WESTERN IRRIGATION DISTRICT

2007
ANNUAL REPORT

ANNUAL MEETING

April 2, 2008 — 1:30 P.M.
Strathmore Travelodge
350 Ridge Road, Strathmore

PLEASE BRING THIS REPORT WITH YOU TO THE MEETING

FINANCIAL STATEMENT AND ANNUAL REPORT 2007

TABLE OF CONTENTS

Notice of Annual Meeting ..... Page 2

Chairman's Report ..... Page 3

Mission Statement ..... Page 4

Board of Directors ..... Page 4

General Manager's Report ..... Page 5

Operations & Maintenance Activities ..... Page 6

Water Delivery ..... Page 8

Irrigation Rehabilitation Program (IRP) ..... Page 9

Seepage Control Plan ..... Page 12

Crop Data Summary ..... Page 13

Irrigation Acres Movement within the District ..... Page 14

Western Irrigation District Organizational Chart ..... Page 15

Minutes of April 4, 2007 Annual Meeting ..... Page 16

Gregory, Harriman & Associates Professional Accountants
Financial Statements ..... Page 20

Form 1 NOTICE OF ANNUAL MEETING

Irrigation Districts Act Forms Regulations (Section 45(2)(b))

Take Note that the annual meeting of the Irrigators of the Western Irrigation District will be held at the Strathmore Travelodge, Strathmore, Alberta on the 2nd day of April 2008 at 1:30 p.m. to:

(a) Present annual reports of:
  (i) the chair on behalf of the Board,
  (ii) the manager,
  (iii) the auditor of the district, and
  (iv) the maintenance of irrigation works for the district, and,
(b) to conduct any other business.

James Webber
General Manager

NOTICE OF ELECTION

Irrigation Districts Act (Section 53)
Local Authorities Election Act (Section 35, 46)

WESTERN IRRIGATION DISTRICT in the PROVINCE OF ALBERTA

Notice is hereby given that an election will be held for the filling of the following offices:

Office(s)	Number of Vacancies	Division Number
Director	1	2
Director	1	5

Only those irrigators of the District can vote whose majority of irrigation acres fall within Electoral Division 2, which comprises Townships 22, 23 and 24 in Ranges 23 and 24 and Township 24 in Range 25 or within Electoral Division 5, which comprises Townships 25, 26 and 27 in Ranges 21, 22, 23 and 24

Voting will take place on the 2nd day of April 2008, between the hours of 10:00 am and 8:00 pm. The voting station will be located at the Western Irrigation District office at 105—900 Pine Road, Strathmore, Alberta.

James Webber
Returning Officer

Voter Information for Poll

Irrigation Districts Act, Section 56:

(2) A person is eligible to vote at an election of the district only if that person is
  a) an irrigator recorded on the most recent assessment roll of the district as an irrigator of that district, or
  b) appointed under a written authorization as an agent for a body corporate that is an irrigator of the district to vote on behalf of the body corporate.
(3) An irrigator may cast only one vote at an election.
(4) Notwithstanding subsection (3), an irrigator may also cast a vote on behalf of a body corporate if that irrigator is appointed as an agent for the body corporate in accordance with subsection (2)(b).
(5) Where more than one irrigator is the owner of one or more parcels, the number of irrigators who may vote may not exceed the number of parcels.
(6) An irrigator may vote in any voting subdivision of the district or electoral division, as the case may be, if
  (a) the irrigator's name appears on the list of electors for the district or electoral division, or
  (b) the irrigator makes a statement in the form prescribed in the regulations in the presence of an officer at the voting station that the irrigator is eligible to vote as an elector in the district or electoral division.

An Irrigator**:**

Section (1)(x): "irrigator" means an owner of a parcel with irrigation acres.

Section 57(3):
"an irrigator must vote in the electoral division in which that irrigator has irrigation acres, or if that irrigator has irrigation acres in more than one electoral division, the division in which the irrigator has the largest number of irrigation acres."

Note:
In the event that there is only one nomination for an electoral division, the nominee becomes elected by acclamation and balloting becomes unnecessary.

Irrigators who are not sure which division applies to their lands, may check the listing of polling divisions contained in this announcement, or may contact the office of the Western Irrigation District.

CHAIRMAN'S REPORT

2007 was another good year financially. It is good to earn more than you spend, but with $230 million required to complete the rehabilitation of the District, it is a small gain. All gains go to the rebuilding of the canal system; this is still a not for profit organization. We constantly look for ways to accelerate the rebuilding program.

In 2007, the WID strongly focused on the water conservation ethic as a way to increase the rehabilitation progress. An opportunity arose with the Municipal District of Rocky View who was short of water for their Balzac developments. The WID struck a deal where the MD would provide the capital for the South Cluny pipeline project for a share in the water savings. The Irrigation Districts Act process required a plebiscite first, and we thank you for the input and debate that resulted. There was a strong turnout with 57% voting in favor of granting the 2,000 acft Water License transfer to the MD. That was followed by the public processes of the Water Act, and the Alberta Environmental Appeal Board. The year of 2007 may be remembered as the year of the water transfer.

It may be the last permanent transfer as the process was so onerous, there has to be a simpler way. We accept the challenge that the Irrigation District License has to go further, and support other users. Through conservation the WID can capture surplus water volumes from it's spillways and stormwater. At the same time we can improve the service and security to its existing irrigation users. It won't be given free, water conservation has to be engineered and constructed. The urban marketplace can assist by supplying new financial capital. Those who gain will be expected to put up the investment. If done right we will all gain, and our region will enjoy the continued economic growth.

It was our hope that at the closing of 2007, the WID Federal License issue would have closure. After 11 years, it has been a source of aggravation. An agreement, which involved compromises has been discussed and would be sufficient to bring matters to a close. I appreciate that the province may have come to the same view. This is the time for reality, to put those past errors behind us, and focus on tomorrow's challenges.

I would like to close with a thanks to my Board of Directors and Staff for an excellent job in continuing the improvements to the WID.

Submitted on behalf of the Board of Directors,

Chairman

MISSION STATEMENT

To provide a reliable delivery system to water users in an efficient manner.

BOARD OF DIRECTORS:

From Left to Right

Director: Dan Shute **Vice Chairman:** Wayne Risdon **Chairman:** Henry Colpoys

Director: Dale Dolphin **Director:** Dale Dahm

Electoral Divisions of the Western Irrigation District

Division 1 – Dale Dolphin – Term expires 2010
Townships 21, 22, 23 and 24 in Ranges 20, 21 and 22

Division 2 – Henry Colpoys – Term expires 2008
Townships 22, 23 and 24 in Ranges 23 and 24 and Township 24 in Range 25

Division 3 – Wayne Risdon – Term expires 2009
Townships 21, 22 and 23 in Ranges 25, 26, 27 and 28 and Township 23 in Range 29

Division 4 – Dan Shute – Term expires 2010
Township 24 in Ranges 26, 27 and 28 and Townships 25, 26 and 27 in Ranges 25, 26, 27 and 28

Division 5 – Dale Dahm – Term expires 2008
Townships 25, 26 and 27 in Ranges 21, 22, 23 and 24

GENERAL MANAGER'S REPORT

Stormwater has been a strong focus for the District these last two years. In 2007, it was more of the same. The wet months of May and June provided for a large stormwater addition from Calgary and Chestermere. Up to the start of July, the WID was mostly operating as a stormwater utility. A timely study was completed entitled "Western Irrigation District: Stormwater Guidelines". In previous years we have expressed concerns for the rate of urban growth that seeks canals for stormwater releases. The previous ad hoc style of approvals will now be replaced with taxing requirements for volume control and water quality conditions. If the development cannot meet those requirements, then it will have to address disposal in some other fashion away from canals. WID will accept stormwater if the release can be controlled, and when the water quality is upgraded to irrigation quality. WID will not accept a lesser standard.

An engineering evaluation in 2005 estimated it would take $130 million to complete the rehabilitation of the WID. In today's dollars it would take $230 million to rehab our works. To ensure that the WID total system is here in perpetuity, it would require a provision of 2% annually on an estimated replacement value of $300 million. This would amount to $6 million per year, each and every year. In 2007, we spent $4.7 million in IRP rehabilitation and $330,000 on District works . In the next three years, we will spend $9 million per year in system upgrades thanks to the water transfer to the MD of Rocky View. It does put the current "surplus" into perspective and demonstrates that it has to be constantly reinvested back into the canals to maintain the system integrity. This is a not for profit organization and all we earn will go back into the system. The WID cannot afford to become complacent. New funding sources are constantly sought, and new services to new customers will be created. It is a fact that farming alone cannot support the costs of the system. New customers are required to create revenue and to share that financial burden.

New ventures include a partnership to develop land in Chestermere, Chestermere lakeshore land sales, a new regional reservoir with new municipal services, stormwater servicing, water license changes to permit water leasing, and recreational land development on existing water bodies and future water bodies. Any and all opportunities are explored for a suitable fit. Some ventures will require investment of time to complete their evaluation. The WID has likely the most diverse activity of any irrigation district, and has the most opportunity with the larger population centres so close.

In closing, I would like to thank the Board of Directors for their continuing support. Likewise a special thanks to the staff for their continuing effort and enthusiasm.

Respectfully submitted,

General Manager

Operations & Maintenance Activities

Canal Road Crossing Replacement

District equipment aided Wheatland County with the installation of 2 new bridge sized canal road crossing replacements in fall of 2007. The existing structures were removed and replaced with longer, larger diameter culverts, one located just NE of Strathmore on B canal, the other on the A canal spillway North of Gleichen. Future projects are being planned for 2008.

Efficiency Dugout

During the course of 2007, District forces were instrumental in the construction of several efficiency dugout projects. Priority was given to those sites in which a storage dugout would eliminate the demand for constant water flow throughout the irrigation season. Projects ranged from small yard and garden ponds to larger stock watering and pumping facilities. In most cases new dugouts were excavated while other sites merely required upgrading or enlargement to become more effective.

There are already many locations targeted for construction in 2008. Contact your Water District Supervisor for more information.

Partners in Habitat Development Program

The Partners in Habitat Development Program (PHD) was designed to maintain and enhance wildlife habitat in cooperation with the landowners throughout Southern Alberta. There are active projects in 6 irrigation districts including the WID. During the 2007 season over 10,000 trees and shrubs were planted within the WID, bringing the total to over 38,000 since 2003. Another 10,000 are slated for planting in 2008. There are over 19 landowners involved within the Strathmore area, with the WID being one of them.

District summer staff assist in the planting and maintenance of sites as time permits during the summer months. Contact the office for more information on this program.

NOTICE

As in previous years, the Western Irrigation District is permitted to implement a herbicide spray program, under specific conditions, in or within 30 horizontal metres of irrigation canals, laterals and drains owned by the District to attempt to control:

- Broadleaf weeds and brush.
- Aquatic & semi-aquatic vegetation.
- Noxious weeds.

In accordance with the Environmental Protection & Enhancement Act, application was made by the District and approval received to proceed with this annual program to apply herbicides.

Persons having specific concerns are encouraged to contact:

Erwin Braun R.E.T.,R.P.T. (Eng) Manager, Operations & Maintenance

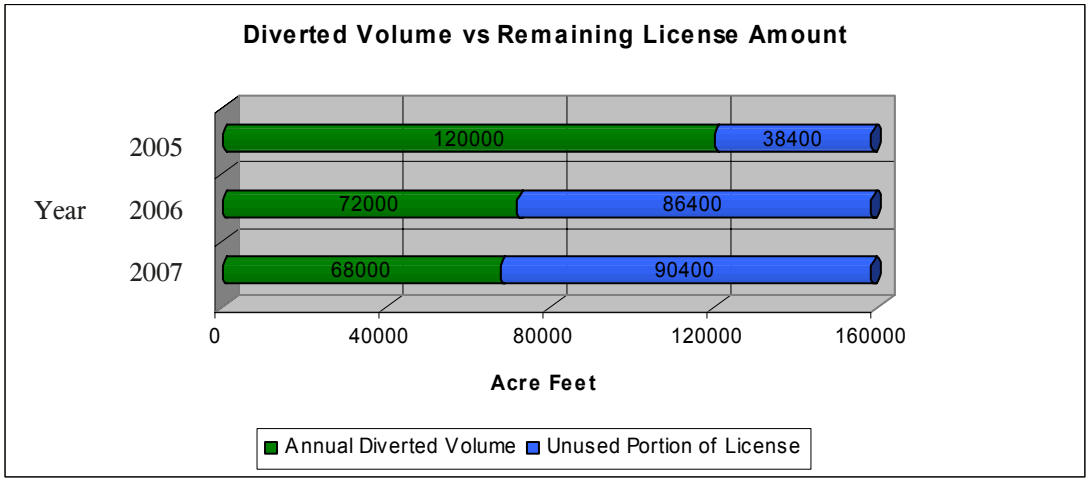
934-3542, ext. 230

2007 MAINTENANCE ACTIVITY SUMMARY	
Ditch Cleaning	30 km
Bank Leveling	7 km
Tree Clearing	9 km
Canal Fencing	2 km
Delivery Installations	18 units
Drop/Check Installations	14 units
Canal Crossing Installations	12 units
Pipelines	0 units
Weed/Brush control - Cattail Cutting	125 km
Weed/Brush control - Chemical Spraying	225 km
Weed/Brush control - Bank Mowing	250 km

2007 DISTRICT EQUIPMENT FLEET	
1997	Mack Tandem Tractor
2002	Mack Tandem Gravel Truck with Pup
2003	Sterling Tandem Gravel Truck with Pup
2007	Sterling Tandem Lowbed Tractor with Lowbed Jeep
2005	John Deere 230CLC Excavator - Leased
2006	Komatsu PC160-LC7 Excavator
2006	Komatsu 220-LC7 Excavator
2007	Komatsu D61PX-12 Dozer
1990	John Deere 970 Tractor
2007	John Deere 410G Backhoe
1996	John Deere 544 Loader
2002	Tandem Tip Trailer

Mastering the Delivery of Water

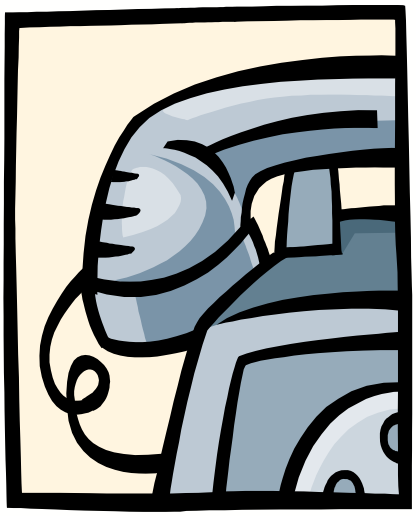
Overall the District's diversion of water for the year totaled approximately 68,000 acre feet from the Bow River for 2007 compared to 72,000 acre feet in 2006 and 120,000 acre feet in 2005. Our total diversion license is for 158,400 acre feet. Upgrades to District infrastructure is adding to more efficient and timely delivery of the water diverted from the Bow River. With the addition of new water management and monitoring tools (SCADA) for staff to work with, increased accuracy of water needs is being achieved and the amount of water being spilled back to the river is being reduced. Under this scenario, more water will be available for use rather than having been already passed through the system and therefore lost from our water users ability to be used when a dry year returns. We will have the ability to do "more with less" as these upgrades continue.



In conjunction with infrastructure upgrades, the WID also implemented a water efficiency savings grant program in 2007 that was aimed at the construction of water storage facilities or alternate watering systems. These would reduce the frequency of water deliveries used for stock, household or operational purposes. Approximately 30 projects have been approved and completed to date and we are looking for more. The user and the District are sharing project costs.

If you have a water savings project that you would like to have considered by the District for funding, please contact your Water District Supervisor for details. Their names and contact information are:

Name	***Phone Number***
Dwight Gittel (Chestermere)	899-4638
Don Brownlee (Carseland)	899-4641
Jeff Maude (Strathmore)	325-4601
Wes Sproule (Rockyford)	325-4640
Pat Smith (Gleichen)	325-4642
Vacant (Crowfoot)	325-4639



You can also contact Watermaster Brian Sander at 934-3542 (ext. 239) or on cell at 325-0493 for information or if you have water delivery questions or concerns.

Irrigation Rehabilitation Program (IRP)

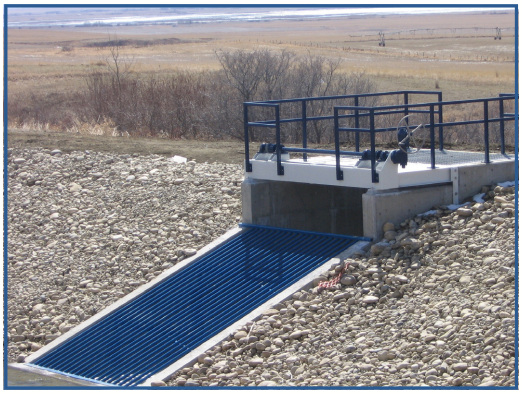
The Irrigation Rehabilitation Program (IRP) continued as a major source of funding for rehabilitation work within the District this year. The Program is funded 75% by the provincial government with the remaining 25% contributed by the District. In 2007 the District received an additional $2,000,000 from the Provincial Government which was 100% funding. The total funds contributed this year for rehabilitation work approved by Irrigation Council was:

▪ Provincial government	(75%)	$1,913,790
▪ Provincial government	(100%)	$2,000,000
▪ District	(25%)	$ 637,930
▪ **TOTAL**	**(100%)**	**$4,551,720**

In addition to the above funds contributed this year, the District's IRP account includes additional funds carried over from the previous year.

2007 IRP Project Summary

1. IRP 2047– Hammerhill Spillway Inlet Structure



The Hammerhill Spillway is an extremely critical system for the efficient operation of the A Canal system in the Cluny Block. The existing structure was very deteriorated and thus was in dire need of replacement.

The rehabilitation involved the construction of a new spillway inlet structure. This structure is a cast in place concrete structure with a drop leaf gate. It was designed by MPE Engineering Ltd. and Charmar Enterprises Ltd. from Coaldale was the contractor. This structure was completed in 2007 for the 2007 water season.

- Located 11 km northwest of Gleichen
- Estimated Project Cost = $308,000
- **Total Project Cost to Date = $300,000**

2. IRP 2068 Secondary A Canal 12 Mile Spillway to Highway 24

This project is a continuation of the rehabilitation of the Secondary A Canal System. It starts at the 12 Mile Spillway and ends at Highway 24. The canal design increases the canal capacity, improves accessibility, and eliminates seepage. This reach of canal is in the current Seepage Control Plan. Top Notch Construction Ltd. is the main sub contractor on this project with Richardson Brothers Ltd. being the General Contractor. MPE Engineering Ltd. did the design and contract administration and WID forces installed the gravel armour and turnouts.

- Estimated Project Cost = $3,300,000
- **Total Project Cost to Date=$2,800,000**

3. IRP 1848 Lateral 84K15 Rehabilitation (Scheer Pipeline)

The old earthen channel had many operational problems such as severe erosion, inadequate capacity, poor structures, seepage and access issues. The rehabilitation work involved eliminating the open ditch by installing 9,000 meters of PVC pipeline. The District was able to close 10,000 meters of open ditch. Landowners transferred acres to utilize this project. The District started construction in the fall of 2006 and it was completed for the 2007 water season. MPE Engineering Ltd. designed this project.

- Located 6 km north and 5 km west of Gleichen
- Estimated Project Cost = $1,400,000
- **Total Project Cost to Date $1,418,000**

4. IRP 2069 Sub Lateral 81D2 Rehabilitation (Grove Pipeline)

This project replaces an old existing canal with a buried PVC pipeline. The length of the new pipeline is 12,000 meters. It starts at the Secondary A Canal and serves approximately 2,000 acres. The construction of this pipeline was done with WID labour and equipment and MPE Engineering Ltd. designed it.

- Located 10 km south of Strathmore
- Estimated Project Cost = $2,200,000
- **Total Project Cost to Date = $1,670,000**

5. IRP 2080 Lateral 84T6, Lateral 84T6A, 84T6B, 84T7 and 84T7A (Springvale Stahlville Pipeline)

This project replaces an old existing canal with a closed buried PVC pipeline. It is approximately 10,000 meters in length; begins at the Secondary C Canal and services approximately 1,300 acres. The design and contract administration was done by MPE Engineering Ltd. and WID forces installed the pipeline.

- Located 5 km north of Rockyford
- Estimated Project Cost = $1,910,000
- **Total Project Cost to Date = $230,000**

6. IRP 2079 South Cluny Rehabilitation Study

The purpose of this study was to determine the feasibility of rehabilitating the entire South Cluny system with a closed pipeline. due South Project Management Ltd. completed the study in 2007 at a cost of $57,000.

7. IRP 2097 Secondary A Canal SCADA System

This project involved the installation of Supervisory Control and Data Acquisition (SCADA) on the Secondary A Canal. It consists of a communication system to monitor real time flows at strategic sites along Secondary A Canal.

- Estimated Project Cost = $67,000
- **Total Project Cost to Date = $60,000**

Other 2007 Projects

1. Eagle Lake Drain

This project was funded by a Joint Stormwater Fund through an agreement between the WID and the Town of Strathmore. It involved the construction of a drainage channel from the Town to Eagle Lake along the CPR right of way and will transfer stormwater from the Town to Eagle Lake. This project was divided into 2 phases. Phase 1 was started in 2006 and both phases were completed in 2007 with WID forces and designed by due South Project Management Ltd.

- Estimated Project Cost Phase 1 and 2 = $925,000
- **Total Project Cost to Date = $925,000**

2. McElroy Lake

This project is required under a Use of Works Agreement between the WID and the Town of Chestermere. It was started in 2006 and substantially completed in 2007. The work involved the construction of a concrete cast in place control structure at the north end of McElroy Lake and will provide additional stormwater capacity in the WID system for the Town of Chestermere. The General Contractor for this project was Charmar Enterprises Ltd. from Coaldale and MPE Engineering designed and administrated the project.

- **Total Project Cost to Date = $1,100,000**

Seepage Control Plan
2003-2010

The Western Irrigation District has prepared a Seepage Control Plan for the Years 2003 through 2010 in accordance with Section 164(1) of the Irrigation Districts Act. Currently the program is ahead of schedule.

The Plan addresses seepage in five areas:

Table 1: Seepage projects up to 2010

YEAR	PROJECT	SECTION	STATUS
2003	IRP 1934 Lateral 81	Sec. 24,25-22-22-W4	Completed
2004	IRP 1890 Lateral 84T2	Sec. 12-26-24-W4 & Sec. 7-26-23-W4	Completed
2005	IRP 2003 Lateral 81J7	Sec. 7-22-21-W4 & Sec.12,13,24-22-22-W4	Completed
2006	IRP 2018 Lateral 81G6	Sec. 26,27,34,35-22-23-W4	Completed
2007	IRP 1848 Lateral 82K15	Sec. 4,10-24-23-W4	Completed
2008	IRP 2068 Secondary A Canal 12 Mile to Highway 24	Sec. 16,20,21,-22-26-W4	Completed
2009	Secondary A Canal Highway 24 to Lateral 81C4	Sec. N 1/2 22-22-26-W4	
2010	Secondary A Canal Lateral 81C4 to Highway 22	Sec. 26, 27-22-26-W4	

2007 CROP DATA SUMMARY

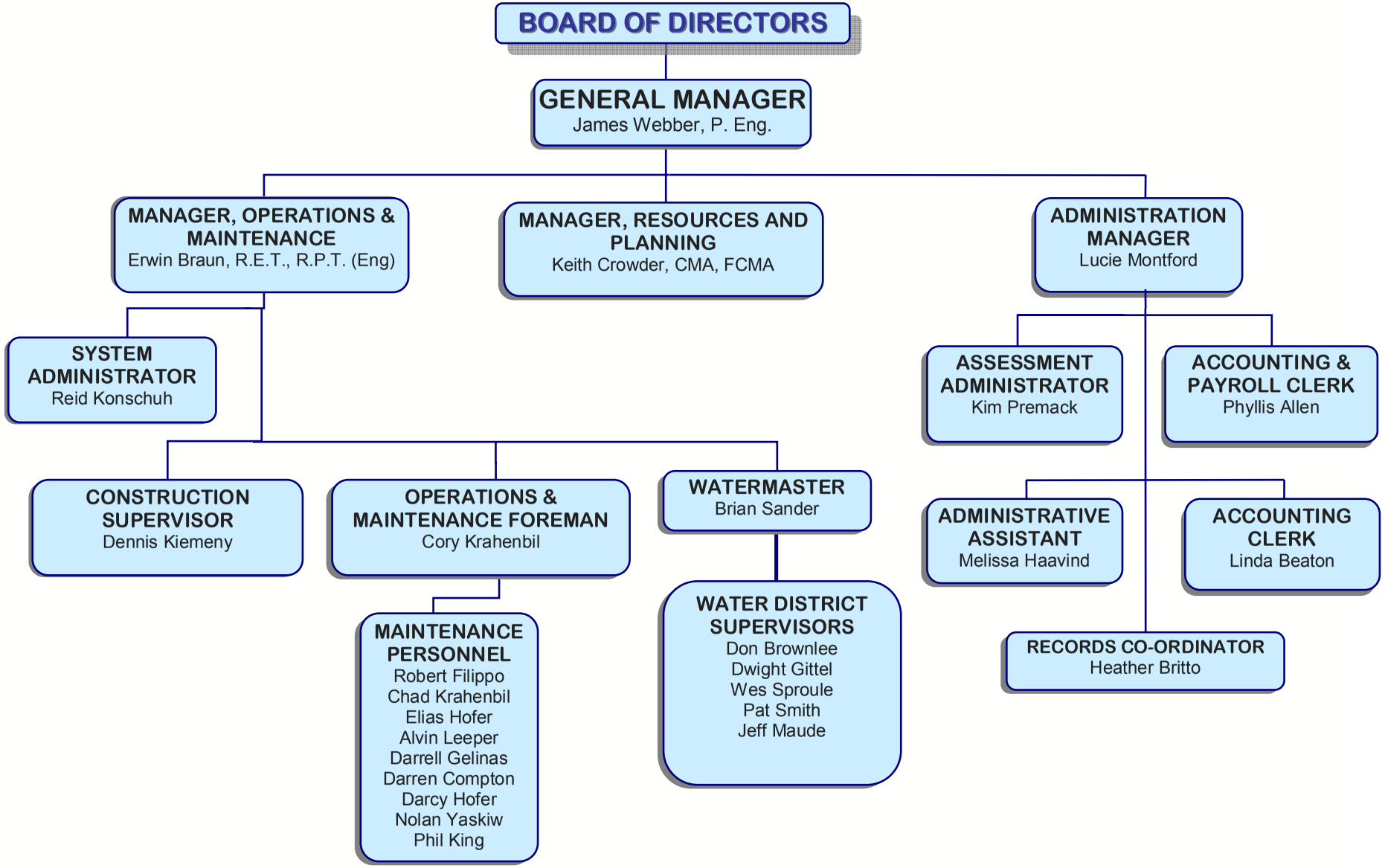
Crop Type	Irrigated Acres	Non Irrigated Acres	Total Acres
Alfalfa Hay	13,129	17,234	30,363
Barley	6,139	8,602	14,741
Barley Silage	7,423	4,669	12,092
Canola	3,312	2,825	6,137
Corn Silage	727	—	727
Dry Peas	120	540	660
Grass Hay	673	782	1,455
Grass Seed	—	264	264
Green Feed	271	249	520
Market Gardens	125	75	200
Nursery	495	815	1,310
Oats	50	241	291
Oat Silage	328	—	328
Pasture	4,322	12,170	16,492
Potato	190	250	440
Small Fruit	—	153	153
Turf Sod	1,568	151	1,719
Wheat	1,844	6,311	8,155
Totals	**40,716**	**55,331**	**96,047**

PARCELS ADDED TO/REMOVED FROM
WESTERN IRRIGATION DISTRICT
FISCAL 2007

Name	Legal Description	Action
Fulton, William & Connie	SE 34-25-23 W4	Remove
Appleyard, Gregory & Candace	NE 11-26-25 W4	Add
Clayton, Barrie William James & Carol Edith	SE 1-24-28 W4	Remove
Truick Farms Ltd.	SW 7-23-25 W4	Add
Praeker, Herman William & Barbara Alice	NE 28-23-23 W4	Remove
Praeker, Herman William & Barbara Alice	S 33-23-23 W4	Add
705370 Alberta Ltd.	NE 14-26-26 W4	Add
Warrack Land & Cattle Ltd.	SE 32-23-25 W4	Add
Moody, Gene	NE 7-22-21 W4	Remove
Moody, Gene	W 8-22-21 W4	Remove
Pagenkopf, Douglas A. Fern I.	W 14-22-22 W4	Add
Heuver, Henricus Johannes & Johanna	E 29-23-28 W4	Add
Crooked Creek Farms Ltd.	NW 9-26-24 W4	Add
Kenwynn Farms Limited	SE 18-22-25 W4	Add
Howard, Emerson Francis & Margaret Christena	SE 21-23-25 W4	Add
Koester, Gordon David & Darlene Anne	NE 7-26-23 W4	Add

WESTERN IRRIGATION DISTRICT
ORGANIZATIONAL CHART

as of November 2007



Minutes of the Annual Meeting of the Water Users of the Western Irrigation District held in Strathmore, Alberta Thursday, April 4, 2007

PRESENT:

DIRECTORS:
Henry Colpoys
Barrie Clayton
Dale Dolphin
Wayne Risdon

REGRETS: Dale Dahm

STAFF:
Jim Webber, General Manager
Erwin Braun, Manager of Operations & Maintenance
Lucie Montford, Administration Manager
Kim Premack, Assessment Administrator & Recording Secretary

AUDITORS: Karen Gregory and Nancy Ferguson, from Gregory, Harriman & Associates Professional Accountants.

CALL TO ORDER & INTRODUCTIONS

Henry Colpoys called the meeting to order at 1:45 pm and welcomed everyone to the Fiscal 2006 Annual Meeting. He introduced the Board Members present. Jim Webber, General Manager introduced staff present, as well as other guests including representatives from Alberta Agriculture, Alberta Environment, Irrigation Council, Ducks Unlimited, consulting firms and other affiliated agencies. Approximately 17 water users were in attendance.

ANNOUNCEMENTS

Election Division 1 and 4 by acclamation. The Board recognized the return of Dale Dolphin as Director for Division 1, and Dan Shute as new Director for Division 4.

MEETING CHAIRMAN

Henry Colpoys called for nominations for Chairman of the meeting.

MOVED by Jim Webber THAT Barrie Clayton be appointed Chairman, SECONDED by Henry Colpoys.

CARRIED

RECORDING SECRETARY

Jim Webber nominated Kim Premack. No other nominations being received, Barrie Clayton declared Kim Premack the Recording Secretary.

ADOPTION OF AGENDA

Barrie Clayton asked the audience to review the proposed agenda.
Addition - #13 Questions for ratepayers

MOVED by Dave Nelson, THAT the agenda be adopted as amended.

CARRIED

ADOPTION OF MINUTES 2006 ANNUAL MEETING

Barrie Clayton requested that the audience review the Minutes from the April 6, 2006 Annual Meeting.

MOVED by Bob McKay THAT the Minutes of the April 6, 2006 Annual Meeting be adopted as presented.

CARRIED

CHAIRMAN'S REPORT

Henry Colpoys presented the Chairman's Report, 2006, highlighting the year's activities. These included the continued financial strength attributed to new opportunities presenting themselves. WID also benefited from additional Provincial Funding valued at $2M for rehabilitation, allowing for the continued accelerated work program. This will help close the gap between the WID and the rest of the irrigation industry.
Appreciation was expressed to the province for the additional funding, but Mr. Colpoys estimated that $130 million would still be required to complete rehabilitation within all corners of the District.
Mr. Colpoys updated the activity around the WID water license settlement. He also informed the water users that the Advisory Committee had been reactivated to assist with the WID's long term plans.

Mr. Colpoys asked if there were any questions or comments.

Questions and discussion regarding the Advisory Committee followed.

MOVED by Henry Colpoys THAT the Chairman's Report be adopted as presented.

CARRIED

MANAGER'S REPORT

Jim Webber, General Manager, reviewed the General Manager's report for 2006, reminding the water users that the WID irrigation system was designed for rural purposes, and not for urbanized catchments. Mr. Webber then detailed stormwater and how the development industry could impact water quality, resulting in the need to protect the downstream agricultural users. The WID is unique in this requirement compared to the other irrigation districts in southern Alberta.

Mr. Webber then outlined 2006 as another wet year resulting in reduced farm demand and minimal flow operation of the canal system. He also explained that the high rainfall and low canal flow resulted in the canals reduced ability to absorb the wastewater effluent from the Town of Strathmore. The arrangement was temporary for the convenience of Strathmore and Alberta Environment to ease the timelines in which a modern pipeline system to the Bow River could be constructed. He explained that when it was constructed, a permit problem arose that prevented the new pipeline from being used, so the WID canal access was provided for one final year. At the end of 2006, the permit issue has not been resolved between the Town of Strathmore and Alberta Environment, but it is no longer a concern to the WID.

Mr. Webber summarized the Chestermere issue involving the court action to remove the restricted caveat on lands linked with Chestermere Dam. A court mediated settlement was found to satisfy both parties. Mr. Webber then summarized the moratorium of any new licences issued from the Bow River, and how the existing applications will take up more than the remaining surplus of the Bow River. Mr. Webber stressed that the District will be facing the challenge of flexible water management to support a wider customer base.

Mr. Clayton asked if there were any questions, there being none,

MOVED by Jim Webber THAT the General Manager's Report be adopted as presented.
CARRIED

AUDITOR'S REPORT

Karen Gregory and Nancy Ferguson of Gregory, Harriman & Associates presented the Auditor's report for fiscal 2006. Ms. Gregory explained how important our natural resources are with global warming. She followed with a cash position chart over 5 years and outlined how in 2001 & 2002 WID was overdrawn, and in 2003-2005 how the settlement of $5.7 million from the City of Calgary was spent. She pointed out the assets, equity and investment chart and how it reflects the last 5 years and how there is no debt. She outlined the revenues and expenses over the past 5 year period and brought up how the Board has more control over the Operations Revenue, and the how expenses dropped in 2006.

Ms. Gregory asked if there were any questions;

Questions were asked and discussion followed regarding oil & gas lease site revenues.

MOVED by Dale Dolphin THAT the Auditor's Report for Fiscal 2006 be adopted as presented.
CARRIED

Dale Dolphin stood up and thanked Lucie Montford, staff, Karen Gregory and Nancy Ferguson for the preparation of the financials.

PRESENTATION BY THE FINANCE COMMITTEE
(Barrie Clayton & Dale Dolphin)

Mr. Dolphin began with acknowledging the Auditors, Karen McMillan of Credential Securities and the management and staff of the Chinook Credit Union being Bill Crawford, Lois Wegener, Mona Vermont and Tracey Anderson-Morin. Mr. Dolphin then began a power point presentation on behalf of the finance committee. The first slide was a simplified financial summary of incoming funds. An explanation was

given by Mr. Clayton and Mr. Dolphin of each revenue and expenditure category displayed, along with a per acre breakdown. Mr. Clayton reviewed the bank balance and mentioned how far the WID has come over the years. There was an explanation on how the Reserves have grown, and how the accounts have been performing. Mr. Dolphin presented the Investment types, Fixed Income (Bond) Investments, Equity (Stock) Investments and Equity Income—Trust Investments. Mr. Clayton explained the sources where funds were generated. The Investment Policy was discussed and how Credential Securities was tendered as the investment co-ordinator. Mr. Clayton explained how investment decisions are made. The outlook for the future was outlined with the canal rehabilitation being on schedule with the help of some government 100% funding, as well as the acknowledgement of the urbanization and how it presents new challenges and opportunity. Mentioned also in the outlook for the future was the importance of being pro-active with good water stewardship.

Mr. Clayton asked if there were any questions.

There were questions on WID accepting stormwater and discussion followed and also questions were asked and discussion followed with details on the Investments.

MAINTENANCE REPORT

Erwin Braun, Manager of Operations and Maintenance, presented the Operations report for fiscal 2006, and reviewed the 2006 water season. Mr. Braun explained stormwater intake was high when it was very wet and demand was low which resulted in less wear and tear on the system, therefore maintenance was down. He explained SCADA (Supervisory Control and Data Acquisition) and the location of the measuring units. This system will enable WID to better control and monitor the water flow at any time. Mr. Braun summarized the snow pack condition and the water ordering procedure. He reminded the water users of the efficiency programs that are offered through the District and the benefits of dugouts. A 2006 Maintenance Activity Summary Chart was displayed with the activity accomplished throughout the year. The District Equipment Fleet was summarized with the benefits of a more modern fleet being highlighted as very positive for the District. Mr. Braun moved onto the Irrigation Rehabilitation Program explaining it is funded 75% by the Government and 25% by the District. He added that in 2006 the District received an additional $2,000,000 from the Provincial Government which was 100% funded. A summary of the 2006 IRP projects was presented. Mr. Braun outlined the Seepage Control Plan from 2003 to 2010.

Mr. Braun asked if there were any questions.

Questions were asked and discussions followed with details of the maintenance within the District.

MOVED by Erwin Braun, THAT the 2006 Operations & Maintenance Report be adopted as presented.

CARRIED

EXTRA ITEMS

Jim Webber presented the Extra Items on the agenda.

WETLANDS COMPENSATION

Mr. Webber discussed how WID is a registered Wetland Restoration Agency, and continues working with Ducks Unlimited. He explained how WID seeks to influence evolving wetlands policy, provide service and operate wetland projects and how this is paid for by the development industry.

STORMWATER CAPTURE AND RECOVERY

Mr. Webber expressed how WID should act as part of the solution and not part of the problem. He recognized that stormwater is a real WID problem and how WID is offering to accept stormwater with controlled conditions and purpose built facilities where stormwater will be treated and released into WID canals only when it reaches acceptable water quality. Mr. Webber mentioned that this should be paid for by the development industry.

NEW WATER GAME

Mr. Webber began by addressing the moratorium of new licences from the Bow River and how reality is setting in and that this is a serious problem with no new municipal areas or commercial ventures as a result. WID is constantly being approached by those seeking water, but WID is restricted in its ability to support, even though the alternative is to allow the water to spill down creeks. The WID was allocated a Provincial Licence for 160,400 acft in 1963 which allows for irrigation and domestic farm use only. WID is governed by the Water Act, and the licence is held by the WID Board of Directors and water is distributed through the rules and regulations of the Irrigation Districts Act. Mr. Webber explained that WID has no water surpluses, allowing for system and farm losses, the water users have 12 inches per acre in a hot season. There is no room for expansion until the system is 60% rehabilitated (currently 20%) leaving no room to reallocate the licence. However, WID could service other users from its spillways after the irrigation use. This would allow for better utilization of the diverted water, service other non-farm users within the variances of daily operations, and cut back the wastage of spillwater. Mr. Webber expressed that the Water Act requires WID to transfer or assign water to a new entity. Water Licence transfer is unlikely to happen on the upstream side of the spillways as the WID has no surpluses. On the downstream side of the spillway, WID could have options, but in the Water Act there is no such differentiation.

WATER CONSERVATION

Mr. Webber pointed out that WID will be targeting savings wherever they can be found and that conservation increases water security. He expressed that the best way to save water is to construct more pipelines. Large water storages may be beyond the WID means, but we can build smaller multiple on farm sites.

Questions were asked and discussions followed the 2006 Annual Meeting Presentations.

Henry Colpoys presented Barrie Clayton with a gift for his years of service as a member of the Board from 1992-1995 and 2001-2007.

ADJOURNMENT

MOVED by Robert Damen, THAT the meeting be adjourned at 4:30 pm.

_____
Chairman

_____
General Manager

GREGORY,
HARRIMAN
& ASSOCIATES
PROFESSIONAL ACCOUNTANTS

Karen A. Gregory
B.A., B.Comm., C.A.
Professional Corporation

Shelley Harriman
Certified General Accountant
Professional Corporation

WESTERN IRRIGATION DISTRICT

Financial Statements
November 30, 2007

#104, 331 - 3rd Avenue, Strathmore, Alberta T1P 1T5
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WESTERN IRRIGATION DISTRICT

NOVEMBER 30, 2007

CONTENTS

	Page
AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Operations and Changes in Fund Balances	3
Statement of Cash Flows	4
Schedule 1 – Operating and Administrative Expenses	5
Notes to the Financial Statements	6 - 25

GREGORY,
HARRIMAN
& ASSOCIATES
PROFESSIONAL ACCOUNTANTS

Karen A. Gregory
B.A., B.Comm., C.A.
Professional Corporation

Shelley Harriman
Certified General Accountant
Professional Corporation

AUDITORS' REPORT

To the Board of the Western Irrigation District and Management

We have audited the statement of financial position of Western Irrigation District (the "District") as at November 30, 2007 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 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 District as at November 30, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Strathmore, Alberta
January 23, 2008

Gregory, Harriman & Associates
Professional Accountants

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WESTERN IRRIGATION DISTRICT
STATEMENT OF FINANCIAL POSITION
AS AT NOVEMBER 30, 2007

	UNRESTRICTED FUND		RESTRICTED FUNDS				COMBINED	
	OPERATING		*DISTRICT CAPITAL*		*IRRIGATION WORKS*			
	2007	*2006*	*2007*	*2006*	*2007*	*2006*	**2007**	**2006**
CURRENT ASSETS								
Cash and cash equivalents *(Notes 4, 15)*	1,489,378	1,388,526	1,133,469	1,634,884	3,559,127	3,548,628	6,181,974	6,572,038
Accounts receivable *(Note 5)*	1,484,551	1,485,451	300,794	133,186	-	-	1,785,345	1,618,637
Interest receivable	-	-	37,255	47,809	-	-	37,255	47,809
Inventory *(Note 6)*	74,735	101,835	-	-	-	-	74,735	101,835
Prepaid expenses	7,044	8,315	-	-	-	-	7,044	8,315
Interfund receivables/(payables)	269,868	208,074	-	-	(269,868)	(208,074)	-	-
	3,325,576	3,192,201	1,471,518	1,815,879	3,289,259	3,340,554	8,086,353	8,348,634
OTHER ASSETS								
Loan receivable *(Note 7)*	-	-	17,000	14,000	-	-	17,000	14,000
Preliminary costs pending *(Notes 8, 22)*	-	-	197,431	205,502	-	-	197,431	205,502
Water rights *(Note 9)*	-	-	19,970	64,060	-	-	19,970	64,060
Deferred development costs *(Note 10)*	-	-	539,109	517,527	-	-	539,109	517,527
Investments *(Note 11)*	7,868	7,870	6,242,436	5,440,570	4,236	4,229	6,254,540	5,452,669
	7,868	7,870	7,015,946	6,241,659	4,236	4,229	7,028,050	6,253,758
PROPERTY AND EQUIPMENT								
Property and equipment *(Note 12)*	-	-	2,018,062	1,838,725	149,455	149,455	2,167,517	1,988,180
Irrigation works *(Note 13)*	-	-	694,122	378,725	61,681,240	58,886,169	62,375,362	59,264,894
	-	-	2,712,184	2,217,450	61,830,695	59,035,624	64,542,879	61,253,074
TOTAL ASSETS	3,333,444	3,200,071	11,199,648	10,274,988	65,124,190	62,380,407	79,657,282	75,855,466
CURRENT LIABILITIES								
Bank loans and overdraft *(Note 14)*	-	-	-	-	-	-	-	-
Accounts payable and accrued liabilities	425,817	408,572	-	2,698	-	-	425,817	411,270
Goods and Services Tax liability	81,850	76,749	-	-	-	-	81,850	76,749
Capital levy trust *(Note 15)*	-	-	104,312	932,727	-	-	104,312	932,727
Progress estimates payable and holdbacks	-	-	1,099	-	559,389	650,943	560,488	650,943
Current portion of deferred revenues *(Note 16)*	-	-	6,154	6,154	-	-	6,154	6,154
Current portion of long term debt *(Note 17)*	-	-	215,263	122,326	-	-	215,263	122,326
	507,667	485,321	326,828	1,063,905	559,389	650,943	1,393,884	2,200,169
OTHER LIABILITIES								
Deferred revenues, net *(Note 16)*	-	-	91,243	144,953	-	-	91,243	144,953
Long term debt *(Note 17)*	-	-	136,560	142,714	-	-	136,560	142,714
Asset retirement obligation *(Note 18)*	-	-	108,618	128,003	-	-	108,618	128,003
	-	-	336,421	415,670	-	-	336,421	415,670
TOTAL LIABILITIES	507,667	485,321	663,249	1,479,575	559,389	650,943	1,730,305	2,615,839
FUND BALANCES								
Invested in property and equipment	-	-	2,251,743	1,824,407	61,830,695	59,035,624	64,082,438	60,860,031
Externally restricted *(Note 19)*	-	-	-	-	2,734,106	2,693,840	2,734,106	2,693,840
Internally restricted *(Note 20)*	-	-	8,284,656	6,971,006	-	-	8,284,656	6,971,006
Unrestricted	2,825,777	2,714,750	-	-	-	-	2,825,777	2,714,750
	2,825,777	2,714,750	10,536,399	8,795,413	64,564,801	61,729,464	77,926,977	73,239,627
TOTAL LIABILITIES AND FUND BALANCES	3,333,444	3,200,071	11,199,648	10,274,988	65,124,190	62,380,407	79,657,282	75,855,466

Contingent Liabilities *(Note 22)*
Environmental Contingencies *(Note 23)*

The accompanying notes form an integral part of these financial statements.

WESTERN IRRIGATION DISTRICT
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED NOVEMBER 30, 2007

	UNRESTRICTED FUND		RESTRICTED FUNDS					
	OPERATING		*DISTRICT CAPITAL*		*IRRIGATION WORKS*		*TOTAL RESTRICTED*	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*	*2007*	*2006*
REVENUE								
Irrigation rates, net *(Note 21)*	1,622,108	1,621,670	-	-	-	-	-	-
Domestic and miscellaneous	1,088,346	996,397	-	-	-	-	-	-
Storm water	245,078	232,958	-	-	-	-	-	-
Penalties	11,567	13,055	-	-	-	-	-	-
TOTAL WATER EARNINGS	2,967,099	2,864,080	-	-	-	-	-	-
OTHER EARNINGS								
Government contributions	-	-	-	-	3,913,790	4,019,317	3,913,790	4,019,317
Interest revenue	87,029	56,827	323,235	273,679	158,211	116,946	481,446	390,625
Gravel revenue	-	-	87,930	326,177	-	-	87,930	326,177
Farm, land and building rentals	-	-	118,730	121,500	-	-	118,730	121,500
Gain on disposal of land	-	-	336,571	115,752	-	-	336,571	115,752
Gain/(loss) on disposal of assets	-	-	280,433	103,817	-	-	280,433	103,817
Unrealized gain (loss) on financial instruments	-	-	(350,234)	-	-	-	(350,234)	-
Capital asset charges	-	-	191,944	17,980	-	-	191,944	17,980
Fees and other income	179,535	243,247	1,981	5,943	-	-	1,981	5,943
Miscellaneous	155,710	3,074	-	-	-	-	-	-
Government grants	4,319	3,981	-	-	-	-	-	-
Inventory adjustment	-	-	-	3,729	-	-	-	3,729
TOTAL OTHER EARNINGS	426,593	307,129	990,590	968,577	4,072,001	4,136,263	5,062,591	5,104,840
	3,393,692	3,171,209	990,590	968,577	4,072,001	4,136,263	5,062,591	5,104,840
EXPENSES								
Amortization of property and equipment	-	-	348,958	304,868	1,874,594	1,491,965	2,223,552	1,796,833
Depletion of resource properties	-	-	(20,562)	21,186	-	-	(20,562)	21,186
Gravel expenses	-	-	-	24,798	-	-	-	24,798
Interest and bank charges	165	45	-	-	-	-	-	-
Commissions expense	-	-	15,105	-	-	-	15,105	-
Land development costs	-	-	120,499	158,215	-	-	120,499	158,215
Miscellaneous	-	-	405	-	-	-	405	-
Operating and administrative (Schedule 1)	1,731,609	1,402,080	500	500	-	-	500	500
Property taxes	-	-	6,283	6,150	-	-	6,283	6,150
Accretion expense *(Note 18)*	-	-	6,148	7,246	-	-	6,148	7,246
	1,731,774	1,402,125	477,336	522,963	1,874,594	1,491,965	2,351,930	2,014,928
EXCESS OF REVENUE OVER EXPENSES	**1,661,918**	**1,769,084**	**513,254**	**445,614**	**2,197,407**	**2,644,298**	**2,710,661**	**3,089,912**
Fund balances at beginning of year	2,714,750	1,949,393	8,795,413	7,990,384	61,729,464	58,440,854	70,524,877	66,431,238
Interfund transfers *(Note 20)*	(912,961)	(359,415)	912,961	359,415	-	-	912,961	359,415
Initial financial instrument fair value adjustment *(Note 3)*	-	-	314,771	-	-	-	314,771	-
Irrigation provision *(Notes 19, 20)*	(637,930)	(644,312)	-	-	637,930	644,312	637,930	644,312
FUND BALANCES AT END OF YEAR	2,825,777	2,714,750	10,536,399	8,795,413	64,564,801	61,729,464	75,101,200	70,524,877

The accompanying notes form an integral part of these financial statements.

WESTERN IRRIGATION DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED NOVEMBER 30, 2007

	OPERATING		*DISTRICT CAPITAL*		*IRRIGATION WORKS*		**TOTALS**	
	2007	*2006*	*2007*	*2006*	*2007*	*2006*	**2007**	**2006**
CASH FLOWS FROM OPERATING ACTIVITIES								
Cash receipts	3,245,769	3,139,220	175,767	416,560	3,884,030	4,130,123	7,305,566	7,685,903
Cash paid to suppliers and employees	(1,680,892)	(1,512,756)	(165,473)	(185,182)	-	-	(1,846,365)	(1,697,938)
Interest received	87,029	56,827	333,789	266,506	158,211	116,946	579,029	440,279
Interest paid	(165)	(45)	-	-	-	-	(165)	(45)
Cash flows from operating activities	1,651,741	1,683,246	344,083	497,884	4,042,241	4,247,069	6,038,065	6,428,199
CASH FLOWS FROM INVESTING ACTIVITIES								
Purchases of property and equipment	-	-	(1,257,229)	(796,024)	(4,669,665)	(5,614,552)	(5,926,894)	(6,410,576)
Purchase of water rights	-	-	44,090	(26,300)	-	-	44,090	(26,300)
Proceeds from sale of assets	-	-	1,025,570	933,580	-	-	1,025,570	933,580
Change in investments	2	(1,236)	(801,866)	(1,170,348)	(7)	(2,467)	(801,871)	(1,174,051)
Transitional gain on financial instruments *(Note 3)*	-	-	314,771	-	-	-	314,771	-
Unrealized gain (loss) on financial instruments	-	-	(350,234)	-	-	-	(350,234)	-
Preliminary costs pending	-	-	8,071	7,315	-	-	8,071	7,315
Cash flows from investing activities	2	(1,236)	(1,016,827)	(1,051,777)	(4,669,672)	(5,617,019)	(5,686,497)	(6,670,032)
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from long term debt	-	-	278,812	366,978	-	-	278,812	366,978
Repayment of long term debt	-	-	(192,029)	(101,938)	-	-	(192,029)	(101,938)
Irrigation provision	(637,930)	(644,312)	-	-	637,930	644,312	-	-
Trust funds received	-	-	(828,415)	(377,591)	-	-	(828,415)	(377,591)
Cash flows from financing activities	(637,930)	(644,312)	(741,632)	(112,551)	637,930	644,312	(741,632)	(112,551)
NET CASH INCREASE (DECREASE)	1,013,813	1,037,698	(1,414,376)	(666,444)	10,499	(725,638)	(390,064)	(354,384)
Cash and cash equivalents, opening	1,388,526	710,243	1,634,884	1,941,913	3,548,628	4,274,266	6,572,038	6,926,422
Interfund balance adjustments	(912,961)	(359,415)	912,961	359,415	-	-	-	-
CASH & TERM DEPOSITS, CLOSING	1,489,378	1,388,526	1,133,469	1,634,884	3,559,127	3,548,628	6,181,974	6,572,038
CASH REPRESENTED BY:								
Cash equivalents *(Note 4)*	-	-	480,793	1,575,229	-	-	480,793	1,575,229
Cash on hand and in banks *(Note 4)*	1,489,378	1,388,526	652,676	59,655	3,559,127	3,548,628	5,701,181	4,996,809
TOTAL CASH & TERM DEPOSITS	1,489,378	1,388,526	1,133,469	1,634,884	3,559,127	3,548,628	6,181,974	6,572,038

The accompanying notes form an integral part of these financial statements.

WESTERN IRRIGATION DISTRICT
SCHEDULE 1 - OPERATING AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED NOVEMBER 30, 2007

	DEPARTMENTS			TOTALS	
	OPERATIONS AND MAINTENANCE	*WATER DELIVERY*	*GENERAL AND ADMINISTRATION*	**2007**	**2006**
Advertising, publications, ratepayers meetings	-	-	13,407	13,407	12,785
Association fees	-	-	23,336	23,336	23,448
Board of Directors expenditures	-	-	28,470	28,470	41,315
Building maintenance	96,903	-	-	96,903	40,473
Computer expense	-	-	21,015	21,015	20,832
Crop, flood and property damage	1,147	3,835	-	4,982	3,949
Equipment and easement rental	61,341	-	-	61,341	92,362
Equipment maintenance, gas, oil, grease	262,621	59,989	-	322,610	352,370
Equipment pool recoveries	(1,242,302)	-	-	(1,242,302)	(1,187,116)
Insurance	32,285	5,770	18,562	56,617	50,431
Land titles charges and classification	-	-	915	915	378
Materials and supplies, office supplies	117,057	15,135	7,726	139,918	147,294
Miscellaneous	-	-	(5)	(5)	19
Payroll service charges	-	-	3,804	3,804	3,536
Postage, freight and courier	-	-	5,597	5,597	2,760
Professional fees	-	-	413,899	413,899	215,878
Public relations	-	-	8,717	8,717	13,563
Safety supplies	6,364	835	-	7,199	7,546
Salaries and wages	1,088,043	248,471	562,497	1,899,011	1,664,166
Salary, wage recovery and overhead	(365,400)	(4,348)	-	(369,748)	(305,103)
Shop tools	10,765	-	-	10,765	10,621
Stationary, printing, photocopies, fax	-	-	8,286	8,286	9,796
Telephone	13,975	5,660	12,479	32,114	30,257
Travel and staff training	2,867	3,278	4,755	10,900	6,779
Utilities	43,572	2,019	-	45,591	38,393
Vegetation and pest control	-	124,067	-	124,067	102,460
Welding supplies	4,200	-	-	4,200	2,888
	133,438	464,711	1,133,460	1,731,609	1,402,080

The accompanying notes form an integral part of these financial statements.

WESTERN IRRIGATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
NOVEMBER 30, 2007

Note 1 **Purpose of the Organization**

The Western Irrigation District (the "District") is charged with the responsibility of efficient and economical distribution of water for users of the District. The Western Irrigation District operated under the authority of the Irrigation Act, Chapter I-11, Revised Statues of Alberta 1980, as amended, until it was replaced by the Irrigation Districts Act, Chapter I -11, which was proclaimed in force on May 1, 2000.

The District is part of the Alberta Crown and is listed as a tax-exempt Government of Alberta agency, and is therefore included in the Province's constitutional tax immunity. As a result, the District pays no income taxes or Goods and Services Tax on purchases, but is still required to collect and remit Goods and Services Tax on services provided.

Note 2 **Economic Dependence**

The District utilizes contributions from the Province of Alberta for rehabilitation of the irrigation works of the District.

Note 3 **Significant Accounting Policies and Reporting Practices**

Fund Accounting

The District follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the District's administrative activities. This fund reports unrestricted resources and the transactions relating to them.

The District Capital Fund reports the assets, investments, liabilities, revenues and expenses related to the District's land, buildings and equipment.

The Irrigation Works Fund accounts for capital receipts for new irrigation works and interest earnings arising from such monies. Costs incurred in constructing new irrigation works and in replacing and rehabilitating existing structures are provided for from the fund. The Province of Alberta contributes 75% of expenditures approved by the Irrigation Council and the District contributes 25%.

... continues

Note 3 Significant Accounting Policies and Reporting Practices ... continued

Financial Instruments

As required by the CICA, on December 1, 2006, the District adopted CICA Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861, *Financial Instruments – Disclosure and Presentation*; and Section 3865, *Hedges*. The adoption of these new standards resulted in changes in the accounting and presentation for financial instruments and in the recognition of certain transition adjustments that have been recorded in the opening fund balances; the capital levy trusts, as described below. As required by the implementation of the new standards, the prior period's financial statements have not been restated. The principle changes in the accounting for financial instruments, due to the adoption of these accounting standards, are described below.

a) Section 1530, Comprehensive Income

Section 1530 requires a Statement of Comprehensive Income, which consists of net income and other comprehensive income ("OCI"). OCI is a new requirement to temporarily present unrecognized gains and losses from changes in fair value outside net income. It includes the District's unrealized gains and losses resulting from market value fluctuations of financial instruments classified as available for sale. Comprehensive income and its components are presented in the Statement of Operations and Changes in Fund Balances. Currently, the District has no financial instruments designated as available for sale; hence there is no balance in the Statement of Comprehensive Income.

b) Section 3855, Financial Instruments – Recognition and Measurement
Section 3861, Financial Instruments – Disclosure and Presentation

Section 3855 requires upon initial adoption of the new standards that the District designate its financial instruments into one of the following five categories: 1) Loans and receivables; 2) Assets held to maturity; 3) Assets available for sale; 4) Other financial liabilities; 5) Held for trading assets and liabilities.

Section 3855 also requires that all financial assets and financial liabilities are initially recognized at fair value and their subsequent measurements are dependent on their classification, as described below.

... continues

Note 3 Significant Accounting Policies and Reporting Practices ... continued

The classification depends on the purpose for which the financial instruments were acquired or issued; their characteristics and the District's designation of such instruments are as follows:

- The District currently has no financial instruments classified as loans and receivables.
- The District currently has no financial instruments classified as assets held to maturity.
- The District currently has no financial instruments classified as assets available for sale.
- The District currently has no financial instruments classified as other financial liabilities.
- Cash and cash equivalents, accounts receivable, interest receivable, loan receivable, preliminary costs pending, investments, accounts payable and accrued liabilities, progress estimates payable and holdbacks, and long term debt are classified as held for trading. Changes in fair value for the period are recorded as an unrecognized gain or loss on financial instruments on the Statement of Operations and Changes in Fund Balances.

Trade date accounting continues to be used for all financial assets.

Loans and Receivables

Loans and receivables are non-derivative financial assets that are initially recognized at fair value and, thereafter, are accounted for at cost or amortized cost using the effective interest method.

Held to Maturity

Held to maturity financial assets are initially recognized at fair value and, thereafter, are accounted for at cost or amortized cost using the effective interest method.

Available for Sale

Available for sale financial assets are measured at fair value at the date of the Statement of Financial Position. Interest paid or earned, interest accrued and gains and losses realized on disposal are included in the Statement of Operations and Fund Balances. Unrealized gains and losses from market fluctuations are included in the Statement of Comprehensive Income.

... continues

Note 3 Significant Accounting Policies and Reporting Practices ... continued

Other Liabilities

Other liabilities are non-derivative financial liabilities that are initially recognized at fair value and, thereafter, are recorded at cost or amortized cost.

Held for Trading

Held for trading financial assets and liabilities are measured at fair value at the date of the Statement of Financial Position. Interest paid or earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses from market fluctuations are included in the Statement of Operations and Fund Balances. The District has not designated any non-derivative financial liabilities as fair value financial liabilities.

Derivatives

Derivatives, including embedded derivatives that meet separate recognition criteria, are carried at fair value and are reported as assets when they have a positive fair value and as a liability when they have a negative fair value, unless the derivative is designated and qualifies for hedge accounting. Changes in fair value during the period are recorded in the Statement of Operations and Fund Balances. As at November 30, 2007, the District has no outstanding derivatives.

Transaction Costs

Transaction costs are expensed as incurred. Transaction costs do not include debt premiums or discounts or financing costs, which are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest method.

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed on in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined by using valuation techniques that refer to observable market data.

... continues

Note 3 Significant Accounting Policies and Reporting Practices ... continued

c) Section 3865, Hedges

Section 3865 addresses the identification, designation, documentation and effectiveness of hedging transactions for the purpose of applying hedge accounting. It also establishes conditions for applying, and the discontinuance of hedge accounting and hedge effectiveness testing requirements. The District currently has no hedging contracts.

d) Transitional Adjustments

On December 1, 2006, the District made certain transitional adjustments to its Statement of Financial Position to adopt the new requirements. As required by the standards, prior periods have not been restated. The following transitional adjustments to the Statement of Financial Position were made to adopt the new requirements:

	November 30, 2006	Transitional adjustments	December 1, 2006
District Capital			
Assets			
Cash and cash equivalents	$ 1,634,884	$ (205)	$ 1,634,679
Investments	5,440,570	314,771	5,755,341
All other assets	3,199,534	-	3,199,534
Total Assets	$ 10,274,988	$ 314,566	$ 10,589,554
Liabilities			
Capital levy trust	$ 932,727	$ (205)	$ 932,522
All other liabilities	546,848	-	546,848
Total Liabilities	$ 1,479,575	$ (205)	$ 1,479,370
Fund Balances			
Internally restricted	$ 6,971,006	$ 314,771	$ 7,285,777
Invested in property and equipment	1,824,407	-	1,824,407
Total Liabilities	$ 8,795,413	$ 314,771	$ 9,110,184
Total Liabilities and Fund Balances	$ 10,274,988	$ 314,566	$ 10,589,554

Inventories

Inventories of materials and supplies are valued using the average cost method, which most accurately reflects the flow through of the physical inventory item.

... continues

Note 3 Significant Accounting Policies and Reporting Practices ... continued

Capitalization

Additions to District irrigation works are capitalized when the materials utilized exceed $12,000 per structure. For any addition representing a rebuilding of a canal, the cost of materials must exceed $12,000 to be capitalized.

Other property and equipment purchased are recorded at cost. Costs of other property and equipment must exceed $5,000 to be capitalized.

Amortization and Depletion

The buildings and equipment are recorded at cost and are amortized at fixed rates applied to diminishing balances. The rates can be summarized as follows:

Computers	50%
Office equipment	20%
Trucks	30%
Power equipment	15%
Other equipment and furniture	20%
Buildings	5%
Industrial subdivision costs	3%

Irrigation works are amortized on a straight-line basis over their estimated average useful lives of 50 years.

Depletion of the resource property is calculated using the unit of production method, which is calculated using the quantity of gravel actually extracted and processed, compared with the best estimate of gravel reserves remaining and site restoration costs. In 2007, it was determined the original gravel reserve was significantly underestimated. A revised estimate increased the reserve from 1,000,000 tonnes to 2,000,000 tonnes.

Asset Retirement Obligations

Asset retirement obligation, related to the gravel pit, includes the legal obligation the organization will be required to spend to reclaim the gravel pit site. The organization is only responsible for the asset retirement obligation incurred up until the excavation rights were leased to a contractor on January 9, 2004. The contractor is responsible for any additional asset retirement obligation incurred after that date. The current asset retirement obligation, which is equal to the initially estimated fair value of the total asset retirement obligation, is capitalized as part of the cost of the gravel pit. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation.

... continues

Note 3 Significant Accounting Policies and Reporting Practices ... continued

The future site restoration costs are calculated as the total undiscounted amount of estimated cash flows required to reclaim the gravel pit, which has been discounted using the credit-adjusted risk free rate of 6% (rate of interest on monetary assets that are essentially free of default risk, adjusted for the effect of an entity's credit standing). Increases in the site restoration obligation resulting from the passage of time are recorded as accretion of the asset retirement obligation in the Statement of Operations and Changes in Fund Balances.

Employee Future Benefits

The District and its eligible employees participate in the Local Authorities Pension Plan (LAPP). This is a multi-employer, contributory defined benefit pension plan, for which specific information concerning the District's interest in the assets and liabilities is not readily available. The Alberta Pensions Administration (APA) administers the plan, with the employee and District's contributions to the LAPP determined by the plan rules. The required contributions are determined by actuarial valuations conducted at least on a triennial basis. These valuations are made in accordance with legislative requirements and with the recommendations of the Canadian Institute of Actuaries for the valuation of a pension plan. Commencing December 1, 2000, the District prospectively applied the new accounting recommendations for employee future benefits, and is accounting for the plan, as though it were a defined contribution plan. There were no transitional assets or obligations at the time the change was made.

Pension cost of the LAPP is disclosed as part of salaries and wages. The expense for this pension plan is equivalent to the annual contributions of $85,751 for the year ended November 30, 2007 (2006 - $74,712).

Revenue Recognition

Irrigation, maintenance and charge out fees are recognized as revenue in the year to which they relate.

Capital contributions are recognized in revenue as grants or contributions, as appropriate, when received, and form part of the balance reported as invested in capital assets.

The percentage of completion method is used to recognize revenue on the properties that the District is developing. Revenue is recognized as the development activity progresses based on the stage of completion reached. Revenue is recognized when the sale is final, and in amounts proportionate to the actual costs incurred to date over the estimated total costs to complete the project.

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Note 3 Significant Accounting Policies and Reporting Practices ... continued

Measurement Uncertainty

The financial statements have been prepared in accordance with Canadian generally accepted accounting policies. The precise value of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of approximations, which have been made using careful judgement. Actual results could differ from those approximations.

A significant area requiring the use of management estimates was the inventory valuation. The value of the inventory was determined using the average cost method at November 30, 2007. Significant changes in the market value of the inventory could result in impairment of the inventory.

A significant area requiring the use of management estimates was the estimated useful life of the gravel pit. The estimated useful life is determined using the estimated gravel reserves and the average annual amount of gravel quarried. Significant changes in the amount of gravel quarried per year could result in changes to the expected useful life of the gravel pit.

Accounting Changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the District's results of operations and financial condition will depend on the nature of future accounting changes.

Note 4 Cash and Cash Equivalents

A portion of the cash balance for District Capital ($103,348; 2006 - $932,727) is restricted in accordance with the terms of the Capital Levy Trust, as documented in Note 15.

	2007 (Market)	2006 (Cost)
Operating		
Petty cash	$ 1,000	$ 1,000
Credit card prepaid balance	6,000	6,000
Bank account balance	1,482,378	1,381,526
	1,489,378	1,388,526
District Capital		
Petty cash	-	250
Credit Union capital and operating reserve account, interest rate of Prime minus 1.5%	135,233	234,270
Credit Union land bank account, interest rate of Prime minus 1.5%	652,675	59,405
Fixed income investments maturing in the next fiscal year (2006 Market value $418,000)	242,213	409,193
Capital Levy Trust accounts *(Note 15)*		
Temporary cash available for reinvestment	-	544
Credit Union bank account, interest rate of Prime minus 1.5%	56	33,150
Credit Union bank account, interest rate of Prime minus 1.5%	2,190	568,364
Bonds with coupons ranging from 4.25% to 4.40% and maturing between December 1, 2007 and September 1, 2008 (2006 Market value $329,504)	101,102	329,708
	1,133,469	1,634,884
Irrigation Works		
Bank account balance, interest rate of Prime minus 1.5%	3,559,127	3,548,628
	$ 6,181,974	$ 6,572,038

Note 5 Accounts Receivable

	2007	2006
Operating		
Water rates and charges	$ 1,449,019	$ 1,367,813
Sundry debtors	35,532	109,010
Government contributions	-	8,628
Allowance for doubtful accounts	-	-
	1,484,551	1,485,451
District Capital		
Capital receivables	300,794	133,186
	$ 1,785,345	$ 1,618,637

Note 6 Inventory

	2007	2006
Operating		
Supplies and materials located at shop	$ 74,735	$ 101,835
	$ 74,735	$ 101,835

Note 7 Loan Receivable

This loan is a result of the sale of land to the Town of Chestermere. The loan will be repaid over the next 17 years with $500 being repaid in the current year and $1,000 being repaid annually over the next 17 years in the form of issuing a bursary. There is no interest and the funds shall be utilized for the purpose of the bursary.

Note 8 Preliminary Costs Pending

These expenditures represent preliminary costs incurred by the District on irrigation works projects that have not been submitted to Irrigation Council for cost shared funding as of November 30, 2007. If the projects are submitted for funding and approved, these costs will be recovered from the cost shared program.

Note 9 Water Rights

This amount represents irrigated acre water rights purchased. The rights are accounted for at cost. They are held with the intent to resell and therefore the value of the rights will not be amortized.

	2007	2006
District Capital		
172 Irrigated Acres (2006 – 324 Acres)	$ 19,970	$ 64,060
	$ 19,970	$ 64,060

Note 10 Deferred Development Costs

These amounts represent material, labour, equipment charges and all other costs incurred to develop land for sale. These costs will be recovered when the land is sold to third parties.

	2007	2006
Orchard Park		
Phase I	$ -	$ -
Phase II	54,863	54,860
Phase III	250,842	248,345
Other Developments	233,404	214,322
	$ 539,109	$ 517,527

Note 11 Investments

	2007 (Market)	2006 (Cost)
Operating		
Calgary Co-operative Association equity	$ 621	$ 621
United Farmers of Alberta equity	5,878	5,878
Chinook Credit Union Ltd. common shares	1,369	1,371
	7,868	7,870
District Capital		
Cash held for reinvestment	4,574	10,565
Money market securities (2006 Market value $26,439)	-	15,878

... continues

Note 11 Investments ... continued

	2007 (Market)	2006 (Cost)
Fixed income securities with coupons ranging from 3.96% to 10% and maturing between December 1, 2007 and November 30, 2011 (2006 Market value $1,118,717)	920,142	1,133,987
Fixed income securities with coupons ranging from 4.35% to 8.875% and maturing between December 1, 2011 and November 30, 2016 (2006 Market value $748,210)	675,528	702,158
Fixed income securities with coupons ranging from 4.55% to 6.14% and maturing between December 1, 2016 and March 21, 2018 (2006 Market value $430,503)	148,275	419,389
Common shares (2006 Market value $864,845)	956,432	737,026
Mutual funds (2006 Market value $1,701,911)	2,585,564	1,635,294
Real estate trust units (2006 Market value $428,698)	224,352	315,193
Trust units (2006 Market value $363,605)	331,225	415,905
Preferred shares (2006 Market value $468,927)	636,948	462,761
Chinook Credit Union Ltd. common shares	1,609	1,607
Less: Fixed income investments maturing in the next fiscal year *(Note 4)*	(242,213)	(409,193)
	6,242,436	5,440,570
Irrigation Works		
Chinook Credit Union Ltd. common shares	4,236	4,229
	$ 6,254,540	$ 5,452,669

Note 12 Property and Equipment

	Cost	Accumulated Amortization	2007 Net	2006 Net
District Capital				
Land and farm property	$ 270,075	$ -	$ 270,075	$ 292,247
Resource property	190,043	29,259	160,784	140,222
Shop and office complex	737,642	503,717	233,925	246,236
Power equipment	1,671,489	688,153	983,336	779,001
Trucks	528,487	229,078	299,409	311,386
Computers	284,029	271,516	12,513	3,611
Office equipment	59,855	46,015	13,840	17,457
Other equipment and furniture	65,984	57,186	8,798	11,726
Buildings and dwellings	80,179	63,615	16,564	17,436
Industrial subdivision costs	40,304	21,486	18,818	19,403
	3,928,087	1,910,025	2,018,062	1,838,725
Irrigation Works				
Land	149,455	-	149,455	149,455
	$ 4,077,542	$ 1,910,025	$ 2,167,517	$ 1,988,180

Note 13 Irrigation Works

Irrigation works transferred from the Canadian Pacific Railway Company in 1944, were taken into account at their amortized values, as estimated by District officials. Subsequent additions and betterments to these assets are shown in the accounts at cost. These assets are being amortized over their estimated average useful lives of 50 years on a straight-line basis.

Commencing in 1998, irrigation works constructed without the use of Irrigation Council cost shared funds, have been capitalized as part of the District Capital Fund.

	Cost	Accumulated Amortization	2007 Net	2006 Net
District Capital				
Irrigation works	$ 764,435	$ 70,313	$ 694,122	$ 378,725
Irrigation Works				
Irrigation works	94,523,378	32,842,138	61,681,240	58,886,169
	$ 95,287,813	$ 32,912,451	$ 62,375,362	$ 59,264,894

Note 14 **Bank Loans and Overdraft**

The bank overdraft and operating loans with a limit of $1,000,000 are secured by a general security agreement over assets. The borrowings were approved in By-Law 322. Interest is charged monthly on any outstanding balance at the Chinook Credit Union Ltd. Prime Rate minus 0.50%.

The District has outstanding, a letter of guarantee to the Town of Strathmore in the amount of $100,000 for the Orchard Park Development.

Note 15 **Capital Levy Trust**

These amounts represent the Capital Levies paid by various municipalities in accordance with the Storm Water Discharge agreements signed with them. These funds can only be spent with the concurrence of the District and the affected municipality, and only on capital projects that will be of benefit to both parties.

Note 16 **Deferred Revenues**

Ducks Unlimited has entered into a lease agreement with the District for the lease of certain lands. In accordance with the terms of this lease agreement, in respect of land known as Craigantler Syphon, the District received a $42,000 lump sum payment in 1987, and this amount is being recognized as revenue in equal amounts over 30 years.

The District also has a lease agreement with Ducks Unlimited for the lease of George Freeman Marshland. The term of the lease is for 30 years commencing January 1, 2003, and expires January 1, 2032. The District received a lump sum payment of $29,854 in 2003, and this amount is being recognized as revenue in equal amounts over 30 years.

In a lease agreement with Pheasants Forever Calgary Chapter, the District received a lump sum payment of $15,000 in 2003, which is being recognized over 15 years.

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Note 16 **Deferred Revenues ... continued**

The District has subdivided and developed land in the Strathmore area. The District recognizes revenue, using the percentage of completion method described in Note 3, as each lot is sold. The District has also received payments on other properties for which the sales have not yet been finalized.

	2007	2006
District Capital		
Craigantler Syphon	$ 12,600	$ 14,000
George Freeman Marshland	24,879	25,874
Pheasants Forever	10,000	11,000
Annual leases on properties	2,758	2,758
Other leases	80	105
Deferred revenue from land sales	47,080	97,370
	97,397	151,107
Less: Current portion	(6,154)	(6,154)
	$ 91,243	$ 144,953

Note 17 **Long Term Debt**

	2007	2006
Conditional sales contract bearing no interest, repayable in monthly principle installments of $5,796, maturing January 11, 2009, specific equipment with a net book value of $150,750 has been pledged as security.	$ 81,142	$ 150,692
Conditional sales contract bearing no interest, repayable in monthly principle installments of $4,398, maturing January 20, 2009, specific equipment with a net book value of $114,392 has been pledged as security.	61,572	114,348
Conditional sales contract bearing no interest, repayable in monthly principle installments of $7,745, maturing February 21, 2010, specific equipment with a net book value of $236,990 has been pledged as security.	209,109	-
	351,823	265,040
Less: Current portion	(215,263)	(122,326)
	$ 136,560	$ 142,714

... continues

Note 17 Long Term Debt ... continued

Principle repayment terms are approximately:

2008	$ 215,263
2009	113,326
2010	23,234
	$ 351,823

Note 18 Asset Retirement Obligation

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the asset retirement obligation associated with the restoration of the gravel pit:

	2007	2006
Asset retirement obligation, beginning of year	$ 128,003	$ 120,757
Adjustment for change in estimated date of reclamation	(25,533)	-
Accretion expense	6,148	7,246
Asset retirement obligation, end of year	$ 108,618	$ 128,003

No expenditures for reclamation have been made to date. The total estimated undiscounted amount to reclaim the site is $181,348. It is estimated that these costs will be incurred in fiscal 2016.

Note 19 Externally Restricted Funds

The net assets of the Irrigation Council Works Fund are restricted under the terms of the Irrigation Rehabilitation Funding Agreement. These funds can only be spent on projects approved by the Irrigation Council, and the costs are shared with the District. Once the District has transferred its 25% share of costs into the Irrigation Council Works Fund, and received the 75% matching deposit from the Irrigation Council, the cash is restricted from use on other projects.

Note 20 Internally Restricted Funds and Interfund Transfers

The Board has internally restricted funds for District Capital purchases of equipment and rehabilitation of irrigation works. This internally restricted balance also includes the amount recognized when the Commutation Fund was eliminated as a result of the new Irrigation Districts Act. The internally restricted funds are not available for general purposes without approval of the Board of Directors.

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Note 20 **Internally Restricted Funds and Interfund Transfers ... continued**

Interfund transfers are required to fund the cash outlays for capital asset acquisitions and loan principle payments as well as expenses requiring Board approval.

The irrigation provision reflects the District's required 25% contribution for the Irrigation Council cost shared projects, as described in Note 19.

Note 21 **Irrigation Rates**

Irrigation rates, net, consist of:

Acres		2007	2006
	Assessment roll acres		
77,093.5	irrigation acres at $16.25 per acre, plus additional pressure charge where applicable	$ 1,300,093	$ 1,271,277
994.0	minimum charge irrigation acres at $406.25 per parcel	22,750	23,156
4,012.5	incentive irrigation acres at $12.19 per acre, plus additional pressure charge where applicable	49,582	49,582
11,327.0	terminable acres at $18.00 per acre, plus additional pressure charge where applicable	205,451	232,073
1,012.0	minimum charge terminable acres at $450.00 per parcel	20,700	22,050
167.5	annual acres at $18.00 per acre, plus additional pressure charge where applicable	3,015	3,015
25.0	minimum charge annual acres at $450.00 per parcel	450	450
694.0	annual acres – off creek at $14.00 per acre, plus additional pressure charge where applicable	9,716	9,716

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Note 21 **Irrigation Rates ... continued**

Acres		2007	2006
50.0	annual acres – irrigation acres at $16.25 per acre, plus additional pressure charge where applicable	812	812
700.5	annual acres – incentive irrigation acres at $12.19 per acre, plus additional pressure charge where applicable	9,234	9,234
15.0	minimum charge annual acres – incentive irrigation acres at $304.75 per parcel	305	305
96,091.0		$ 1,622,108	$ 1,621,670

Where water is supplied by way of pressure pipeline, the charge per acre for permanent and terminable acres is based on the water pressure supplied at an additional charge per acre, at a rate of $3.10 per 10 PSI delivered.

a) A $4.00 rate discount was applied to irrigators who were under terminable agreements and conveyed water via a creek if they converted to a special agreement in order to allow the District to accommodate permanent acre applications in process through the period in which the acreage cap for the District was met (95,000 acres).

b) Further to this, the District offered the applications in process during this same period, a special annual agreement reflecting the rate for the type of agreement they would otherwise have entered into.

Note 22 **Contingent Liabilities**

The District is involved in various minor litigations, regulatory and environmental matters in the ordinary course of business. In management's opinion, an adverse resolution of these other matters would not have a material impact on operations or the District's financial position.

At November 30, 2007, the District had expended $197,431 (2006 - $205,502), on irrigation works without approval of the Irrigation Council. Until formal approval is received from Irrigation Council for the balance of irrigation works expenditures paid by the District, the unapproved amounts cannot be cost shared with the Province of Alberta, as detailed in Notes 19 and 20.

Note 23 Environmental Contingencies

The District is vulnerable to lawsuits with respect to government regulations concerning environmental issues. As well, the operation of a gravel pit may have the potential to pollute ground water. The risk of these contingencies occurring, and the potential clean up costs of polluted ground water, has not been determined but could be material.

Note 24 Approval of Financial Statements

The management of the Western Irrigation District approved these financial statements on February 20, 2008.

Note 25 Financial Instruments

The District, as part of its operations, carries a number of financial instruments. These financial instruments consist of cash and cash equivalents, accounts receivable, interest receivable, loan receivable, accounts payable and accrued liabilities and long term debt. These financial instruments may be exposed to the following risks:

Interest Rate Risk
Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the District manages exposure through its normal operating and financing activities. The District is exposed to interest rate risk that arises from the credit quality to the entities to which it provides services, as well as from the return on its investments. The District provides its services to a variety of customers and as a result, its credit risk is minimized. The District manages its portfolio investments based on its cash flow needs and with a view to optimizing its interest income.

Credit Concentration Risk
Credit risk arises from the possibility that the entities to which the company provides services may experience financial difficulty and be unable to fulfill their obligations. The District is exposed to financial risk that arises from the credit quality of the entities to which it provides services as well as the institutions with which it holds its cash and investments. The District believes that there is no unusual exposure associated with the collection of accounts receivable. Cash and investments are in place with major financial institutions and therefore the District does not believe it is subject to any significant concentration of credit risk with its investments.

... continues

Note 25 Financial Instruments ... continued

Fair Value

The fair value of cash and cash equivalents, accounts receivable, interest receivable, and accounts payable and accrued liabilities, corresponds approximately to their carrying amount because of their short term maturity dates.

The carrying amount of the loan receivable and investments approximates fair value because the coupons are close to the market rates.

The fair value of long term debt is determined using the present value of future cash flows under current financing agreements.

Note 26 Comparative figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

WESTERN IRRIGATION DISTRICT

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