

Annual Report

EASTERN IRRIGATION DISTRICT

2012



EID
EASTERN IRRIGATION DISTRICT

NOTICE OF ANNUAL MEETING

TAKE NOTE that the annual meeting of the irrigators of the Eastern Irrigation District will be held on Wednesday, March 27th, 2013 at 1:30 in the afternoon at the Heritage Inn, 1217 2nd Street West, Brooks, Alberta.



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 City 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 | Index to Reports | |
|--|--|---------|
| | | |
| P.O. Bag 8 550 Industrial Road West Brooks, Alberta T1R 1B2 Canada Phone: (403) 362-1400 Fax: (403) 362-6206 E-mail: eid@eid.ca Web: www.eid.ca | Notice of Annual Meeting | Page 1 |
| | 2012 Board of Directors | Page 2 |
| | Chairman and Board of Directors Report | Page 3 |
| | General Manager's Report | Page 6 |
| | Crop and Irrigation Statistics | Page 10 |
| | Maintenance of Irrigation Works | Page 12 |
| | Irrigation Rehabilitation Report | Page 14 |
| | EID Financial Report | Page 16 |
| | Auditor's Report | Page 17 |
| | | |





Bob Chromka (Chairman)
Division 6

2012 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 1



Jim Culligan
Division 2



Ross Owen
Division 3



Neil Johnson
Division 4



Allen Nielsen (Vice-Chair)
Division 5



Carl Chomistek
Division 7



EID float,
2012 Brooks Kinsmen Parade





The winter moisture combined with growing season rainfall amounts over the past number of years has definitely benefitted the EID water users in many ways. These benefits have included saving on equipment wear, power and in some cases labour. The District has also seen the advantage from very little pressure on the conveyance and storage systems within. The diversion amounts in 2012 were close to 50% of the District's license leaving a generous supply of water in the river for habitat and other uses.

During the 2012 season Irrigation Council undertook a review of the *Irrigation Districts Act* which involved Alberta's 13 irrigation districts. No major changes to the *Act* were brought forward or suggested but the actual legislative review and acceptance has yet to take place. This *Act* that the districts operate under has served the industry well with numerous checks and balances and very few challenges.

Council also did a re-examination of the Irrigation Rehabilitation Program Funding and decided that the current formula was fair and working well towards accomplishing the objectives within Alberta's irrigation districts. This means that no matter the amount that the provincial government budgets for this program, the calculation for the dispersal of these funds will remain constant. The District's 2012 rehabilitation program received \$5,875,112 from this grant.

The District's "Policy Governing Eligibility and Operation of Community Pastures" was discussed and brought up to date to more accurately align the intent of the policy with the cattle producer of today. The Grazing Advisory Committee along with the Board of Directors met on a few occasions throughout the year to consider opinions and options towards drafting a mutually beneficial document. This grazing policy had not gone through this extensive of a review for over 20 years; the modernization to reduce unintended opportunities was overdue.

The Board of Directors has in the past supported community initiatives that will benefit our region and include long term usage. We have done this in the recent past with the donation of lands for the Centennial Regional Arena, the work done and use of the agribition area and in 2012, donating \$100,000 to the ball diamond project to be constructed on the east side of the City of Brooks. In promoting and preserving the history of the District a financial commitment has been made to help with the completion of the Carl Anderson history video "Carl's Way" for the EID Historical Museum in Scandia.

As an update on the Silver Sage Regional Agribition Grounds, the area surrounding the Centennial Regional Arena, the improvements are almost completed. A washroom facility will be constructed soon after the rodeo in June which will conclude the original commitments

of the partnership between the EID, City of Brooks, County of Newell, Kinsmen and Silver Sage Agricultural Society. This area now boasts a large rodeo infield, chuck wagon and horse track, space to support a large midway and generous amounts of room to accommodate stock contractors, contestants, and fireworks, while

Canola crop under low pressure pivot irrigation





allowing plenty of parking for RVs and other vehicles. The Board would like to extend our thanks to the partners mentioned in this project.

In the fall of 2010 the University of Alberta through a generous donation, took possession of the 12,300 acre Mattheis ranch. This area located along the northern boundary of the District includes 572 acres of irrigation with the remainder of the parcel made up of rangeland. The recently formed University of Alberta Rangeland Research Institute has approached the EID to consider potential areas of collaboration. Discussions regarding possible future beneficial partnerships are continuing.

During the 2011 Annual General Meeting an internet based water usage viewer was demonstrated to the audience. This viewer allows water users to observe their water consumption for the parcels that they are irrigating (owned or rented) in real time. A home computer, laptop computer, smart phone or tablet is all that is required to obtain this information. We are confident that any challenges with bringing this tool forward are worked out and are giving the water users the opportunity to sign up for and implement this means of tracking water usage into their operations. To gain free access to iDaRS (Irrigation Data Recording System) please contact the District office.

For the past 3 years, the District has been involved in a legal challenge over ownership of a gravel source in the Bow City area. The Board of Directors and management negotiated a land trade in 2012 that avoided going to court and secured this resource for the District that should foreseeably meet the construction and rehabilitation needs for the next 10-20 years.

As we look forward and take into account the lessons we've learned and the challenges facing other irrigation districts in Alberta and throughout North America, the Board is confident that the EID is well positioned for future successes and accomplishments. It is an interesting fact that just over 70% of the Bow River's diversions are for agricultural uses, a number that is mirrored by the Colorado River in the United States. Our advantage is that as Southern Alberta evolves we can plan for the increased pressures from other demands and not be faced with the choice of reducing our agricultural base. The Board recognizes and appreciates the support of the water users in sustaining this benefit.

The plebiscite vote on January 30, 2013 passed and as such the Board will be requesting that Alberta Environment transfer 1,000 acre feet of license to the County and will have 460 acre feet available for transfer at a future date. The Board wishes to thank the water users for their consent of this transfer as it not only accommodates an immediate need, but it also shows the District is willing to work with our regional partners in resolving future challenges.



Farming in the early 1900's



Back Row, Left to Right: Allan Schaffer, Aaron Hiebert, Frederick Gietz, Michael Bildersheim, James Vy, Conor Hirsch, Billy Barg, Codi Hiebert

Center Row, Left to Right: Shelby Hemsing, Erin Martin, Lauren Ovinge, Ena Meurs, Rebecca Musgrove, Nicole Volek, Philip Retzlaff, Will Young

Front Row, Left to Right: Erin Van Pypen, Jennifer Getz, Laureen Steinwand, Lara Kmech, Reilley Owen, Catherine Christiansen, Maddison McRobert



Kailyn Irving



Amilyn Dyck

2012 EID Scholarship Award Recipients

Farming in the early 2000's



Earl Wilson, P.Eng.,
General Manager



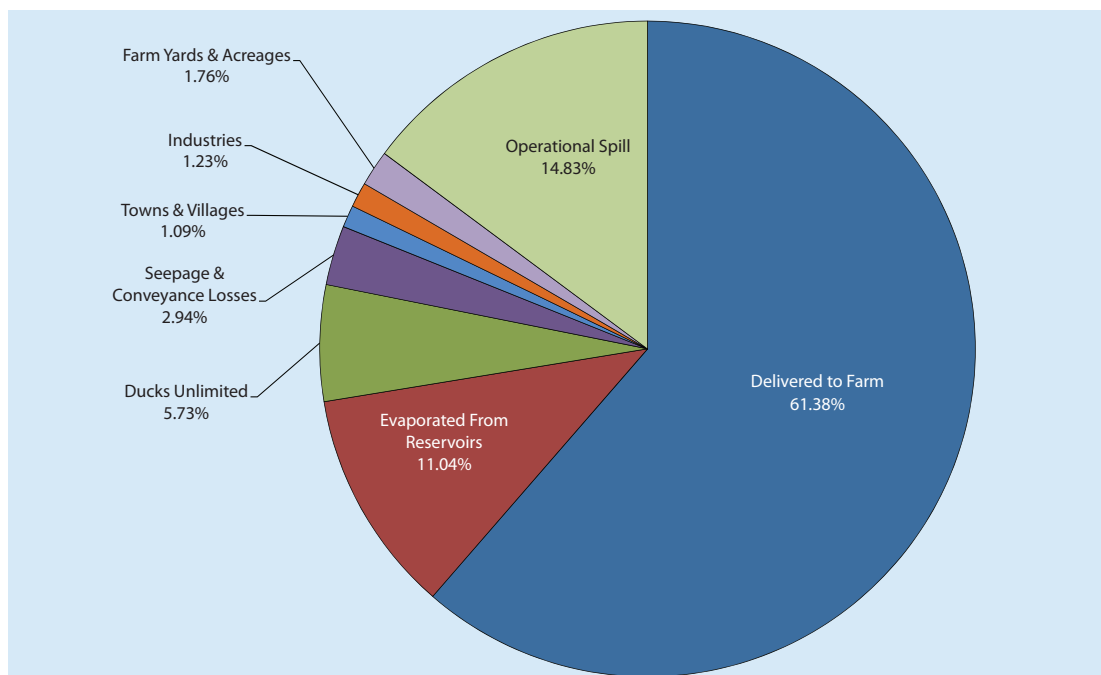
Our 2011/2012 Rehabilitation Program included 16 km of rebuilding and armouring main canals, 19 km of enlarging and armouring major spillways, and 40 km of pipelining. The fall and winter were one of the mildest in years, making it a lot easier for our construction crews than the two previous winters. In the summer and early fall we continued our small drain rehabilitation program in partnership with the County of Newell completing the Cassils project and the west Rolling Hills project, and started the Scandia project, a total of 42 km.

We had an above average snowpack resulting in good flows in the Bow River. With over 10" of rainfall, most in May and June, we had

low irrigation demand until July and average from then on, delivering 9"/acre to the farm gate. We only diverted 343,000 acre feet (50%) of our license.

The District continued with our Farm Improvement Incentive Program that rewards farmers for converting to a more efficient method of irrigating that conserves water. In 2012 the Board approved 57 farm improvement grants totaling \$382,500; 45 of these were for converting to low pressure pivot, the remainder were for land leveling, converting to wheels, gated pipe, and relocating drains to accommodate pivots. We

| Water Balance (acre feet) | | |
|-------------------------------|----------------|----------------|
| | 2012 | 2011 |
| Diversion | 343,200 | 310,100 |
| Delivered to Farm | 209,000 | 175,000 |
| Evaporation from Reservoirs | 37,600 | 54,500 |
| Ducks Unlimited | 19,500 | 13,500 |
| Seepage and Conveyance Losses | 10,000 | 12,000 |
| City, Towns and Villages | 3,700 | 3,200 |
| Industries | 4,200 | 4,200 |
| Farm Yards and Acreages | 6,000 | 6,000 |
| Change in Storage | 2,700 | (17,400) |
| Operational Spill | 50,500 | 59,100 |
| Measured Return Flow | 110,800 | 112,300 |
| Operational Spill | 50,500 | 59,100 |
| Farm Spill and Run Off | 60,300 | 53,200 |

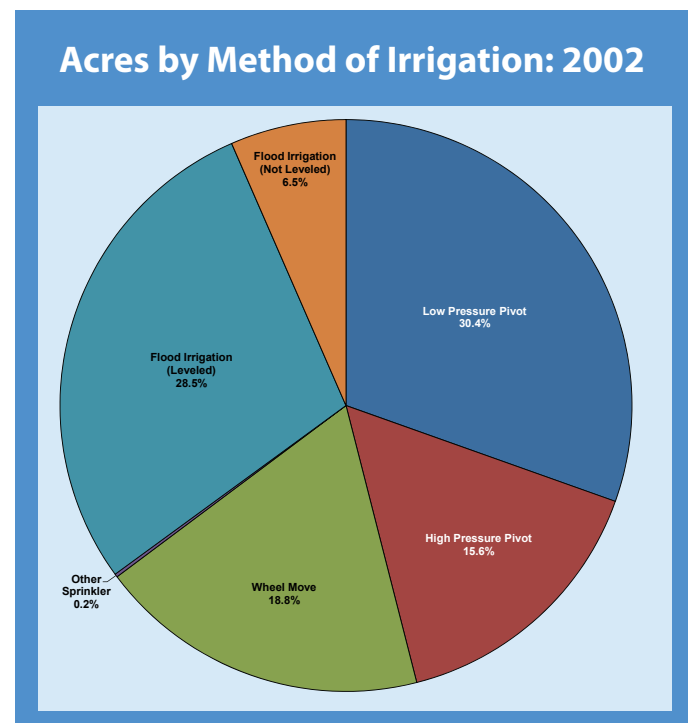
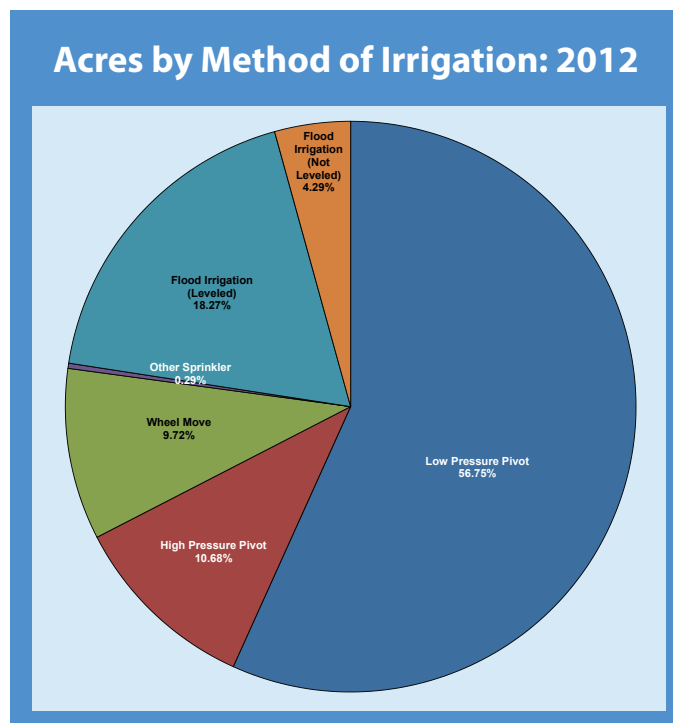


added 294 new acres, bought back 68 acres, converted 16 acres to Rural Water Use Purposes agreements, and converted 507 acres of terminable water rights to 1st water rights.

In the last 10 years the water users have converted 69,400 acres to more efficient methods of irrigation. We have seen the acres being irrigated by low pressure pivot go from 86,000 to 167,264 (30% to 57%), while the acres being flood irrigated or irrigated by wheels have dropped (see table below).

| Method of Irrigation: 2012 As of End of 2011 Water Delivery Season | | |
|--|---------|--------|
| Low Pressure Pivot | 167,264 | 56.75% |
| High Pressure Pivot | 31,485 | 10.68% |
| Wheel Move | 28,633 | 9.72% |
| Other Sprinkler | 860 | 0.29% |
| Flood Irrigation (Leveled) | 53,847 | 18.27% |
| Flood Irrigation (Not Leveled) | 12,659 | 4.29% |
| Note: percentages shown are the percentages of total irrigation. | | |

| Method of Irrigation: 2002 As of End of 2002 Water Delivery Season | | |
|--|------------|-------|
| Low Pressure Pivot | 86,000 Ac. | 30.4% |
| High Pressure Pivot | 44,000 Ac. | 15.6% |
| Wheel Move | 53,000 Ac. | 18.8% |
| Other Sprinkler | 500 Ac. | 0.2% |
| Flood Irrigation (Leveled) | 80,500 Ac. | 28.5% |
| Flood Irrigation (Not Leveled) | 18,500 Ac. | 6.5% |
| Note: percentages shown are the percentages of total irrigation. | | |



We estimate that these on-farm changes have saved 9,900 acre feet of water more than the increase in irrigated acres over the last 10 years.

The District was granted an amendment to our license in 2010 allowing us to convey up to 5,000 acre feet of water for other purposes:

| | |
|--|-----------------|
| Municipal (country residential raw water) | 2,000 acre feet |
| Agriculture (large cattle operators greater than 20 acre feet) | 1,200 acre feet |
| Commercial (golf courses, campgrounds, oil & gas drilling water, etc.) | 500 acre feet |
| Industrial (value added processors, etc.) | 750 acre feet |
| Habitat (wetlands, field shelterbelts, etc.) | 500 acre feet |
| Recreation (fair grounds, community halls, etc.) | 50 acre feet |



This was appealed and the District and Alberta Environment defended this decision in front of the Environmental Appeal Board hearing in September 2012. We received the Appeal Board recommendation and the Minister's decision in February 2013 that upheld the original amendment.

We have started the process to transfer 1,000 acre feet of water license to the County of Newell and hope to have this completed by spring.

With these two changes the District has shown how we have conserved enough water to share with other types of users in our region and the area will be able to continue to grow.

With the spring rains we had excellent grass growth on our community pastures. A total of 16,750 (75 head/member) were turned out in May and came home by October 30th. We have good carry-over grass and plan to run 17,000 cows in 2013.

There were 84 new oil and gas leases taken in 2012 and an additional 54 wells were drilled on existing leases. New pipelines totaled 294 acres (49 miles).

The District had 3 long term employees retire in 2012: Robert Matoba, Pete Green and Ticki Fisher. Dwain Stefaniszyn left the District and we welcomed Garry Fletcher, Earl Palaschak, Chris Cochrane and Bill Anhel to our staff in 2012.

EID Long Term Service Awards



Above

Troy Canning (15 Years),
Brian Windrum (15 Years),
Roger McLean (15 Years),
Chuck Getz (20 Years),
Allan Olson (30 Years)



Left

Ticki Fisher (15 Years),
Shelley Bischke (20 Years),
Randy Hayes (25 Years),
Mary Ketchmark (10 Years),
Gord Leland (25 Years)



Replacement of Springhill 1064 check/drop chute



Sauki Spillway



County of Newell/EID drainage project





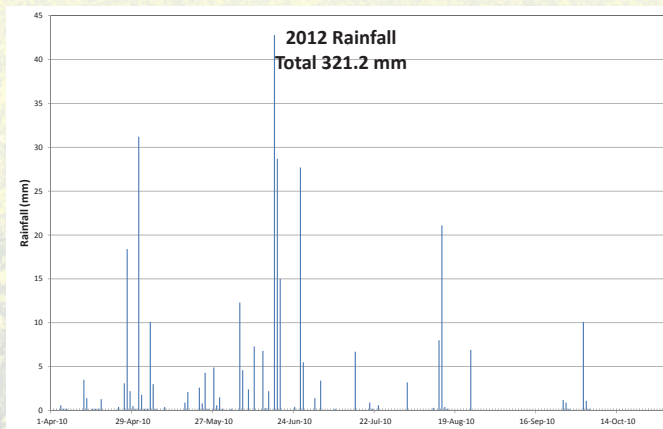
| 2012 Crop Summary | | | | | |
|-------------------|--------------------------|--------|-----------------|--------------------|--------|
| Crop Class | Crop Type | Acres | Crop Class | Crop Type | Acres |
| Forage Crops | Alfalfa 2 Cuts | 32,553 | Oil Seeds | Canola | 40,326 |
| | Alfalfa 3 Cuts | 3,335 | | Flax | 11,197 |
| | Alfalfa Hay | 4,065 | | Hyola | 652 |
| | Alfalfa Silage | 2,952 | Specialty Crops | Alfalfa Seed | 15,236 |
| | Barley Silage Under Seed | 204 | | Carrots | 161 |
| | Barley Silage | 4,285 | | Dill | 125 |
| | Corn Silage | 13,438 | | Dry Beans | 2,738 |
| | Grass Hay | 9,445 | | Dry Peas | 2,976 |
| | Green Feed | 3,834 | | Faba Beans | 155 |
| | Millet | 70 | | Fresh Corn (Sweet) | 10 |
| | Native Pasture | 1,170 | | Grass Seed | 37 |
| | Oats Silage | 97 | | Hemp | 577 |
| | Tame Pasture | 46,437 | | Lentils | 66 |
| | Timothy Hay | 999 | | Market Gardens | 93 |
| Cereals | Barley | 20,343 | | Mint | 1,375 |
| | CPS Wheat | 2,038 | | Nursery | 409 |
| | Durum Wheat | 297 | | Potato | 4,210 |
| | Grain Corn | 1,566 | | Seed Canola | 9,368 |
| | Hard Spring Wheat | 43,972 | | Seed Potato | 934 |
| | Malt Barley | 752 | | Soy Beans | 543 |
| | Oats | 1,668 | | Sugar Beets | 1,019 |
| | Rye | 157 | | Sunflower | 2,564 |
| | Soft Wheat | 755 | Non Irrigated | Miscellaneous | 0 |
| | Triticale | 3,709 | | Non-Crop | 126 |
| | Winter Wheat | 908 | | Summer Fallow | 802 |

| Total of All Crops As of End of 2012 Water Delivery Season | | |
|---|-----------------|-------------|
| | Crop Class | Total Acres |
| Summary | Forage Crops | 122,884 |
| | Cereal Crops | 76,165 |
| | Oil Seed Crops | 52,175 |
| | Specialty Crops | 42,596 |
| | Non-Irrigated | 928 |
| Total: | | 294,748 |

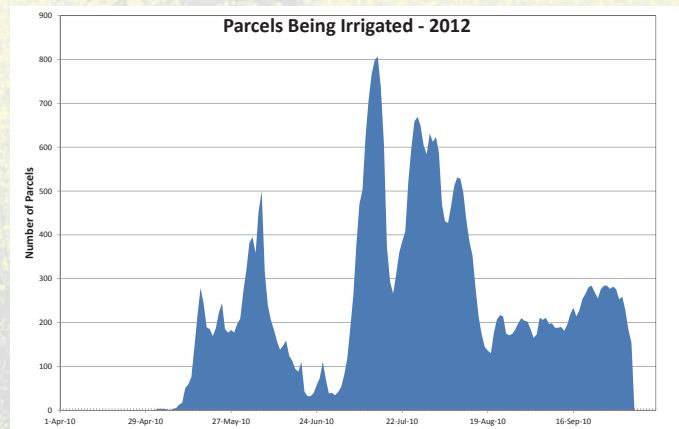
2012 System Water Delivery Summary

As of End of 2012 Water Delivery Season

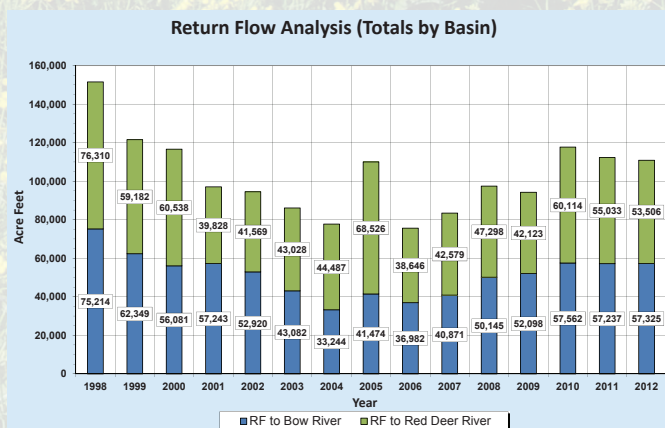
| Block | WDS | Irrigated Area (acres) | Volume Delivered (acre feet) | Water Use/Acre (acre feet/acre) |
|-----------------------------------|----------|------------------------|------------------------------|---------------------------------|
| District N1 Bassano | Beddows | 17,579 | 10,000 | 0.57 |
| District N2 Pitau | Isidoro | 21,221 | 11,400 | 0.54 |
| District N3 Gem | Kroschel | 13,220 | 7,800 | 0.59 |
| District N4 Rosemary | Marshall | 21,868 | 12,300 | 0.56 |
| District N5 Duchess | Kroschel | 20,164 | 12,200 | 0.61 |
| District N6 Cockerill | Leland | 21,121 | 14,100 | 0.67 |
| District N7 Millicent | Slomp | 20,639 | 14,600 | 0.71 |
| District N8 Patricia | Tryhorn | 16,565 | 18,300 | 1.10 |
| District S1 Antelope Creek/Brooks | Syvret | 19,665 | 13,400 | 0.68 |
| District S2 Kitsim | Currie | 18,945 | 13,600 | 0.72 |
| District S3 Bow Slope | Thiessen | 20,788 | 18,000 | 0.87 |
| District S4 Aqueduct/Bantry | Bobinski | 13,467 | 10,100 | 0.75 |
| District S5 Elizabeth | Canning | 15,724 | 11,300 | 0.72 |
| District S6 Tilley | Cleland | 17,905 | 14,200 | 0.79 |
| District S7 Rolling Hills North | Olund | 18,798 | 15,800 | 0.84 |
| District S8 Rolling Hills South | Stout | 17,079 | 11,900 | 0.70 |
| Totals: | | 294,748 | 209,000 | 0.71 |



Rainfall



Parcels Irrigating



Return Flow





Maintenance of Irrigation Works



Sauki Spillway



Pump station at Rolling Hills Reservoir
irrigation development project



D Springhill pipeline

Maintenance of Irrigation Works

The very large runoff in the spring caused a lot of damage to our canal and drainage system. We have repaired most of the damage over the last two years. Our maintenance costs for 2012 were down \$260,000 from 2011, close to our long term average, with less machine hours and culvert costs making up most of this. See table below that summarizes our maintenance works.



Flow meter attached to pvc pipeline

Maintenance of Irrigation Works As of End of 2012 Water Delivery Season

| Maintenance Item | 2008 | 2009 | 2010 | 2011 | 2012 | Average |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Canal cleaning, bank leveling and seeding | 12 km | 7 km | 5 km | 4 km | 2 km | 6 km |
| Drain cleaning, bank leveling and seeding | 18 km | 9 km | 15 km | 13 km | 6 km | 12.2 km |
| Drain and canal clipping | 130 km | 114 km | 135 km | 108 km | 205 km | 138.4 km |
| Gravel armour placed on canal side slopes | 1 km | 1 km | 0 km | 3 km | 1 km | 1.2 km |
| Gravel placed on canal banks | 76 km | 20 km | 36 km | 23 km | 24 km | 35.8 km |
| Canals fenced | 4 km | 6 km | 1 km | 1 km | 0.5 km | 2.5 km |
| Chemical weed control on canal banks | 1,476 km | 1,345 km | 1,452 km | 1,743 km | 1,608 km | 1,524.8 km |
| Mowing of canal banks | 590 km | 460 km | 620 km | 730 km | 1,090 km | 698 km |
| Canal liner installed | 0 km | 0 km | 0 km | 0 km | 0 km | 0 km |
| Road crossing repairs and replacements | 4 | 14 | 10 | 12 | 8 | 9.6 |
| Replacement of farm turnouts | 8 | 15 | 5 | 3 | 3 | 6.8 |
| Flood well to riser conversion (on pipelines) | 21 | 23 | 16 | 12 | 13 | 17 |
| Maintenance Cost | 2008 (9 months) | 2009 | 2010 | 2011 | 2012 | Average |
| Heavy equipment | \$954,114 | \$906,685 | \$1,214,221 | \$1,438,168 | \$1,242,380 | \$1,151,114 |
| Labour | \$586,281 | \$878,219 | \$894,995 | \$869,369 | \$870,124 | \$819,798 |
| Vehicles | \$140,400 | \$180,000 | \$232,462 | \$199,479 | \$186,770 | \$187,822 |
| Repairs to pump stations and control structures | \$102,542 | \$209,443 | \$216,299 | \$152,844 | \$161,165 | \$168,458 |
| Materials (culverts, gates, fence posts, etc.) | \$216,157 | \$375,041 | \$177,450 | \$241,252 | \$150,888 | \$232,157 |
| Chemical for broad leaf weed control | \$65,239 | \$64,871 | \$64,445 | \$75,411 | \$74,829 | \$68,959 |
| Maintenance of buildings and grounds | \$11,546 | \$20,070 | \$37,813 | \$34,891 | \$63,334 | \$33,531 |
| Total Costs: | \$2,076,279 | \$2,634,329 | \$2,837,685 | \$3,011,414 | \$2,749,490 | \$2,661,839 |



Ivan Friesen, Assistant General Manager, Engineering



2012 Rehabilitation

Last year was more of a typical year with both the weather conditions and our rehabilitation program. The District completed 17 large scale projects in 2012 and 7 are being constructed in the fall 2012 / spring 2013 construction period. The District called 1 earthwork tender, 1 concrete tender, and hired out the 2 spillway projects. The remaining projects were constructed with District equipment and crews. Our outlook for the 2013 rehabilitation program will be similar to recent years, with a mix of pipeline, canal and large drain rehabilitation. The District will also be continuing the cooperative drainage program with the County of Newell.

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 2012 the Province provided \$5,875,112 (75%) and the District invested \$1,870,037 (25%). The 2012 expenditures amount to approximately \$6.877 million. The District completed the construction of 16 km of canal in the winter of 2012 and will be rehabilitating 5.8 km of canal and a large cast-in-place structure in the fall 2012/spring 2013 construction period under the IRP program.

| Irrigation Rehabilitation Program (IRP) | | | | | |
|---|-------------------------|----------|------------------------------|--------------------|--------------------|
| Project | Description | Engineer | Contractor | 2012 Project Cost | Total Project Cost |
| Spring | | | | | |
| Various prior year projects | - | - | - | \$700,000 | - |
| Antelope Creek | - | - | - | \$0 | \$42,000 |
| North Bantry Canal (Reach 3) | 16 km canal Rehab. | MPE | Contour | \$5,825,000 | \$6,011,000 |
| Irrigation Water Quality Assessment | - | - | - | \$224,000 | \$419,000 |
| Fall | | | | | |
| Secondary 'B' Springhill | 5.8 km canal rehab. | MPE | Brooks Asphalt and Aggregate | \$97,000 | - |
| 1064 Check/Chute | Cast-in-place Structure | MPE | Charmar | 31,000 | - |
| Total: | | | | \$6,877,000 | |



EID Capital Construction Program

Funds for this program are provided entirely from the District's Irrigation Works Reserve Fund. The 2012 expenditures amount to approximately \$23 million. In 2012 the District completed the installation of 36.7 km of pipeline and 18.8 km of drain rehabilitation. The fall of 2012/spring 2013 will see the construction of approximately 26 km of pipe, and 16.5 km of drain rehabilitation under this program.

EID Capital Construction Program: 2012/2013

| Project | Description |
|-------------------------|-----------------------------|
| D Springhill | 18 km pipeline |
| 21 Springhill | 5 km pipeline |
| 20 Springhill | 1.5 km pipeline |
| 13 and 14 Rolling Hills | 1.5 km pipeline |
| Sauki Spillway | 9 km drain rehabilitation |
| One Tree | 4 km drain rehabilitation |
| Marshall Drain | 3.5 km drain rehabilitation |
| EID/County Drainage | |

EID Capital Construction Program

| Project | Description | Engineer | Contractor | 2012 Project Cost | Total Project Cost |
|---|---------------------------------------|----------|-------------------|---------------------|---------------------|
| 17 Rolling Hills | 2.0 km pipeline | EID | EID | \$328,000 | \$340,000 |
| P Tilley | 2.0 km pipeline | EID | EID | \$904,000 | \$949,000 |
| John Ware (Reach A) | 4.5 km drain rehab. | EID | EID | \$664,000 | \$987,000 |
| South Bantry (Reach A) | 4.4 km drain rehab. | EID | EID | \$2,376,000 | \$3,514,000 |
| One Tree Canal | 7.4 km rehab. | EID | EID | \$2,044,000 | \$2,057,000 |
| Rolling Hills Reservoir Pipeline/Acre Development | 28 km pipeline and pump station (50%) | MPE | EID | \$5,678,000 | \$10,070,000 |
| AH North Bantry | 2.5 km spillway, 4.5 km pipeline | EID | EID | \$3,195,000 | \$3,356,000 |
| 02 C North Branch | 3.5 km pipeline | EID | EID | \$621,000 | \$645,000 |
| 15 East Branch | 2.0 km pipeline | EID | EID | \$348,000 | \$353,000 |
| 05 H West Bantry | 1.1 km pipeline | EID | EID | \$491,000 | \$505,000 |
| 18, 19 and 20 Bow Slope | 1.0 km pipeline | EID | EID | \$287,000 | \$308,000 |
| 03-02 Bow Slope | 1.5 km pipeline | EID | EID | \$120,000 | \$120,000 |
| 01 Main Bantry | 1.3 km pipeline | EID | EID | \$173,000 | \$176,000 |
| 8 Bow Slope | 0.3 km pipeline | EID | EID | \$139,000 | \$139,000 |
| 13 Bow Slope | 3.5 km pipeline | EID | EID | \$1,128,000 | \$1,176,000 |
| Scott Canal Spillway | spillway rehab. | MPE | Miller Excavating | \$223,000 | \$226,000 |
| Bow Slope Spillway | spillway rehab. | MPE | Miller Excavating | \$268,000 | \$270,000 |
| EID/County Drainage | - | EID | EID | \$1,650,000 | - |
| Land Acquisition | - | - | - | \$1,018,000 | - |
| Campground Construction | - | - | - | \$224,000 | - |
| Cost Share Projects | - | - | - | \$346,000 | - |
| 2012 projects | - | - | EID | \$834,000 | - |
| Total: | | | | \$23,059,000 | \$25,191,000 |

Kevin Bridges, Assistant General
Manager, Administration



Financial Report

The Eastern Irrigation District operates under the authority of the Irrigation Districts Act (c. I-11, 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 not for profit organizations as recommended by the Canadian Institute of Chartered Accountants.

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



Canola field



BEVAN AND PARTNERS

CHARTERED ACCOUNTANTS

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Thomas A. (Andy) Rice, CGA
Vanda L. Marcy, CGA
John H. Musgrove, CGA

* denotes professional corporation

AUDITOR'S REPORT

To the Board of Directors of Eastern Irrigation District

Report on the Financial Statements

We have audited the accompanying financial statements of the Eastern Irrigation District, which comprise the statement of financial position as at September 30, 2012, and the statement of operations, and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and 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 statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Irrigation District as at September 30, 2012, and the results of its operations, and changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards.

January 25, 2013
Brooks, Alberta

BEVAN AND PARTNERS

Chartered Accountants

Auditor's Report



Eastern Irrigation District Statement of financial position

As At September 30, 2012



| | General Fund | Irrigation Works Fund | 2012 Total | 2011 Total |
|--|--------------|-----------------------|---------------|---------------|
| ASSETS | | | | |
| Current | | | | |
| Cash | \$10,646,096 | \$9,415,833 | \$20,061,929 | \$19,917,584 |
| Short term deposits (Note 4) | 0 | 1,139,527 | 1,139,527 | 1,854,232 |
| Accounts receivable (Note 5) | 3,150,484 | 343,237 | 3,493,721 | 3,798,064 |
| Materials and supplies | 1,124,495 | 0 | 1,124,495 | 1,377,109 |
| Prepaid expenses | 386,905 | 0 | 386,905 | 377,528 |
| | 15,307,980 | 10,898,597 | 26,206,577 | 27,324,517 |
| Accounts receivable (Note 5) | 0 | 2,377,772 | 2,377,772 | 2,335,551 |
| Investments (Note 6) | 0 | 43,513,836 | 43,513,836 | 45,641,076 |
| Trust funds held (Note 14) | 237,750 | 0 | 237,750 | 244,239 |
| | 15,545,730 | 56,790,205 | 72,335,935 | 75,545,383 |
| Property and Equipment (Note 7) | | | | |
| Buildings and equipment, net | 10,160,779 | 1,323,842 | 11,484,621 | 11,342,200 |
| Irrigation works, net | 0 | 341,265,052 | 341,265,052 | 324,546,713 |
| Land (Note 2) | 0 | 1,606,605 | 1,606,605 | 1,516,794 |
| | 10,160,779 | 344,195,499 | 354,356,278 | 337,405,707 |
| | \$25,706,509 | \$400,985,704 | \$426,692,213 | \$412,951,090 |
| LIABILITIES | | | | |
| Current | | | | |
| Accounts payable | \$1,551,153 | \$758,802 | \$2,309,955 | \$2,744,014 |
| Unearned revenue (Note 2) | 13,622,173 | 93,127 | 13,715,300 | 13,746,907 |
| | 15,173,326 | 851,929 | 16,025,255 | 16,490,921 |
| Trust funds held (Note 14) | 237,750 | 0 | 237,750 | 244,239 |
| Provision for gravel pit closure and post closure (Note 15) | 0 | 682,718 | 682,718 | 596,371 |
| Unearned revenue (Note 2) | 0 | 1,553,474 | 1,553,474 | 809,557 |
| Deferred grants and contributions, net (Note 7) | 35,045 | 119,936,743 | 119,971,788 | 119,814,525 |
| | 15,446,121 | 123,024,864 | 138,470,985 | 137,955,613 |
| Commitments (Note 17) | | | | |
| Contingencies (Note 18) | | | | |
| FUND BALANCES | | | | |
| Invested in property and equipment (Notes 7 & 8) | 10,125,734 | 224,258,756 | 234,384,490 | 217,591,182 |
| Unrestricted (Note 8) | 0 | 0 | 0 | 0 |
| Internally restricted, to be used for future community pasture development (Notes 2 & 8) | 134,654 | 0 | 134,654 | 128,954 |
| Internally restricted, to be used for future irrigation works additions (Notes 2 & 8) | 0 | 43,138,152 | 43,138,152 | 47,717,300 |
| Externally restricted by the Province of Alberta, to be used for future irrigation works additions (Notes 2 & 8) | 0 | 10,563,932 | 10,563,932 | 9,558,041 |
| | 10,260,388 | 277,960,840 | 288,221,228 | 274,995,477 |
| | \$25,706,509 | \$400,985,704 | \$426,692,213 | \$412,951,090 |

| | General Fund | Irrigation Works Fund | 2012 Total | 2011 Total |
|---|--------------|-----------------------|---------------|---------------|
| REVENUE | | | | |
| WATER EARNINGS | | | | |
| Water conveyance agreements | \$486,813 | \$0 | \$486,813 | \$449,653 |
| Oil and gas drilling water | 328,167 | 0 | 328,167 | 587,410 |
| Penalties | 2,478 | 0 | 2,478 | 1,148 |
| Irrigation rates (Note 9) | 0 | 0 | 0 | 0 |
| | 817,458 | 0 | 817,458 | 1,038,211 |
| Less discounts allowed | (59,810) | 0 | (59,810) | (57,710) |
| | 757,648 | 0 | 757,648 | 980,501 |
| LEASE REVENUE AND COMPENSATION | | | | |
| Oil and gas well leases | 21,484,288 | 0 | 21,484,288 | 20,094,399 |
| Right of entry and initial consideration - oil and gas | 2,198,704 | 0 | 2,198,704 | 2,312,948 |
| Oil and gas administration fees | 78,420 | 0 | 78,420 | 73,650 |
| Right of entry and initial consideration - powerlines | 512,708 | 0 | 512,708 | 2,694,735 |
| Powerlines | 63,142 | 0 | 63,142 | 0 |
| Community grazing leases | 962,312 | 0 | 962,312 | 916,333 |
| Irrigated leases | 419,854 | 0 | 419,854 | 211,463 |
| Private grazing leases | 189,917 | 0 | 189,917 | 166,283 |
| Other lease revenues | 52,914 | 0 | 52,914 | 95,671 |
| OTHER REVENUE | | | | |
| Amortization of deferred grants and contributions | 0 | 5,713,956 | 5,713,956 | 5,573,933 |
| Investment income | 217,699 | 1,365,032 | 1,582,731 | 2,040,026 |
| Gain (loss) on sale of land, equipment and buildings | 120,694 | 476,560 | 597,254 | 204,213 |
| Capital asset charges, net | 0 | 147,000 | 147,000 | 590,950 |
| Gravel royalties and miscellaneous | 0 | 110,406 | 110,406 | 120,568 |
| | 27,058,300 | 7,812,954 | 34,871,254 | 36,075,673 |
| EXPENSES | | | | |
| Amortization of irrigation works and buildings | 0 | 13,362,978 | 13,362,978 | 12,639,238 |
| Operations and administration (Schedule 1) | 6,902,646 | 0 | 6,902,646 | 6,992,906 |
| Community grazing expenses (Note 10) | 798,659 | 0 | 798,659 | 838,480 |
| | 7,701,305 | 13,362,978 | 21,064,283 | 20,470,624 |
| Revenue over expenses (Deficiency), before special projects | 19,356,995 | (5,550,024) | 13,806,971 | 15,605,049 |
| Special projects, net (Note 12) | (378,215) | 0 | (378,215) | (653,571) |
| EIDNet, net (Note 13) | (203,005) | 0 | (203,005) | (352,801) |
| REVENUE OVER EXPENSES (DEFICIENCY) | 18,775,775 | (5,550,024) | 13,225,751 | 14,598,677 |
| TRANSFER TO IRRIGATION WORKS FUND | (18,509,382) | 18,509,382 | 0 | 0 |
| FUND BALANCES, BEGINNING OF YEAR | 9,993,995 | 265,001,482 | 274,995,477 | 260,396,800 |
| FUND BALANCES, END OF YEAR | \$10,260,388 | \$277,960,840 | \$288,221,228 | \$274,995,477 |

Eastern Irrigation District

Statement of operations and changes in fund balances

For The Year Ended September 30, 2012



Eastern Irrigation District Statement of cash flows

For The Year Ended September 30, 2012



| | General Fund | Irrigation Works Fund | 2012 Total | 2011 Total |
|---|--------------|-----------------------|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Revenue from water operations | \$757,648 | \$0 | \$757,648 | \$980,501 |
| Compensation from oil and gas operations | 23,761,412 | 0 | 23,761,412 | 22,480,997 |
| Compensation from powerline operations | 575,850 | 0 | 575,850 | 2,694,735 |
| Revenue from lease operations | 1,624,997 | 0 | 1,624,997 | 1,389,750 |
| Capital asset charges, net | 0 | 147,000 | 147,000 | 590,950 |
| Cash receipts from gravel royalties and miscellaneous | 0 | 110,406 | 110,406 | 120,568 |
| Operations and administration expenses (Schedule 1) | (6,902,646) | 0 | (6,902,646) | (6,992,906) |
| Community grazing expenses (Note 10) | (798,659) | 0 | (798,659) | (838,480) |
| Add: Amortization in expenses, not using cash | 1,375,220 | 0 | 1,375,220 | 1,225,101 |
| Net cash expenditure on special projects (Note 12) | (378,215) | 0 | (378,215) | (653,571) |
| Net cash expenditure on EIDNet | 663 | 0 | 663 | (133,035) |
| Investment income | 217,699 | 1,365,032 | 1,582,731 | 2,040,026 |
| Change in non-cash current assets and liabilities | 275,965 | 975,165 | 1,251,130 | (808,283) |
| | 20,509,934 | 2,597,603 | 23,107,537 | 22,096,353 |
| CASH FLOWS USED IN FINANCING AND INVESTING ACTIVITIES | | | | |
| Grants from Province of Alberta | 0 | 5,875,112 | 5,875,112 | 5,875,755 |
| Proceeds on sale of land, buildings and equipment | 542,486 | 487,519 | 1,030,005 | 656,912 |
| Purchase of land, buildings and equipment | (1,812,849) | (132,520) | (1,945,369) | (1,947,097) |
| Pasture development and reseeded (Note 11) | (448,524) | 0 | (448,524) | (389,319) |
| Expenditures on irrigation works (Note 7) | 0 | (29,935,188) | (29,935,188) | (31,659,536) |
| Change in non current accounts receivable | 0 | (42,222) | (42,222) | 1,329,474 |
| Change in irrigation works unearned revenue | 0 | (146,354) | (146,354) | (230,038) |
| Proceeds on sale of investments | 0 | 9,044,584 | 9,044,584 | 19,002,589 |
| Purchase of investments | 0 | (6,917,344) | (6,917,344) | (7,307,777) |
| Change in provision for gravel pit closure and post closure (Note 15) | 0 | 86,347 | 86,347 | 3,327 |
| Change in irrigation works accounts payable | 0 | (278,944) | (278,944) | 329,385 |
| | (1,718,887) | (21,959,010) | (23,677,897) | (14,336,325) |
| NET INCREASE (DECREASE) IN CASH | 18,791,047 | (19,361,407) | (570,360) | 7,760,028 |
| Cash, beginning of year | 10,364,431 | 11,407,385 | 21,771,816 | 14,011,788 |
| Transfer from general fund | (18,509,382) | 18,509,382 | 0 | 0 |
| CASH, END OF YEAR | \$10,646,096 | \$10,555,360 | \$21,201,456 | \$21,771,816 |
| Cash is comprised of: | | | | |
| Cash | \$10,646,096 | \$9,415,833 | \$20,061,929 | \$19,917,584 |
| Short term deposits | 0 | 1,139,527 | 1,139,527 | 1,854,232 |
| | \$10,646,096 | \$10,555,360 | \$21,201,456 | \$21,771,816 |

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, Revised Statutes of Alberta 2000.

2. Accounting Policies

The financial statements have been prepared in accordance with the restricted method of fund 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, EIDNet 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.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires 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 years could be significant. Significant areas requiring use of management estimates relate to the useful lives of assets for amortization purposes, provision for gravel pit closure and post closure costs and the amount of allowance required for uncollectible accounts receivable.

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 (except for grazing pasture reseeding which uses the straight-line method) at rates intended to amortize the cost of these assets over their estimated useful lives. The annual rates are as follows:

| | |
|------------------------------|-----|
| Computer and radio equipment | 25% |
| Mobile equipment | 20% |
| Agricultural equipment | 15% |
| Buildings | 10% |
| Other equipment | 10% |
| Grazing pasture reseeding | 7% |

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 were 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 cost being determined on a first-in, first-out basis.





2. Accounting Policies (continued)

Financial Instruments

The District's financial instruments consist of cash, short term deposits, accounts receivable, investments and accounts payable. The carrying amounts of these 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.

The District's financial assets and liabilities are generally classified and measured as follows:

| | | |
|---------------------------|-----------------------|----------------|
| Cash | Held for trading | Fair Value |
| Short term deposits | Held for trading | Fair Value |
| Investments | Held for trading | Fair Value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Accounts Payable | Other liabilities | Amortized cost |
| Other accrued liabilities | Other liabilities | Amortized cost |

Unearned Revenue

Annual compensation related to oil and gas well leases is charged to the lessee 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 Statement of Financial Position as unearned revenue.

The outstanding balance from land sale agreements is reflected on the Statement of Financial Position as unearned revenue. Land sale revenue is recognized in the period in which the payment is received.

Pension Plan

The District is a member of the Local Authorities Pension Plan, a multi-employer defined benefit pension plan. This Plan is accounted for by the defined contribution method.

Deferred Grants and Contributions

Grants and contributions from third parties received to finance construction of irrigation works and the EIDNet towers and sector radios are deferred and amortized to income on the same basis as the irrigation works and the EIDNet assets to which they relate. Amortization of deferred grants related to irrigation works is provided on a straight-line basis over a 40 year period. Amortization of deferred grants related to EIDNet assets is provided using the declining balance method (sector radios at 25%; towers at 10%).

Gravel Pit Closure and Post Closure Liability

Pursuant to the Alberta Environmental Protection and Enhancement Act, the District is required to fund the closure of its gravel pits and provide for post closure care. Closure and post closure activities include contouring the site, replacing the soil, re-establishing vegetation and submitting the final reclamation report. The accrued liability is based on an estimate of future costs.

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.

Community pasture development - monies to be used for future improvements or expansion of community grazing pastures.

Externally Restricted Net Assets

Funds received from the Province of Alberta must be used for specific cost share irrigation projects. These monies and interest earned on their investment are disclosed separately as externally restricted net assets.

3. Local Authorities Pension Plan

Employees of the District participate in the Local Authorities Pension Plan (LAPP), which is covered by the Public Sector Pension Plans Act. The Plan serves about 214,328 people and 423 employers. It is financed by employer and employee contributions and investment earnings of the LAPP fund. The District is required to make current service contributions to the Plan of 9.91% of pensionable earnings up to the Canada Pension Plan's Maximum Pensionable Earnings and 13.74% for the excess. Total current service contributions by the District to the Local Authorities Pension Plan in 2012 were \$596,233 (2011 - \$542,996). Total current service contributions by the employees of the District to the Local Authorities Pension Plan in 2012 were \$545,432 (2011 - \$494,705). At December 31, 2011, the Plan disclosed an actuarial deficiency of \$4.6 billion (December 31, 2010 - \$4.6 billion).

4. Short Term Deposits

Short term deposits maturing in the next 90 days include GICs, term deposits and bonds at interest rates varying from 1.80% to 5.10% (2011 - 1.20% to 5.15%). At year end these deposits have an average annual interest rate of 4.60% and will mature within the next 90 days.

5. Accounts Receivable

Accounts receivable consist of:

| | 2012 | 2011 |
|---------------------------------------|--------------------|--------------------|
| Property and equipment | \$1,652,757 | \$1,825,844 |
| Lease rentals and seismic | 1,444,661 | 1,640,415 |
| Sundry debtors | 1,228,001 | 597,105 |
| Reclassification agreements | 1,012,093 | 1,821,243 |
| Water rates and charges | 317,627 | 92,186 |
| Water conveyance agreements | 166,645 | 157,520 |
| Gravel and dirt | 56,159 | 6,866 |
| Less: Allowance for doubtful accounts | (6,450) | (7,564) |
| | <u>\$5,871,493</u> | <u>\$6,133,615</u> |
| Accounts receivable - current | \$3,493,721 | \$3,798,064 |
| Accounts receivable - non current | 2,377,772 | 2,335,551 |
| | <u>\$5,871,493</u> | <u>\$6,133,615</u> |

6. Investments

Investments consist of:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Term deposits | \$15,037,603 | \$16,710,879 |
| Provincial utility bonds | 14,409,179 | 14,210,199 |
| Corporate bonds | 11,790,467 | 12,493,101 |
| Provincial government bonds | 2,173,213 | 2,126,106 |
| Credit union common shares | 103,374 | 100,791 |
| | <u>\$43,513,836</u> | <u>\$45,641,076</u> |
| Approximate market value at September 30 | <u>\$43,513,836</u> | <u>\$45,641,076</u> |

The District adjusted the book value of its investments to market value on September 30.

Disclosure and presentation of the investments is intended to reflect the unrealized gains and losses as if the investments had been sold. The District's investments are high quality bonds and term deposits that, if held to maturity, will be redeemed at face value and will return the yield that was locked in at the time of purchase.





7. Property and Equipment

| | Cost | Accumulated Amortization | 2012 Net | 2011 Net |
|---|------------------------|--------------------------------|----------------------|----------------------|
| General Fund: | | | | |
| Equipment | \$15,957,092 | \$8,138,417 | \$7,818,675 | \$7,825,859 |
| Community pasture reseeding | 3,163,240 | 821,136 | 2,342,104 | 2,078,121 |
| Irrigation Works Fund: | | | | |
| Buildings | 6,632,508 | 5,308,666 | 1,323,842 | 1,438,220 |
| Irrigation works | 533,905,355 | 192,640,303 | 341,265,052 | 324,546,713 |
| Land | 1,606,605 | 0 | 1,606,605 | 1,516,794 |
| | <u>\$561,264,800</u> | <u>\$206,908,522</u> | <u>354,356,278</u> | <u>337,405,707</u> |
| Deferred grants and contributions | <u>(\$230,130,582)</u> | <u>\$110,158,794</u> | <u>(119,971,788)</u> | <u>(119,814,525)</u> |
| Net assets invested in property and equipment | | | <u>\$234,384,490</u> | <u>\$217,591,182</u> |
| Changes in irrigation works assets, net of amortization are as follows: | | | 2012 | 2011 |
| Beginning of year | | | \$324,546,713 | \$305,373,946 |
| Additions to irrigation works: | | | | |
| District projects | | | 22,040,850 | 19,477,417 |
| Province of Alberta cost share projects | | | 6,876,406 | 11,649,283 |
| Survey costs and easements | | | 1,017,932 | 532,836 |
| Amortization | | | (13,216,849) | (12,486,769) |
| End of year | | | <u>\$341,265,052</u> | <u>\$324,546,713</u> |
| Changes in deferred grants and contributions, net of amortization are as follows: | | | 2012 | 2011 |
| Beginning of year | | | \$119,814,525 | \$119,531,057 |
| Contributions from third parties | | | 5,875,112 | 5,875,755 |
| Amortization | | | (5,717,849) | (5,592,287) |
| End of year | | | <u>\$119,971,788</u> | <u>\$119,814,525</u> |
| Current year additions to irrigation works are as follows: | | | | |
| | District | Province of Alberta Cost Share | 2012 Total | 2011 Total |
| External Charges: | | | | |
| Materials and supplies | \$7,427,394 | \$658,540 | \$8,085,934 | \$11,915,138 |
| Contract services | 2,245,656 | 5,452,682 | 7,698,338 | 5,872,046 |
| Equipment and other services | 7,347,667 | 333,362 | 7,681,029 | 7,310,449 |
| Contract services - engineering | 367,289 | 266,818 | 634,107 | 838,310 |
| Internal Charges: | | | | |
| Equipment recovery | 3,105,834 | 70,189 | 3,176,023 | 3,496,255 |
| Labour recovery - other | 1,106,023 | 72,907 | 1,178,930 | 1,205,578 |
| Labour recovery - engineering | 440,987 | 21,908 | 462,895 | 488,924 |
| | <u>\$22,040,850</u> | <u>\$6,876,406</u> | <u>\$28,917,256</u> | <u>\$31,126,700</u> |

8. Continuity of Fund Balances

| | Invested in Property and Equipment | Unrestricted Funds | Internally Restricted Funds - Pasture Development | Internally Restricted Funds - Irrigation Works | Externally Restricted Funds - Province of Alberta | Total Fund Balances |
|--|--|-----------------------|--|---|--|------------------------|
| Beginning of year | \$217,591,182 | \$0 | \$128,954 | \$47,717,300 | \$9,558,041 | \$274,995,477 |
| Assets received from Province of Alberta | (5,875,112) | 0 | 0 | 0 | 5,875,112 | 0 |
| District contribution to cost share projects | 0 | 0 | 0 | (1,870,037) | 1,870,037 | 0 |
| Additions to property and equipment, net | 31,896,331 | (1,839,581) | 0 | (23,180,344) | (6,876,406) | 0 |
| Revenue over expenses (Deficiency) allocated | (9,227,911) | 20,354,663 | 0 | 1,961,851 | 137,148 | 13,225,751 |
| Transfer to (from) community pasture development reserve | 0 | (5,700) | 5,700 | 0 | 0 | 0 |
| Transfer to irrigation works fund from operations | 0 | (18,509,382) | 0 | 18,509,382 | 0 | 0 |
| End of year | \$234,384,490 | \$0 | \$134,654 | \$43,138,152 | \$10,563,932 | \$288,221,228 |

The Board of Directors has authorized the transfer of \$18,509,382 from current year operations to internally restricted funds to be used for future irrigation works additions and \$5,700 for community pasture development. As well, authorization was given to use \$1,870,037 of internally restricted funds to pay for the District's 25% share of Province of Alberta cost share projects.

9. Irrigation Rates

Irrigation rates consist of:

288,905 acres at \$0 per acre
 5,715 acres at \$0 per acre terminable
 Minimum parcel rates and adjustments

| | 2012 | 2011 |
|--|------|------|
| | \$0 | \$0 |
| | 0 | 0 |
| | 0 | 0 |
| | \$0 | \$0 |

10. Community Grazing Expenses

Community grazing expenses consist of:

Amortization of equipment and reseeded pastures
 Fences
 Property taxes
 Water
 Pasture management fees
 Fire guards
 Irrigated pastures
 Swing fields and miscellaneous

| | 2012 | 2011 |
|--|-----------|-----------|
| | \$203,462 | \$172,390 |
| | 152,949 | 154,050 |
| | 149,339 | 143,592 |
| | 131,644 | 69,616 |
| | 99,257 | 91,502 |
| | 35,810 | 28,322 |
| | 17,583 | 168,344 |
| | 8,615 | 10,664 |
| | \$798,659 | \$838,480 |

11. Community Grazing Property and Equipment Expenditures

Property and equipment expenditures include:

Pasture development and reseeded
 Grazing water pipeline and improvements

| | 2012 | 2011 |
|--|-----------|-----------|
| | \$406,765 | \$361,651 |
| | 41,759 | 27,668 |
| | \$448,524 | \$389,319 |





12. Special Projects

| | 2012 | 2011 |
|---|-------------|-------------|
| Revenue: | | |
| Campgrounds | \$336,270 | \$283,601 |
| Expenses: | | |
| Campgrounds | (269,718) | (243,993) |
| Farm improvement program | (202,840) | (120,720) |
| Partners in Habitat Development | (100,000) | (100,000) |
| Brooks Regional Ballpark donation | (100,000) | 0 |
| Environmental remediation - old truck shop property | (41,927) | (458,383) |
| Soil testing | 0 | (12,181) |
| EID's 75 th anniversary | 0 | (1,895) |
| Deficiency | (\$378,215) | (\$653,571) |

13. EIDNet

| | 2012 | 2011 |
|---|-------------|-------------|
| Revenue: | | |
| Wireless subscription and miscellaneous revenue | \$545,111 | \$441,786 |
| Customer installation fees | 46,283 | 50,246 |
| Amortization of deferred grant | 3,894 | 18,354 |
| Total Revenue | 595,288 | 510,386 |
| Expenses: | | |
| Wages and operating costs | (432,432) | (437,346) |
| Amortization | (207,562) | (238,120) |
| Telecommunications and bandwidth | (91,374) | (89,408) |
| Customer installation expenses | (66,925) | (98,313) |
| Total Expenses | (798,293) | (863,187) |
| Deficiency | (\$203,005) | (\$352,801) |

14. Trust Funds Held

Trust funds held include \$40,077 (2011 - \$47,322) in the Carl Anderson fund plus \$197,673 (2011 - \$196,917) for the Partners in Habitat Development program. The Carl Anderson fund's principal and annual interest earnings will be disbursed to local libraries over 10 years beginning in 2008 and ending in 2017. The District manages and administers habitat development work for the Partners in Habitat Development program and the funds held will be spent on that program.

15. Provision for Gravel Pit Closure and Post Closure

| | 2012 | 2011 |
|------------------------|-----------|-----------|
| Beginning of year | \$596,371 | \$593,044 |
| Contributions | 86,347 | 112,733 |
| Reclamation activities | 0 | (109,406) |
| End of Year | \$682,718 | \$596,371 |

16. Related Party Transactions

The members of the District's board of directors are related parties by virtue of their influence. The District entered into transactions with the Directors in the normal course of business and on the same terms as are applicable to transactions with unrelated parties.

These transactions are recorded at their fair value, as follows:

| | 2012 | 2011 |
|---|----------|----------|
| Amounts included in accounts receivable at year end: | | |
| Reclassification loans (5 year term) | \$27,306 | \$26,640 |
| Sundry debtors | 8,866 | 0 |
| Amounts included in accounts payable at year end: | | |
| Manure spreading | (8,710) | 0 |
| Deposits | (5,000) | 0 |
| Prepaid rent | (3,125) | (10,000) |
| Prepaid EIDNet Fees | (635) | (1,108) |
| Revenue: | | |
| Private grazing, irrigated lease fees and cost recoveries | 20,163 | 1,883 |
| Irrigation works constructed by the District | 11,437 | 7,584 |
| EIDNet fees | 2,251 | 2,394 |
| Reclassification loan payments | 666 | 10,656 |
| Other revenues | 830 | 845 |
| Expenses: | | |
| Salaries and benefits | (11,600) | 0 |
| Manure spreading, baling hay and miscellaneous services | (10,060) | (75,949) |
| Scholarships | (2,000) | 0 |
| Rights-of-way purchased by the District | (353) | (327) |
| Farm improvement program | 0 | (9,240) |

Commitment:

A 281 acre irrigated lease, with a 10 year term commencing January 1, 2012 and ending December 31, 2021, is held by a Director. The contract contains an option to purchase provision for \$730,000. The annual rent was \$9,375 in 2012 will be \$30,500 in 2013 and \$36,500 in each year thereafter. This contract was arrived at by public auction and it contains the same terms and conditions as similar leases held by unrelated parties.

17. Commitments

Uncompleted contracts:

The District has commitments in an estimated amount of \$39,830 (2011 - \$7,255,478) in respect of uncompleted work under contracts on approved projects.

The District has entered into agreements to sell land and buildings which, if all sale conditions are satisfied and the sales are completed as expected, will result in gross sale proceeds of approximately \$2,623,640 (2011 - \$1,871,640).

Leases with option to purchase provisions:

The District has leased 28 parcels of land for irrigation development purposes. The lease agreements have a 10 year term and contain an option to purchase provision which can be exercised between the 5th and 10th years of the term. Revenue and any gain from the sale of these parcels will be recognized if or when the option is exercised.

18. Contingencies

The District is currently party to the following disputes:

- A dispute over ownership of sand, rock and gravel resources, the results of which can not be determined.
- A dispute over a claim for an easement on land, the results of which cannot be determined.

There is still some contamination at the old truck shop location. The cost of remediation, if required, cannot be determined at this time.

19. Comparative Amounts

Certain of the comparative amounts presented in these financial statements have been reclassified to conform to the presentation adopted in the current year.

20. Approval of Financial Statements

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





Schedule of operations & administration expenses


For The Year Ended September 30, 2012

| | Equipment Pool | Maintenance | Water Delivery | EID Land Administration | Administration and General | 2012 Total | 2011 Total |
|------------------------------------|----------------|-------------|----------------|-------------------------|----------------------------|-------------|-------------|
| Salaries and benefits | | | | | | | |
| Salaries | \$1,897,956 | \$846,872 | \$1,523,572 | \$290,709 | \$1,167,657 | \$5,726,766 | \$5,597,940 |
| Pension plans | 221,872 | 68,730 | 216,139 | 56,416 | 183,975 | 747,132 | 697,124 |
| Group insurance | 73,419 | 22,520 | 73,944 | 18,917 | 58,219 | 247,019 | 236,607 |
| Employment insurance and WCB | 69,743 | 19,515 | 63,408 | 21,726 | 46,625 | 221,017 | 172,458 |
| Equipment | | | | | | | |
| Equipment rent (recovery), net | 0 | 1,242,379 | 67,195 | 0 | 0 | 1,309,574 | 1,468,271 |
| Amortization of equipment | 1,060,207 | 0 | 0 | 0 | 111,552 | 1,171,759 | 1,052,711 |
| Vehicle expense (recovery), net | (205,877) | 238,360 | 422,746 | 63,309 | 81,429 | 599,967 | 631,467 |
| Heavy equipment expense | 218,604 | 0 | 0 | 0 | 0 | 218,604 | 245,631 |
| Other | | | | | | | |
| Irrigation pumps and structures | 0 | 233,280 | 266,603 | 0 | 0 | 499,883 | 379,928 |
| Materials and supplies | 158,031 | 220,096 | 113,260 | 0 | 0 | 491,387 | 561,445 |
| Buildings and grounds | 82,120 | 49,664 | 61,139 | 23,026 | 63,069 | 279,018 | 293,219 |
| Insurance | 126,497 | 8,876 | 40,908 | 0 | 50,057 | 226,338 | 219,333 |
| Advertising and promotion | 769 | 0 | 0 | 10,796 | 168,788 | 180,353 | 142,631 |
| Office supplies and maintenance | 0 | 0 | 0 | 0 | 161,985 | 161,985 | 148,613 |
| Directors per diems and CPP | 0 | 0 | 0 | 0 | 152,083 | 152,083 | 119,813 |
| Professional fees | 0 | 0 | 0 | 3,048 | 104,197 | 107,245 | 104,283 |
| Telephone | 9,268 | 4,794 | 30,537 | 3,759 | 25,182 | 73,540 | 90,172 |
| Association fees | 0 | 0 | 0 | 0 | 62,715 | 62,715 | 61,793 |
| Directors expenses | 0 | 0 | 0 | 0 | 60,163 | 60,163 | 48,024 |
| Miscellaneous and freight | 462 | 1,846 | 2,017 | 475 | 18,437 | 23,237 | 28,908 |
| Shop supplies and small tools | 14,275 | 3,776 | 1,781 | 0 | 0 | 19,832 | 5,532 |
| Private and irrigated leases | 0 | 0 | 0 | 16,312 | 0 | 16,312 | 13,284 |
| Travel | 195 | 0 | 0 | 476 | 9,993 | 10,664 | 10,360 |
| Total expenses | 3,727,541 | 2,960,708 | 2,883,249 | 508,969 | 2,526,126 | 12,606,593 | 12,329,547 |
| Less: | | | | | | | |
| Recovery from capital construction | (4,079,249) | (211,218) | (831,504) | 0 | (581,976) | (5,703,947) | (5,336,641) |
| | (\$351,708) | \$2,749,490 | \$2,051,745 | \$508,969 | \$1,944,150 | \$6,902,646 | \$6,992,906 |

Eastern Irrigation District
P.O. Bag 8
550 Industrial Road West
Brooks, Alberta
Canada T1R 1B2



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