was high.

Diversion from Bassano Dam commenced on March 31, 2003 and was shut down on October 29, 2003, with a total of 459,700 acre feet being diverted.

At the peak of irrigation demand, 1152 irrigators were being served (July 21, 2003). Actual farm deliveries were 1.0 acre feet per acre, a relatively low demand year.

Water Delivery Operations Report

System Water Delivery Summary							
Block	Irrigated Area (acres)	Volume Delivered (ac-ft)	Water Use Per Acre (ac-ft/ac)	Block	Irrigated Area (acres)	Volume Delivered (ac-ft)	Water Use Per Acre (ac-ft/ac)
D1 (Leland)	13,857.00	13,744.16	0.99	S1 (Syvret)	14,087.00	13,912.01	0.99
D2 (Bunney)	14,296.00	13,588.51	0.95	S2 (Maude)	11,465.00	12,446.05	1.09
D3 (Senneker)	15,157.00	18,239.80	1.2	S3 (Bobinski)	11,970.00	12,341.22	1.03
D4 (Nichols)	18,991.00	19,469.92	1.03	S4 (Jackson)	13,150.00	14,817.88	1.13
D5 (Tryhorn)	13,719.00	20,029.02	1.46	S5 (Harink)	11,724.00	10,127.54	0.86
E1 (Binnie)	17,132.00	15,527.06	0.91	S6 (Canning)	16,405.00	13,688.91	0.83
E2 (Wirachowsky)	14,187.00	13,123.71	0.93	S7 (Neufeld)	17,372.00	12,586.99	0.72
E3 (Boettcher)	11,003.00	13,146.73	1.19	S8 (Schroeder)	19,057.00	16,932.3	0.89
E4 (Fenez)	10,658.00	9,767.97	0.92	S9 (Stout)	14,681.00	13,120.57	0.89
E5 (Getz)	17,469.00	15,470.97	0.89				
Totals	276,380.00	272,081.32	0.98				

Crop and Irrigation Statistics - 2003

The 2003 growing season had an abundance of spring rain and then was followed by a long, hot, dry period in July, August and September. The crops that thrive on heat such as potatoes, alfalfa seed, sugar beets and corn were very good. Some oil seeds and cereals were slightly negatively impacted by the extreme heat.

Crop Class	Crop Type	Acres
Cereals	Barley	27,851
	CPS Wheat	9,865
	Durum What	1,247
	Grain Corn	9
	Hard Spring Wheat	20,190
	Malt Barley	204
	Oats	3,880
	Rye	187
	Soft Wheat	4,049
	Triticale	2,219
	Winter Wheat	656
Total Cereals		70,357
Oil Seeds	Canola	13,626
	Flax	1,805
Total Oil Seeds		15,431



Potato field in bloom



Corn and wheat field

Crop and Irrigation Statistics - 2003

Crop Class	Crop Type	Acres
Forage Crops	Alfalfa 2 nd Cut	63,247
	Alfalfa 3 rd Cut	3,952
	Alfalfa Hay	3,164
	Alfalfa Silage	5,297
	Barley Silage	9,028
	Barley Silage Under Seed	3,359
	Brome Hay	264
	Corn Silage	4,792
	Grass Hay	5,544
	Green Feed	11,422
	Milk Vetch	84
	Native Pasture	787
	Oats Silage	1,939
	Sorghum Sudan Grass	134
	Tame Pasture	55,169
	Timothy Hay	7,409
Total Forages		175,591
Specialty Crops	Alfalfa Seed	9,801
	Carrots	341
	Dry Beans	2,648
	Dry Peas	1,050
	Fresh Peas	164
	Grass Seed	485
	Market Gardens	290
	Nursery	463
	Potato	2,986
	Sugar Beets	868
	Sunflower	121
	Turf Sod	28
Total Specialty Crops		19,245
Non-Irrigated [2003]	Miscellaneous	10
	Non Crop	161
	Summer Fallow	2,166
Total Non-Irrigated		2,337
Summary:	Cereals	70,357
	Forages	175,591
	Specialty Crops	19,245
	Oil Seeds	15,431
	Non-Irrigated	2,337
Total of All Crops		282,961



Sunflower field



Male and female hybrid cornola separated by corn

Land Administration Report

Grazing Operations Report

The overall lease condition at the start of 2003 was not great because of the poor growth in 2000, 2001 and 2002; however, the moisture conditions were good, and we therefore anticipated close to average grazing conditions. A total of 11,512 cattle (30 head/member) were turned out starting on May 1st, 2003. With the very good rains in May and June, we experienced exceptional grass growth. The grazing season was extended to October 31st, because of



Bob Hale standing in field of rye-grass
Tilley Swing Field

Land Administration Report

the good grass condition resulting in a total of 63,316 AUM of grazing. The carry over grass along with the good snow cover looks promising for 2004.

The District continued to make capital improvements to the leases by installing 16 miles of water lines and 9 water troughs in the Gem Grazing Association.

We completed our second tame grass restoration project. Two thousand acres in the A.I. Swing Field east of Tilley were broken up, manure applied, worked in and reseeded last fall. With the good snow cover all winter we should get a good catch in the spring.

Oil and Gas Activity

It was a very busy year in oil and gas. We continued our practice of not allowing drilling programs or land spreading between April 15th and July 15th. We try to co-ordinate drilling activities around grazing and have any land spreading follow the grazing season. This seems to work well although it is difficult to co-ordinate.

In 2003, 1091 wells were drilled on District lands, 130 were twinned wells drilled from existing leases and 961 were new leases. Approximately 507 miles of pipeline (3,043 acres of rights of way) were installed on District lands. Both the number of wells drilled and the miles of pipeline are at all time highs for a single year.



Cattle near natural gas riser



Pump jack



Truck showing height of rye-grass in Tilley Swing Field



Green Bean field



Corn field

Financial Report

Kevin Bridges, Assistant General Manager



The Eastern Irrigation District operates under the authority of the Irrigation Districts Act [c. I-11.7, RSA 2000]. Each year the District appoints an auditor to prepare an audit of the District's financial statements. The audit is prepared in accordance with the form and the reporting standards for local governments as recommended by the Canadian Institute of Chartered Accountants.

The auditor reports separately to the Board of Directors. A copy of the District's financial statements and the report of the auditor are subsequently provided to the Irrigation Council as required under the Irrigation Districts Act. Following is the auditors' report to the Board of Directors.

Auditors' Report

To the Board of Directors of the Eastern Irrigation District

We have audited the balance sheet of the Eastern Irrigation District as at December 31, 2003 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Eastern Irrigation District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Eastern Irrigation District as at December 31, 2003 and the results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brooks, Alberta
February 25, 2004
Bevan, Halbert, Ginet and Gerrard
Chartered Accountants

EASTERN IRRIGATION DISTRICT
BALANCE SHEET
December 31, 2003

	General Fund	Irrigation Works Fund	2003 Total	2002 Total
ASSETS				
Current				
Cash	\$4,061,123	\$1,764,262	\$5,825,385	\$1,939,014
Short term deposits (Note 3)	2,398,929	3,851,071	6,250,000	13,510,253
Accounts receivable (Note 4)	1,492,093	253,578	1,745,671	1,188,926
Materials and supplies	978,114	0	978,114	912,534
	8,930,259	5,868,911	14,799,170	17,550,727
Investments (Note 5)	0	37,670,159	37,670,159	35,532,021
	8,930,259	43,539,070	52,469,329	53,082,748
Property and Equipment (Note 6)				
Buildings and equipment, net	5,410,722	1,438,546	6,849,268	6,506,506
Irrigation works, net	0	235,524,307	235,524,307	219,985,574
Land (Note 2)	0	337,272	337,272	337,272
	5,410,722	237,300,125	242,710,847	226,829,352
	<u>\$14,340,981</u>	<u>\$280,839,195</u>	<u>\$295,180,176</u>	<u>\$279,912,100</u>
LIABILITIES				
Current				
Accounts payable	\$1,416,219	\$0	\$1,416,219	\$1,607,314
Construction cost holdbacks and payables	0	929,325	929,325	4,461,635
Deferred oil well lease compensation	7,444,394	0	7,444,394	5,310,623
	8,860,613	929,325	9,789,938	11,379,572
Trust funds held (Note 12)	69,646	0	69,646	69,646
Deferred grants and contributions, net (Note 6)	0	114,172,033	114,172,033	114,205,455
	8,930,259	115,101,358	124,031,617	125,654,673
FUND BALANCES				
Invested in property and equipment (Notes 6 & 7)	\$5,410,722	\$123,128,092	\$128,538,814	\$112,623,897
Unrestricted (Note 7)	0	0	0	0
Internally restricted, to be used for future irrigation works additions (Notes 2 & 7)	0	38,509,547	38,509,547	36,673,963
Externally restricted by the Province of Alberta, to be used for future irrigation works additions (Notes 2 & 7)	0	4,100,198	4,100,198	4,959,567
	5,410,722	165,737,837	171,148,559	154,257,427
	<u>\$14,340,981</u>	<u>\$280,839,195</u>	<u>\$295,180,176</u>	<u>\$279,912,100</u>

EASTERN IRRIGATION DISTRICT
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
Year Ended December 31, 2003

	General Fund	Irrigation Works Fund	2003 Total	2002 Total
REVENUE				
WATER EARNINGS				
Irrigation Rates (Note 8)	\$0	\$0	\$0	\$2,147,022
Water conveyance agreements	267,404	0	267,404	242,393
Oil and gas drilling water	2,208,014	0	2,208,014	1,339,350
Penalties	9,571	0	9,571	11,445
	2,484,989	0	2,484,989	3,740,210
Less discounts allowed	0	0	0	(98,854)
	2,484,989	0	2,484,989	3,641,356
LEASE REVENUE AND COMPENSATION				
Oil and gas well leases	11,198,799	0	11,198,799	10,109,269
Right of entry and initial consideration	8,095,297	0	8,095,297	3,515,759
Oil and gas administration fees	194,200	0	194,200	72,400
Community grazing leases	995,453	0	995,453	373,896
Rock Lake silage revenue	0	0	0	117,337
Other lease revenues	373,691	0	373,691	340,331
OTHER REVENUE				
Capital asset charges	0	261,934	261,934	715,649
Gravel royalties and dirt sales	0	227,110	227,110	313,029
Gain (loss) on sale of land, equipment & buildings	(29,600)	78,074	48,474	280,781
Investment income	167,496	2,314,489	2,481,985	2,583,324
Amortization of deferred grants & contributions	0	4,480,734	4,480,734	4,370,301
	23,480,325	7,362,341	30,842,666	26,433,432
EXPENSES				
Operations and administration (Schedule 1)	4,743,405	0	4,743,405	4,921,249
Community grazing expenses (Note 9)	651,377	0	651,377	564,522
Amortization of irrigation works & buildings	0	8,440,616	8,440,616	7,861,553
	5,394,782	8,440,616	13,835,398	13,347,324
Excess of revenue over expenses, before special projects	18,085,543	(1,078,275)	17,007,268	13,086,108
Special projects net expenses (Note 11)	(116,136)	0	(116,136)	(125,670)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$17,969,407	(\$1,078,275)	\$16,891,132	\$12,960,438
TRANSFER TO IRRIGATION WORKS FUND	(17,500,949)	17,500,949	0	0
FUND BALANCES, BEGINNING OF YEAR	4,942,264	149,315,163	154,257,427	141,296,989
FUND BALANCES, END OF YEAR	\$5,410,722	\$165,737,837	\$171,148,559	\$154,257,427

EASTERN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2003

	General Fund	Irrigation Works Fund	2003 Total	2002 Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Revenue from water operations	\$2,484,989	\$0	\$2,484,989	\$3,641,356
Compensation from oil and gas operations	19,488,297	0	19,488,297	13,697,428
Revenue from lease operations	1,369,144	0	1,369,144	831,564
Capital asset charges	0	261,934	261,934	715,649
Cash receipts from gravel royalties and dirt sales	0	227,110	227,110	313,029
Operations and administration expenses	(4,743,405)	0	(4,743,405)	(4,921,249)
Grazing expenses and property taxes	(651,377)	0	(651,377)	(564,522)
Add: Amortization in expenses, not using cash	937,431	0	937,431	792,734
Net cash expenditure on special projects	(116,136)	0	(116,136)	(87,014)
Investment income received	167,496	604,427	771,923	985,605
Change in non-cash current assets and liabilities	1,155,887	(322,430)	833,457	414,651
	20,092,326	771,041	20,863,367	15,819,231
CASH FLOWS USED IN FINANCING AND INVESTING ACTIVITIES				
Grants from Province of Alberta	0	4,447,312	4,447,312	4,114,453
Cash received from cooperative projects	0	0	0	18,288
Proceeds on sale of land, buildings and equipment	284,823	78,074	362,897	563,621
Purchase of land, buildings and equipment	(1,199,136)	(30,729)	(1,229,865)	(1,307,918)
Pasture development and reseeding (Note 10)	(225,443)	0	(225,443)	(149,986)
Grazing water pipeline and improvements (Note 10)	(295,734)	0	(295,734)	(91,132)
Farm improvement program	0	(122,498)	(122,498)	(74,359)
Expenditures on irrigation works	0	(23,700,427)	(23,700,427)	(21,287,136)
Proceeds on sale of investments	0	7,096,020	7,096,020	5,560,109
Purchase of investments		(7,524,094)	(7,524,094)	(7,835,525)
Change in trust funds held	0	0	0	(16,203)
Change in irrigation works accounts payable	0	(3,045,417)	(3,045,417)	2,366,662
	(1,435,490)	(22,801,759)	(24,237,249)	(18,139,126)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	18,656,836	(22,030,718)	(3,373,882)	(2,319,895)
Cash and term deposits, beginning of year	5,304,165	10,145,102	15,449,267	17,769,162
Transfer from general fund	(17,500,949)	17,500,949	0	0
CASH AND TERM DEPOSITS, END OF YEAR	<u>\$6,460,052</u>	<u>\$5,615,333</u>	<u>\$12,075,385</u>	<u>\$15,449,267</u>
Cash is comprised of:				
Cash	\$4,061,123	\$1,764,262	\$5,825,385	\$1,939,014
Short term deposits	2,398,929	3,851,071	6,250,000	13,510,253
	<u>\$6,460,052</u>	<u>\$5,615,333</u>	<u>\$12,075,385</u>	<u>\$15,449,267</u>

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

1. Purpose of the Organization

The Eastern Irrigation District is charged with the responsibility of efficient and economical distribution of water to users in the District and operates as a not-for-profit organization under the Irrigation Districts Act, Chapter I -11.7, Revised Statutes of Alberta 2000.

2. Accounting Policies

The financial statements have been prepared in accordance with the restricted fund method of accounting. Significant accounting policies include:

Fund Accounting

The activities of the District have been disclosed as two distinct funds - the General Fund and the Irrigation Works Fund:

General Fund - Discloses the water management and delivery operations and land lease operations of the District, as well as certain special projects as designated by the Board of Directors from time to time. The general fund includes management of equipment and personnel, the costs of which are billed to the irrigation works fund to the extent they relate to construction activities.

Irrigation Works Fund - Discloses receipts and expenditures for new irrigation works and interest earned on such monies. Costs incurred in constructing new irrigation works and in replacing and rehabilitating existing structures are provided for from this fund. The Province of Alberta contributes to this fund 75% of the expenditures on projects approved by the Irrigation Council.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Property and Equipment

Property and equipment are recorded at cost. Amortization of buildings and equipment is provided using the declining balance method at rates intended to amortize the cost of these assets over their estimated useful lives. The annual rates are as follows:

Computer equipment	25%
Mobile equipment	20%
Agricultural equipment	15%
Buildings	10%
Other equipment	10%

Irrigation works assets are recorded at cost to the District. Additions to irrigation works are capitalized only if the cost of the individual project exceeds \$10,000. Items capitalized include the cost of easements and rights of way purchased. Irrigation works are amortized on a straight-line basis over their estimated average useful lives of 40 years.

Land

Land is recorded at cost to the District. Approximately 574,000 acres of land that was transferred from the Canadian Pacific Railway Company in 1935 are recorded at zero cost.

Materials and Supplies

Materials and supplies are carried at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Investments and Short Term Deposits

Investments and short term deposits are recorded at the lower of cost or market value, except where a decrease in market value is considered to be temporary.

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

Financial Instruments

For cash, short term deposits, accounts receivable, investments, accounts payable and construction holdbacks and payables, the carrying amounts of these financial instruments approximates their fair value. It is management's opinion that the District is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Deferred Oil and Gas Well Lease Compensation

Annual compensation related to oil and gas well leases is charged to the lessor at the beginning of each lease year. These monies are recognized as revenue on a straight-line basis over the succeeding twelve months. At year-end, the unamortized portion of such leases is reflected on the balance sheet as deferred oil well lease compensation.

Pension Plan

The District is a member of the Local Authorities Pension Plan, a multi-employer defined benefit pension plan. Current service contributions for the year of \$211,162 (2002: \$183,176) were recorded as part of pension plans expense.

Deferred Grants and Contributions

Grants and contributions from third parties received to finance construction of irrigation works are deferred and amortized to income on the same basis as the irrigation works assets to which they relate. Amortization is provided on a straight-line basis over a 40 year period.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles required management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future statements could be significant. Significant areas requiring use of management estimates relate to the useful lives of assets for amortization purposes and the amount of allowance required for uncollectible accounts receivable.

Internally Restricted Net Assets

The future use of a portion of the District's net assets has been restricted by the Board of Directors. Monies have been allocated to the following areas:

Irrigation works additions- monies to be used for future irrigation works additions and rehabilitation, including the District's 25% commitment to Province of Alberta Cost Share Projects within the District.

Externally Restricted Net Assets

Funds received from the Province of Alberta must be used for specific cost shared irrigation projects. These monies are disclosed separately as externally restricted net assets.

3. Short Term Deposits

Short term deposits maturing in the next year include GICs and term deposits at interest rates varying from 2.55% to 2.70% (2002: 2.75% to 3.08%).

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

4. Accounts Receivable

Accounts receivable consist of:

	2003	2002
Lease rentals and seismic	\$767,576	\$344,633
Reclassification agreements	464,799	359,182
Sundry debtors	406,402	294,811
Water conveyance agreements	123,582	113,532
Water rates and charges	8,312	101,768
Less: Allowance for doubtful accounts	(25,000)	(25,000)
	<u>\$1,745,671</u>	<u>\$1,188,926</u>

5. Investments

Investments consist of:

	2003	2002
Chinook Credit Union Ltd.- term deposits	\$10,933,193	\$10,511,614
Chinook Credit Union Ltd.- patronage account	36,440	29,945
Provincial Government Bonds	9,768,673	7,998,966
Provincial Utility Bonds	6,927,052	5,021,286
Government of Canada Bonds	6,385,934	8,577,068
Corporate Bonds	3,618,867	3,393,142
	<u>\$37,670,159</u>	<u>\$35,532,021</u>
Approximate market value at December 31	<u>\$39,340,000</u>	<u>\$37,241,000</u>

Investments have an average yield of 6.03%. The net book value of investments maturing in 2004 is \$11,635,050 (yield: 5.6%); in 2005 is \$2,834,600 (yield: 7.7%); in 2006 is \$4,435,386 (yield 7.6%); in 2007 is \$3,618,867 (yield 6.6%); in 2008 is \$4,352,697 (yield 4.4%); in 2010 is \$2,613,966 (yield 5.7%); in 2011 is \$2,823,602 (yield 5.2%); and in 2013 is \$5,319,550 (yield 5.9%). The Chinook Credit Union Ltd. patronage account of \$36,440 has no set interest rate or maturity date. Investment income includes amounts received of \$771,923 (2002: \$985,605) plus amortization of discounts and other miscellaneous items.

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

6. Property and Equipment

	2003		2002	
	Cost	Accumulated Amortization	Net	Net
General Fund:				
Equipment	\$10,356,624	\$5,321,331	\$5,035,293	\$4,792,278
Community pasture reseeding	375,429	0	375,429	149,986
Irrigation Works Fund:				
Buildings	5,864,647	4,426,101	1,438,546	1,564,242
Irrigation works	333,168,579	97,644,272	235,524,307	219,985,574
Land	337,272	0	337,272	337,272
	<u>\$350,102,551</u>	<u>\$107,391,704</u>	<u>242,710,847</u>	<u>226,829,352</u>
Deferred grants and contributions	(\$179,379,353)	(\$65,207,320)	(114,172,033)	(114,205,455)
Net assets invested in property and equipment			<u>\$128,538,814</u>	<u>\$112,623,897</u>

Changes in irrigation works assets, net of amortization are as follows:

	2003	2002
Beginning of year	\$219,985,574	\$206,312,635
Additions to irrigation works		
District projects	16,187,631	16,135,556
Province of Alberta cost shared projects	6,919,781	4,445,469
Ducks Unlimited funded project	0	7,655
Survey costs and easements	715,513	772,815
	<u>(8,284,192)</u>	<u>(7,688,556)</u>
Amortization	<u>\$235,524,307</u>	<u>\$219,985,574</u>

Changes in deferred grants and contributions, net of amortization are as follows:

	2003	2002
Beginning of year	\$114,205,455	\$114,453,648
Contributions from third parties	4,447,312	4,122,108
Amortization	<u>(4,480,734)</u>	<u>(4,370,301)</u>
	<u>\$114,172,033</u>	<u>\$114,205,455</u>

Current year additions to irrigation works are as follows:

	District	Province of Alberta Cost Sharing	2003	2002
External Charges:				
Contract Services	\$7,147,893	\$448,902	\$7,596,795	\$7,567,602
Contract Services - Engineering	665,321	197,887	863,208	984,165
Equipment and other services	1,146,607	734,673	1,881,280	1,788,539
Materials and supplies	6,086,033	4,249,997	10,336,030	8,544,898
Internal Charges:				
Equipment recovery	1,064,680	859,585	1,924,265	1,372,420
Labour recovery - Engineering	309,087	100,366	409,453	401,250
Labour recovery - Other	483,523	328,371	811,894	702,621
	<u>\$16,903,144</u>	<u>\$6,919,781</u>	<u>\$23,822,925</u>	<u>\$21,361,495</u>

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

7. Continuity of Fund Balances

	Invested in Property and Equipment	Unrestricted Funds	Internally Restricted Funds	Externally Restricted Funds Province of Alberta	Total Fund Balances
Beginning of year	\$112,623,897	\$0	\$36,673,963	\$4,959,567	\$154,257,427
Assets received from Province of Alberta	(4,447,312)	0	0	4,447,312	0
District contribution to cost share projects	0	0	(1,482,437)	1,482,437	0
Additions to property and equipment, net	25,259,544	(1,405,890)	(16,933,873)	(6,919,781)	0
Excess of revenue over expenses allocated	(4,897,315)	18,906,839	2,750,945	130,663	16,891,132
Transfer to irrigation works fund from operations	0	(17,500,949)	17,500,949	0	0
Total Fund Balances	\$128,538,814	\$0	\$38,509,547	\$4,100,198	\$171,148,559

The Board of Directors has authorized the transfer of \$17,500,949 from current year operations to internally restricted funds to be used for future irrigation works additions. As well, authorization was given to use \$1,482,437 of internally restricted funds to pay for the District's 25% share of Province of Alberta cost share projects.

8. Irrigation Rates

Irrigation rates consist of:	2003	2002
265,619 Acres at \$7.50 per acre	\$1,992,143	\$1,972,995
17,342 Acres at \$7.50 per acre terminable	130,065	145,875
Minimum parcel rates and adjustments	0	28,152
Water rates cancelled	(2,122,208)	0
	<u>\$0</u>	<u>\$2,147,022</u>

On August 19, 2003, the Board of Directors passed a motion to cancel the irrigation rates for the 2003 year pursuant to section 128 (4) of the Irrigation Districts Act.

9. Grazing Expenses

Grazing expenses consist of:	2003	2002
Property taxes and water rates	\$178,400	\$167,014
Fencing, fire and cattle guards	174,235	82,238
Management and lease rider fees	79,533	75,500
Amortization of equipment and pipelines	64,825	51,299
Fertilizer and chemicals	33,294	67,518
Miscellaneous	32,218	37,483
Dugouts and pond maintenance and digging	31,788	17,632
Dugouts- pumping and filling	24,279	34,507
Pump power and maintenance	24,168	18,594
Irrigation equipment maintenance	8,637	12,737
	<u>\$651,377</u>	<u>\$564,522</u>

EASTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2003

10. Community Grazing Property and Equipment Expenditures

Property and equipment expenditures include:	2003	2002
Pasture development and reseeding	\$225,443	\$149,986
Grazing water pipeline and improvements	295,734	91,132
	<u>\$521,177</u>	<u>\$241,118</u>

11. Special Projects Net Expenses

Revenue from special projects operations:	2003	2002
EID Net	\$120,547	\$128,619
Grass Carp	0	14,957
Special projects expenses:		
EID Net - operations	(160,911)	(185,113)
Grass Carp- operations	(715)	(20,477)
Grass Carp- inventory write down	0	(38,656)
Rolling Hills Reservoir campground	(2,737)	0
Aerial photographs	(20,195)	0
Pheasants Forever- Partners In Habitat	(50,000)	(25,000)
Environmental remediation - Modern Auto property	(2,125)	0
Excess (Deficiency) of revenue over expenses	<u>(\$116,136)</u>	<u>(\$125,670)</u>

12. Trust Funds Held

Trust funds held include \$69,646 in the Carl Anderson fund. Interest earned on these funds is distributed to local libraries annually.

13. Land Sale - Lake Newell Developments

In prior years the District entered into an agreement to sell land bordering Lake Newell to a developer in exchange for mortgages on the land. The mortgage is payable only as lots are sold by the developer. Due to the nature of the sale agreement, the land sales are recognized only when the cash is received. Sales of \$65,014 (2002: \$43,448) were recorded in the year.

14. Uncompleted Contract Commitments

The District has commitments in an estimated amount of \$2,194,230 (2002: \$4,855,806) in respect of uncompleted work under contract on approved irrigation works construction projects.

15. Approval of Financial Statements

These financial statements were approved by management and the Board of Directors.

EASTERN IRRIGATION DISTRICT
SCHEDULE OF OPERATIONS AND ADMINISTRATION EXPENSES
 Year ended December 31, 2003

Schedule 1

	Equipment Pool	Maintenance	Water Delivery	EID Land Administration	Administration and General	Total 2003	Total 2002
Salaries and benefits							
Salaries	\$1,038,164	\$647,769	\$1,186,269	\$199,038	\$940,487	\$4,011,727	\$3,718,023
Pension plans	81,155	29,526	110,757	33,161	95,272	349,871	303,115
Group insurance	41,178	14,563	57,181	14,276	36,445	163,643	160,985
Employment insurance and WCB	33,161	12,632	45,037	14,751	32,506	138,087	129,195
Equipment							
Heavy equipment expense	576,463	0	0	0	0	576,463	514,794
Vehicle expense (recovery), net	(175,659)	140,400	260,426	29,238	85,026	339,431	399,127
Equipment rent	(668,332)	907,714	90,692	0	0	330,074	371,317
Amortization of equipment	764,730	0	0	0	107,876	872,606	741,435
Other							
Materials and supplies	57,092	226,287	160,387	0	0	443,766	384,943
Irrigation pumps and structures	0	36,247	117,186	0	0	153,433	181,349
Insurance	87,501	6,810	22,163	0	36,245	152,719	125,475
Buildings and grounds	62,743	13,389	7,851	0	63,170	147,153	132,838
Office supplies and maintenance	0	0	0	15,000	109,058	124,058	128,035
Telephone	12,651	4,076	39,140	5,235	22,774	83,876	79,001
Directors per diems	0	0	0	0	78,975	78,975	40,320
Association fees	0	0	0	0	44,425	44,425	45,002
Tools and light equipment	34,976	7,525	173	0	0	42,674	43,265
Miscellaneous and freight	1,194	1,388	1,782	0	35,291	39,655	30,230
Advertising and promotion	0	0	0	1,452	33,428	34,880	19,152
Directors expenses	0	0	0	0	31,009	31,009	23,582
Professional fees	0	0	0	2,902	27,159	30,061	42,806
Travel	154	0	536	1,976	12,832	15,498	9,339
Water quality testing	0	0	13,865	0	0	13,865	14,932
Total expenses	1,947,171	2,048,326	2,113,445	317,029	1,791,978	8,217,949	7,638,260
Less: Recovery from capital construction	(2,269,185)	(87,276)	(612,645)	0	(505,438)	(3,474,544)	(2,717,011)
	(\$322,014)	\$1,961,050	\$1,500,800	\$317,029	\$1,286,540	\$4,743,405	\$4,921,249

