

UNITED IRRIGATION DISTRICT

ANNUAL REPORT

YEAR ENDING DECEMBER 31, 2016

**Annual Meeting: Wednesday, March 22, 2017 1:00 P.M.
Hill Spring Community Hall
Hill Spring, Alberta**

UNITED IRRIGATION DISTRICT

BOARD OF DIRECTORS

Duane Nelson	Chairman
Daniel Hunsperger	Vice-Chairman
Jim Woolf	Director
Brandon Gibb	Director

STAFF

Fred W. Rice	District Manager
B. Craig Smith	Assistant District Manager
Steve Lybbert	Ditchrider/Operator
Jared Nelson	Ditchrider/Operator
Neil Allred	Operator/Maintenance
Lawrence Draper	Operator/Construction
Byran Cahoon	Operator/Construction

Engineer for the District – 2016

Wilde Brothers Engineering Ltd. – Darin Wilde

**ANNUAL MEETING OF THE BOARD OF DIRECTORS
AND THE WATER USERS OF
UNITED IRRIGATION DISTRICT**

Wednesday, March 22, 2017, 1:00 P.M.

Hill Spring Community Hall, Hill Spring, Alberta

AGENDA

- 1.0 Welcome and Opening Remarks – Mr. Duane Nelson, Chairman, Board of Directors
- 2.0 Appointment of the Meeting Chairperson
- 3.0 Adoption of Agenda
- 4.0 Reading and Approval of the Minutes of the last Annual Meeting: March 16, 2016
- 5.0 Business Arising from the Minutes: March 16, 2016
- 6.0 Auditors Report: Skoien Professional Corporation – Hakon Skoien
- 7.0 Board of Directors and Manager’s Report: Duane Nelson, Fred Rice
- 8.0 Operations/Maintenance/Rehabilitation/Seepage Control Report
- 9.0 Wilde Brothers Engineering Ltd. presentation of Belly River Reservoir
- 10.0 New Business
- 11.0 Adjournment

UNITED IRRIGATION DISTRICT
Wednesday, March 16, 2016
ANNUAL MEETING MINUTES

These are the Minutes of the Annual Meeting of the United Irrigation District held in Glenwood, Alberta at the Glenwood Community Hall on Wednesday, March 16, 2016, commencing at 1:00 p.m.

The following were in attendance:

UNITED IRRIGATION DISTRICT

Duane Nelson	– Chairman
Daniel Hunsperger	– Vice-Chairman
David Layton	- Board Member
Jim Woolf	- Board Member
Brandon Gibb	- Board Member
Fred Rice	- District Manager
B. Craig Smith	– Assistant District Manager
Steve Lybbert	- Ditchrider
Jared Nelson	- Ditchrider

Irrigation Council

David Andrews

Alberta Agriculture and Forestry

Jennifer Nitschelm
Ben Ference
Adele Harding

Alberta Environment and Parks

Dennis Matis
John Mahony
Lawrence Wegwitz

Alberta Irrigation Projects Association

Ron McMullin

Skoien Professional Corporation

Hakon Skoien

Wilde Brothers Engineering Ltd.

Darin Wilde

Total attendance – 13 water users, 10 guests and 4 employees

Duane Nelson called the meeting to order at 1:00 p.m. and thanked everyone for attending. He then asked guests to introduce themselves and to tell which organization they represented.

NOMINATION FOR CHAIRMAN

The Board of Directors had appointed Jim Woolf prior to the meeting to act as the meeting chairman

ADOPTION OF THE AGENDA

Jim Woolf called for a motion to adopt the agenda. Craig B. Smith MOVED to adopt the agenda. Robert Wynder Seconded the motion. ...CARRIED

MINUTES OF LAST MEETING

The Minutes of March 18, 2015 were read by B. Craig Smith. Bruce Wynder MOVED to accept the Minutes as read, SECONDED by Al McEwen. ...CARRIED

BUSINESS ARISING FROM THE MINUTES

No business was raised from the reading of the minutes.

AUDITOR'S REPORT

The Auditor's Report was read by Hakon Skoien of Skoien Professional Corporation. He discussed the Financial Statements for the year ending December 31, 2015. It was noted that the District is in good financial condition and that in the opinion of Skoien Professional Corporation the financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2015 in accordance with Canadian accounting standards for not-for-profit organizations. He indicated that the District is well managed financially and that the operating surplus for the 2015 year was \$32,000. Larry Gibb asked what kind of investments the UID had. Mr. Skoien indicated they were mostly mutual funds and preferred shares as outlined in Note 6 of the Statement. Darcy Barfuss asked about the sale of the water licence of 222 acre feet. Fred Rice told the attendees that the sale has been finalized and is all but ready to have the funds transferred to the UID. Daniel Hunsperger MOVED to accept the Auditor's Report, SECONDED by Lawrence Draper. ...CARRIED

MANAGER AND CHAIRMAN REPORT

The Board of Directors and Managers report was read by Board Chairman Duane Nelson and the Operations and Maintenance Report, the Seepage Control Plan, the IRP Work Report and general information to irrigators was read by District Manager Fred Rice. Brandon Gibb read the Notes of Interest and Policy Reminders.

Belly River Reservoir Proposal – Wilde Brothers Engineering Ltd. – Darin Wilde

Darin Wilde discussed the work he had done at the request of the United Irrigation District Board of Directors to assess the feasibility of on-stream water storage on the Belly River. He used Lidar imagery for the study and did 4 different scenarios on the area between the bridge on Hwy 800 south of Hill Spring to Hwy 5 north of Mountain View. There could be up to 55,000 acre feet of water storage that would benefit not only the water users of the United Irrigation District but also all of the Mountain Irrigation Districts, SMRID, RID, MID and TID.

NEW BUSINESS

It was noted that Daniel Hunsperger had been appointed to represent the seven small irrigation districts on the Executive Board of the AIPA. Darcy Barfuss asked what protocol was in place in the event of a drought for rationing of water. How would the rationing be done? Fred Rice indicated that the water users had been cooperative in past events and that it would likely work well for the future. Ron McMullen advised that all the irrigation districts have signed an agreement for the priority of water allocation in a drought to human consumption needs in the communities and to water for livestock ahead of crop use. Larry Gibb asked about excess water licence as only two thirds of the District's assessed acres are using the water and that less than half of the water licence is ever utilized. He would like to know how we might develop more acres. Fred Rice mentioned the challenge of sleeper acres but also discussed the efficiencies that had come from replacement of gravity irrigation with pivot irrigation, especially low pressure pivots. He also discussed the challenge to the south end of the District in the late summer months when the river flows were low and no storage is available for those acres. Ron McMullin informed the meeting of the value of efforts from Alberta Agriculture and Forestry and Alberta Environment and Parks along with the AIPA and Irrigation Districts in the efforts to keep Alberta waters free from Zebra and Quagga mussels. The combined contributions of legislation and inspection points, especially with the trained sniffer dogs, made a difference in Alberta last year where 11 infected boats were found. Ron also talked about the possible treatment of mussel

infestations with potassium chloride if the waters were to become infested. Ron McMullin noted that the UID sale of water licence to the South East Water Coop has been noticed in government circles as a good gesture in sharing water resources with areas of need. Dennis Matis was asked about the snow pack in the mountains. Akimina and Flat Top are in the average range but Many Glaciers, even though above 2015 levels, is still not in the average range. Storage levels are below average, especially the Waterton Reservoir and St. Mary's Reservoir. He felt that these will be replenished in time without any problems. Adele Harding talked about the Irrigation Efficiency program under Growing Forward 2 and the availability of funds for upgrading to pivot irrigation from gravity and wheel line irrigation. Jennifer Nitschelm was acknowledged as the new Director of the Irrigation Secretariat.

Jim Woolf thanked everyone for their attendance and participation.

Larry Wipf MOVED that the meeting be adjourned at 2:45 P.M.

Duane Nelson – Chairman

Fred W. Rice – District Manager

BOARD OF DIRECTORS AND MANAGER'S REPORT

We are pleased to report on the operations of the United Irrigation District for the 2016 year. Water diversion started on May 3 and ended October 9, 2016. Total water diverted in 2016 was 21,864 acre feet, 21,241 acre feet from the Belly River and 623 acre feet from the Waterton through the Environment Canal. The snow pack in 2016 was lower for Akimina and Flat Top recording points requiring careful monitoring of water diversion on the Belly license for the months of August, September and October. The UID appreciates the cooperation of Alberta Environment and Parks in diversion scheduling to maintain adequate flow past the UID headworks on the Belly River. Diversion from the Waterton license occurred in August and September to meet demand. Rainfall throughout the growing season was limited in May, June, July and August. However, rainfall combined with irrigation resulted in excellent crop yields throughout the District. Early maturing crops in 2016 saved irrigation demand later in the season. Unofficially rainfall was recorded at about 13.1 inches at the UID yard.

The Board of Directors met in 11 regular board meetings in 2016. Fred and Daniel attended the November Alberta Irrigation Projects Association Annual Conference in Calgary. An election was held in April 2016. Mike Bishop was elected to the Board of Directors of the United Irrigation District. Due to personal reasons Mr. Bishop resigned from the Board of Directors in November 2016.

In 2016 most of the work on Lateral E was completed. Lateral E runs from the Northside of Hwy 505 in Hengerer Farms Ltd. land, crosses Hwy 505 into Porters and along the southside of 505 through lands belonging to Porter, Direct Ag Ltd., Fox, Torrie, J/M Layton, V. Layton, Rice, Merrill, Beck, and Barfuss. Work was also started and completed on Lateral A1d, IRP No.2300. Lateral A1d replaced an open ditch with pipeline on D. French, R. Wynder and L. Gibb lands. In the fall of 2016 work was started and mostly completed on Lateral A4.5, IRP No.2320 and Lateral A1, IRP No.2301. Lateral A4.5 work replaced a poor open ditch with pipeline from the southwest side of Hill Spring through lands belonging to Sarus Populi Inc., L. Draper, Connolly, D/D Merrill, Caldwell, and M. Peterson. Lateral A1 work replaced open ditch with a pipeline through C. Wynder, L. Wynder and R. Wynder lands eliminating severance issues especially on the C/L Wynder properties.

All of the above projects were part of the UID's Seepage Control Plan. Some engineering was done on Lateral B8. Lateral B8 lands that will benefit from rehabilitation include Carlson, D. Husperger, Kobza, Hammoser, D. French and Hengerer Farms Ltd.

The District also identified a need for a new IRP project to protect the overflow capacity of the Leveling Pond and some engineering was completed on this project as IRP No.2331. The Leveling Pond is critical to water supply for the very east end of the District for Riverside Colony and Standoff Colony.

The funds for the sale of 222 acre feet of water license to the South East Alberta Water Co-op were received in 2016. Some of the money was put into reserve investments with the balance used to purchase pipe for Irrigation Projects. UID will be putting more of the funds into other reserve investments in 2017.

The Board of Directors scholarship award in 2016 went to Jaylee Lybbert of the Cardston High School graduating Grade 12 class.

The UID continued to cooperate with Alberta Agriculture and Forestry and Alberta Environment and Parks in 2016 in an effort to educate the boating public about the danger of aquatic invasive species coming into the waterways of Alberta. There is concern about veligers that have been found in Montana at Tiber Reservoir. The Eastern Irrigation District did some testing of potash for control of invasive mussel species in pipelines in 2016. The research was positive in controlling the mussels, however, the use of potash has not yet received regulatory approval for these purposes.

We express appreciation once again to the Provincial Government and Alberta Agriculture and Forestry, for the continued support through the Irrigation Rehabilitation Program for funding that is making it possible to improve the United Irrigation District infrastructure. We also receive support through the Alberta Agriculture and Forestry Water Division and Alberta Environment and Parks with expertise and other resources that benefit the District.

Craig Smith is retiring at the end of April 2017 and we welcome Viera Ducky in this position.

We appreciate the cooperation of irrigators and staff for the effective and efficient operation of the District in 2016. We extend wishes for a successful 2017.

Duane Nelson
Chairman, Board of Directors

Fred W. Rice
District Manager

Total U.I.D. Assessment Roll Acreage

Based on the 2016 Irrigation Season

Assessment Roll:

Permanent acres:	33,045.61
Terminable acres:	478.81
Minimum Parcel Acres (Permanent):	<u>857.95</u>
Total Acres:	34,382.37

Total U.I.D. Water Diversion - 2016

Belly River Water Licence	- 48,988.32 acre feet
Belly River Diversion 2016	- 21,241.00 acre feet
Waterton to Cochrane Licence	- 17,000.00 acre feet
Waterton to Cochrane Lake 2016	- 623.00 acre feet
Total Diversion 2016	- 21,864.00 acre feet

2016 UID Method of Irrigation

Gravity	- 38.2%
High Pressure Pivot	- 4.9%
Low Pressure Pivot	- 51.3%
Wheel Move	- 5.0%
Other	- 0.6%

Operations/Maintenance/Rehabilitation/Seepage Control Report

Operations & Maintenance

General maintenance in 2016 included digging of dugouts, repairing and cleaning of trash racks, mowing weeds on the main canal right of ways by Hill Spring, repairing and replacing of air vents, valves, pipe leaks and turnouts. The District continues to have problems with maintaining and recording accurate measurements with the water meters on Laterals A, B, C and F. The usual spraying of the main canal systems of the District occurred in June and July. The District used the new mowing bucket for the second year for cutting of cattails and grassy weeds in about 12 km of canals in 2016.

Break-down

Materials	\$ 16,514.08
Equipment Pool	\$ 83,741.62
Labor	<u>\$ 21,374.05</u>
Total	\$ 122,404.75

IRP Rehabilitation

Income:

2016 Alberta Agricultural Funding	\$ 500,920.00
2016 UID Match Money	<u>\$ 166,973.00</u>
Total	\$ 667,893.00

Expenditures 2016:

Beginning 2016 - Owing for Work done in 2015	\$ 141,033.00
IRP No. 2263 – Lateral E	\$ 53,106.64
IRP No. 2298 – Lateral B8	\$ 2,424.00
IRP No. 2300 – Lateral A1d	\$ 44,430.78
IRP No. 2301 – Lateral A1	\$ 544,183.18
IRP No. 2320 – Lateral A4.5	\$ 124,308.23
IRP No. 2331 – Overflow Pond	\$ 2,995.45
Total Work Done in 2016	\$ 771,448.28
Ending 2016 - Owing for Work Done in 2016	\$ 244,677.00

Lateral E and Lateral A1d Projects are now substantially completed. Laterals A4.5 and A1 are nearly completion. All of these projects included some seepage control rehabilitation. Engineering work is being done on Lateral B8 and on the Emergency overflow for the Leveling Pond.

SEEPAGE CONTROL PLAN

The District is experiencing very little seepage. As noted above work has been done on this plan for Laterals E, A1d, A4.5 and A1.

Changes to the Tax Assessment Roll for 2016:

There were no changes to the assessment roll for 2016. A complete review of the assessment roll was completed again in 2016. During the Audit it was discovered that 2 assessed acres are in the name of the UID and that with a subdivision 6.4 assessed acres were missed in the invoicing. This is now corrected. Total assessed acres in the District are 34,390.77.

NOTES OF INTEREST AND POLICY REMINDERS

1. Today is the last day for nominations for two board members – the terms for Brandon Gibb and Michael Bishop are up for election. Nominations close at 4:00 P.M. today.
2. Notice to anyone doing subdivisions:
One hour spent by the UID on subdivisions will be done for free. Any further time spent will be charged to the Applicant.
3. Please note that there will be no new water orders accepted after 12:00 NOON on Fridays to allow our ditch riders to manage the water appropriately on the week-ends.
4. Fences along District canals, drains etc. are not to be removed without permission from the District. If the District approves the removal of the fence and the fence was originally installed by the District, the materials are to be returned to the District.
5. Before erecting a building, installing a fence or utility lines, digging a pond, planting trees, etc. near any of the District works (i.e. Canal, drain, pipeline, etc.), please check with District Management.
6. The Three Year Plan for work to be done under the Irrigation Rehabilitation Program has not been approved by Irrigation Council at the time of printing the annual report.
7. The UID Water License is designated for Agricultural Use and for specified Other Purposes:
Any land reclassified to Recreational or other than Agricultural use could be subject to loss of water rights on those acres.
8. Rate payers are responsible for ordering water to fill dugouts and for notifying Ditchriders to turn off the water when the dugouts are full. Ditchriders are not responsible for overtopping of dugouts.
9. WATER QUALITY DISCLAIMER: The United Irrigation District advises that the water in the irrigation system of the District may not be potable or may not be suitable for other purposes, and the District makes no representation, warranty, or guarantee that the water delivered through the system is potable or fit for human consumption or suitable for livestock watering, recreational use or other purposes. The Irrigation system of the District is an open ditch system subject to possible contamination beyond the control of the District.
10. **Note: Section 187 Irrigation Districts Act: “An owner or occupier of land who receives water delivered by the district is under a duty to take reasonable care in using the water and to prevent the water from causing injury to any person or damage to any property.”**
11. We want to thank our staff for another successful year in running water. They are doing a great job of managing the water in the District. Thank you to the Department of Agriculture and Forestry for the continued funding for rehabilitation of the District. The expertise provided through the Irrigation and Farm Water Division and Alberta Environment and Parks is much appreciated as well. Finally, thank you to our water users for your support and cooperation in making the District run efficiently and effectively.

**CROPS GROWN WITHIN THE UNITED IRRIGATION DISTRICT
2016**

CROPS GROWN	EAST BLOCK	WEST BLOCK	TOTAL
Barley	2,379.07	2,575.42	4,954.49
CPS Wheat	0.00	127.00	127.00
Tame Pasture	229.35	0.00	229.35
Hard Spring Wheat	5,017.25	1,738.85	6,756.10
Corn Silage	50.00	0.00	50.00
Triticale	0.00	360.00	360.00
Winter Wheat	1,265.65	0.00	1,265.65
Alfalfa 2 CUT	1,262.40	3,257.10	4,519.50
Alfalfa 3 CUT	340.00	58.70	398.70
Alfalfa Hay	8.00	196.50	204.50
Barley Silage	397.00	424.97	821.97
Grass Hay	234.30	609.61	843.91
Green Feed	37.00	72.77	109.77
Native Pasture	1,896.22	1,645.13	3,541.35
Sorghum Sudan Grass	98.25	0.00	98.25
Tame Pasture	229.35	1,484.10	1,713.45
Timothy Hay	1,126.14	171.87	1,298.01
Miscellaneous	61.53	63.75	125.28
Lentils	0.00	598.40	598.40
Canola	3,110.46	905.43	4,015.89
Dry Peas	890.55	968.00	1,858.55
Grass Seed	471.00	0.00	471.00
Market Garden	11.00	0.00	11.00
Potato	3.00	0.00	3.00
Mustard	0.00	282.00	282.00
TOTAL	18,851.17	15,539.60	34,390.77

United Irrigation District						
Annual Rolling Three-Year Plan						
Summary of Estimated Expenditures						
IRP No.	Project Name	Estimated Expenditure				
		By Construction Year				
Continuing Projects		Original	Year	Year	Year	Additional Years
Also include any Substantially Completed Projects** that will have funds expended for any final clean-up, etc. (Projects Already Approved by Irrigation Council)		Approval Date	One*	Two	Three	(If Required)
			2017/18	2018/19	2019/20	
2300	Lateral A1d	11-Feb-15	\$ 5,000.00	\$ -		\$ -
2320	Lateral A 4.5	14-Apr-16	\$ 18,238.02	\$ -		\$ -
2301	Lateral A1	11-Feb-16	\$ 271,495.97	\$ 5,000.00		
2331	Leveling Pond	24-Jun-16	\$ 358,159.01	\$ 54,425.54		
2298	Lateral B8	11-Feb-16	\$ 10,000.00	\$ 608,467.46	\$ 234,192.54	
2263	Lateral E	20-Feb-13	\$ 5,000.00	\$ -		
<u>New Year One Projects</u> (Projects Not Yet Approved by Irrigation Council)						
<u>Proposed Year Two Projects</u> (Projects Not Yet Approved by Irrigation Council)						
<u>Proposed Year Three Projects (and beyond)</u> (Projects Not Yet Approved by Irrigation Council)						
	Lateral A1e				\$ 216,590.00	
	Lateral D1				\$ 217,110.46	\$ 23,889.54
Total Estimated Expenditures per Year			\$ 667,893.00	\$ 667,893.00	\$ 667,893.00	\$ 23,889.54

UNITED IRRIGATION DISTRICT

Financial Statements

For the Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Irrigation District:

I have audited the accompanying financial statements of United Irrigation District, which comprise the statement of financial position as at December 31, 2016, and the statements of operations, 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 accounting standards for not-for-profit organizations (ASNFPO), 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian auditing standards. Those standards require that I 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of United Irrigation District as at December 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).



Cardston, Alberta
February 21, 2017

SKOIEN PROFESSIONAL CORPORATION
CHARTERED ACCOUNTANT

UNITED IRRIGATION DISTRICT
Statement of Financial Position as at December 31, 2016

	<i>Ref.</i>	General Fund	District Capital	Irrigation Works	2016	2015
ASSETS						
CURRENT ASSETS						
Cash and term deposits	1	\$ 579,718	\$ 170,000	\$ 639	\$ 750,357	\$ 562,631
Accounts receivable	2	6,097	-	-	6,097	9,283
Inventory	3	38,210	-	-	38,210	42,020
Prepaid expenses and deposits	4	13,766	-	-	13,766	14,545
		637,791	170,000	639	808,430	628,479
INTERFUND RECEIVABLES (PAYABLES) (Note 12)	5	245,316	-	(245,316)	-	-
INVESTMENTS (Note 6)	6	1,467,096	-	-	1,467,096	1,190,220
PATRONAGE RESERVES	7	8,604	-	-	8,604	8,572
PROPERTY AND EQUIPMENT (Note 7)	8	-	512,293	-	512,293	553,171
IRRIGATION WORKS (Note 10)	9	-	-	14,037,425	14,037,425	13,885,296
	10	\$ 2,358,807	\$ 682,293	\$ 13,792,748	\$ 16,833,848	\$ 16,265,738
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	11	\$ 20,145	\$ -	\$ -	\$ 20,145	\$ 20,689
	12	20,145	-	-	20,145	20,689
FUND BALANCES						
Unrestricted net assets	13	2,338,662	-	-	2,338,662	1,777,615
Internally restricted (Note 8)	14	-	170,000	-	170,000	170,000
Net assets invested in property and equipment	15	-	512,293	-	512,293	553,171
Irrigation works fund (Note 9, Schedule 3)	16	-	-	(244,677)	(244,677)	(141,033)
Equity in irrigation works	17	-	-	14,037,425	14,037,425	13,885,296
	18	2,338,662	682,293	13,792,748	16,813,703	16,245,049
	19	\$ 2,358,807	\$ 682,293	\$ 13,792,748	\$ 16,833,848	\$ 16,265,738

Chairman

Director

UNITED IRRIGATION DISTRICT

Statement of Operations and Changes in Fund Balances For the Year Ended December 31, 2016

	<i>Ref.</i>	General Fund	District Capital	Irrigation Works	2016	2015
REVENUE						
WATER EARNINGS						
Irrigation rates, net (Note 11)	1	\$ 373,336	\$ -	\$ -	\$ 373,336	\$ 373,581
Conveyance of commercial water	2	13,771	-	-	13,771	11,872
Conveyance of agricultural domestic water	3	1,450	-	-	1,450	1,750
Penalties	4	833	-	-	833	64
	5	389,390	-	-	389,390	387,267
INVESTMENT INCOME	6	46,888	-	-	46,888	36,056
UNREALIZED GAIN ON INVESTMENTS	7	39,768	-	-	39,768	-
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	8	-	16,197	-	16,197	-
IRRIGATION WORKS FUND REVENUE	9	-	-	500,920	500,920	491,553
OTHER (Note 13)	10	510,383	-	-	510,383	2,597
	11	986,429	16,197	500,920	1,503,546	917,473
EXPENDITURES						
OPERATING EXPENDITURES (Schedule 1)	12	255,933	-	-	255,933	127,314
AMORTIZATION	13	-	59,551	619,408	678,959	687,591
UNREALIZED LOSS ON INVESTMENTS	14	-	-	-	-	35,866
PROVISION FOR IRRIGATION WORKS	15	166,973	-	(166,973)	-	-
	16	422,906	59,551	452,435	934,892	850,771
EXCESS OF REVENUE OVER EXPENDITURES	17	563,523	(43,354)	48,485	568,654	66,702
FUND BALANCE, beginning of year	18	1,777,615	723,171	13,744,263	16,245,049	16,178,347
INTERFUND TRANSFERS	19	(2,476)	2,476	-	-	-
FUND BALANCE, end of year	20	\$ 2,338,662	\$ 682,293	\$ 13,792,748	\$ 16,813,703	\$ 16,245,049

UNITED IRRIGATION DISTRICT

Statement of Cash Flows

For the Year Ended December 31, 2016

	2016	2015
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 568,654	\$ 66,702
Items not involving cash:		
Amortization	678,959	687,591
(Gain) loss on sale of property and equipment	(16,197)	-
Unrealized (gain) loss on fair value change in investments	(39,768)	35,866
	<u>1,191,648</u>	<u>790,159</u>
Net change in non-cash working capital balances		
Accounts receivable	3,186	(9,092)
Inventory	3,810	(12,210)
Prepaid expenses	779	3,484
Accounts payable and accrued liabilities	(544)	(3,339)
	<u>1,198,879</u>	<u>769,002</u>
INVESTING ACTIVITIES		
Purchase of investments	(237,108)	(20,682)
Decrease in patronage reserves	(32)	1,464
Proceeds on disposal of property and equipment	19,840	-
Purchase of property and equipment	(22,316)	(19,722)
Purchase of irrigation works	(771,537)	(757,494)
	<u>(1,011,153)</u>	<u>(796,434)</u>
NET INCREASE (DECREASE) IN CASH	187,726	(27,432)
CASH, beginning of year	<u>562,631</u>	<u>590,063</u>
CASH, end of year	<u>\$ 750,357</u>	<u>\$ 562,631</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Operating activities include the following:		
	2016	2015
Interest received	<u>\$ 38,276</u>	<u>\$ 32,296</u>

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2016

1. Nature of Operations

The United Irrigation District (the "District"), an organization which operates under the authority of the Irrigation Districts Act of the Province of Alberta and as such is exempt from income tax, operates and maintains the irrigation system to distribute water to water rate payers in the Glenwood and Hill Spring areas.

2. Summary of Accounting Policies

a. *Basis of Presentation*

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO), *CICA Handbook - Accounting Part III*, and are in accordance with Canadian generally accepted accounting principles.

b. *Fund Accounting*

The District follows the restricted fund method of accounting.

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

The District Capital Fund accounts for the assets, investments, liabilities, revenues, and expenses related to the District's internally restricted capital assets.

The Irrigation Works Fund accounts for capital receipts for new irrigation works. 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%.

c. *Revenue Recognition*

Water rates are recognized when the service is provided.

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

Government contributions to the irrigation works fund are recognized when the district has transferred its 25% share of costs into the fund and received the 75% matching contribution from the government. The provision for irrigation works reflects the district's 25% share of costs for the construction of irrigation works.

d. *Inventory*

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the specific item basis.

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2016

2. Summary of Accounting Policies (continued)

e. *Irrigation Works*

Costs incurred in constructing new irrigation works and in replacing and rehabilitating existing works are capitalized and fully provided for from the irrigation works fund. Maintenance projects are expensed to operations.

Amortization of irrigation works is provided for on a straight line basis over 40 years. No amortization is taken in the year of acquisition.

If irrigation works are subject to permanent impairment, additional amortization or write-down is provided.

Irrigation works additions are capitalized at cost and government approved rates for equipment, labor and overhead charges.

f. *Cash and Cash Equivalents*

The District's policy is to disclose bank balances under cash and cash equivalents, including bank overdrafts with balances that fluctuate frequently from being positive to overdrawn.

g. *Property and Equipment*

Property and equipment are recorded at cost. Amortization is provided for on the declining balance basis using the following annual rates:

Buildings	5%
Furniture and fixtures	10%
General equipment	10%
Power equipment	10%
Trucks	15%
Computer equipment	25%

In the year of acquisition, amortization is provided for at half the normal rate.

If property and equipment are subject to permanent impairment, additional amortization or write-down is provided.

h. *Goods and Services Tax*

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.

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2016

2. Summary of Accounting Policies (continued)

i. *Financial Instruments*

Measurement of financial instruments

The District initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The District subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

Transactions costs

The District recognizes its transaction costs in net income in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transactions costs that are directly attributable to their origination, issuance or assumption.

j. *Use of Estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to estimates and assumptions include the estimated useful lives of property and equipment and irrigation works, and the valuation of inventories. Actual results could differ from those estimates.

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2016

3. Economic Dependence

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

4. Financial Instruments

Risk and Concentrations

The District is exposed to various risks through its financial instruments. The following analysis provides a measure of the entity's risk exposure and concentrations at the balance sheet date.

Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. The District is exposed to this risk mainly in respect of its accounts payable.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The District's main credit risks related to its accounts receivable. The District provides credit to its clients in the normal course of its operations.

5. Comparative Figures

Where necessary the comparative figures have been reclassified to conform with current year's financial statement presentation. These changes do not affect prior year earnings.

6. Investments

	2016	2015
Money Market Mutual Funds	\$ -	\$ 117,190
Mutual Funds	994,536	1,003,302
Principal Protected Notes	215,260	
Preferred shares	257,300	69,728
	<u>\$ 1,467,096</u>	<u>\$ 1,190,220</u>

The book value of investments is \$1,348,338 (2015 - \$1,115,601).

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2016

7. Property and Equipment

	2016			2015
	Cost	Accumulated Amortization	Net	Net
Land	\$ 13,666	\$ -	\$ 13,666	\$ 13,666
Buildings	137,165	103,691	33,474	32,434
Power equipment	857,448	516,222	341,226	364,203
General equipment	78,236	57,940	20,296	20,646
Trucks	500,720	403,147	97,573	114,792
Furniture and fixtures	15,722	13,750	1,972	2,191
Computer equipment	15,064	10,978	4,086	5,239
	<u>\$ 1,618,021</u>	<u>\$ 1,105,728</u>	<u>\$ 512,293</u>	<u>\$ 553,171</u>

8. Internally Restricted District Capital Funds

The Board has internally restricted funds for District Capital purchases of equipment and rehabilitation of irrigation works. These funds are not available for general purposes without approval of the Board of Directors.

9. Externally Restricted Irrigation Works Funds

The net assets of the Irrigation 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. Funding is shared between the District and Province as explained in Note 2.

10. Irrigation Works

Irrigation works have been valued for balance sheet purposes at the recorded cost of the system as at December 31, 1977, together with additions and rehabilitations-to-date and charges-to-date for amortization, as described in Note 2.

	2016			2015
	Cost	Accumulated Amortization	Net	Net
Irrigation Works	<u>\$26,405,403</u>	<u>\$12,367,978</u>	<u>\$14,037,425</u>	<u>\$13,885,296</u>

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2016

11. Irrigation Rates

Irrigation rates, net, consist of:

	2016	2015
33,084 acres @ \$11 per acre (2015 - 33,084 acres @ \$11 per acre)	\$ 363,924	\$ 364,150
479 acres @ \$12 per acre, terminable (2015 - 479 acres @ \$12 per acre)	5,746	5,746
820 acres; minimum charge @ \$250 per parcel (2015 - 828 @ \$250 per parcel)	20,000	20,000
<hr/>		
34,382 acres (2015 - 34,391 acres)	389,670	389,896
Discounts	(16,334)	(16,315)
	<hr/>	<hr/>
	\$ 373,336	\$ 373,581

12. Interfund Balances

Interfund balances are for District funds spent on approved rehabilitation projects to be funded through subsequent year's IRP funding. These balances are unsecured, non-interest bearing, with no set terms of repayment.

13. Sale of Water License

Pursuant to the provisions of the *Water Act*, on February 18, 2016, Alberta Environment and Parks approved the sale of part of a water license held by the District. Proceeds from the sale were \$500,000. The sale reduces the annual volume of water allocated to the District from 60,753,481 cubic meters to 60,479,407 cubic meters and decreases the diversion rate from May 1 to May 15 from 4.16 cubic meters per second to 3.95 cubic meters per second. This sale does not affect the District's ability to continue its operations as per usual.

14 Approval of Financial Statements

The management of the United Irrigation District approved these financial statements on February 21, 2017.

UNITED IRRIGATION DISTRICT**Schedule of Operating Expenditures
For the Year Ended December 31, 2016**

Schedule 1

	2016			2015	
	Operations & Maintenance	Water Delivery	Administration and General	Total	Total
EXPENDITURES					
Salaries	\$ 158,603	\$ 58,871	\$ 145,492	\$ 362,966	\$ 343,651
Fuel	30,664			30,664	25,302
Materials and supplies	45,141		2,580	47,721	32,519
Insurance			21,372	21,372	21,187
Association fees, dues			13,608	13,608	10,514
Equipment maintenance	18,239			18,239	15,723
Board of Directors - fees and expenses			11,518	11,518	13,030
Travel expenses		18,000	1,534	19,534	19,284
Professional fees			7,625	7,625	7,593
Office			14,856	14,856	12,433
Utilities			4,647	4,647	5,492
Miscellaneous			11,889	11,889	16,423
Conferences			1,628	1,628	3,638
Telephone		240	2,262	2,502	2,839
Advertising and promotions			664	664	689
	252,647	77,111	239,675	569,433	530,317
RECOVERIES					
Equipment pool recoveries	(313,500)	-	-	(313,500)	(403,003)
TOTAL 2016	\$ (60,853)	\$ 77,111	\$ 239,675	\$ 255,933	\$ -
TOTAL 2015	\$ (179,381)	\$ 72,373	\$ 234,322	-	\$ 127,314

UNITED IRRIGATION DISTRICT**Schedule of Irrigation Works Expenditures****For the Year Ended December 31, 2016**

Schedule 2

	2016		2015	
	District	Province of Alberta	Total	Total
EXTERNAL GOODS AND SERVICES				
Materials and supplies	\$ -	\$ 462,674	\$ 462,674	\$ 342,048
Contract services - engineering	-	36,308	36,308	23,259
Miscellaneous	-	4,346	4,346	30,937
	-	503,328	503,328	396,244
INTERNAL GOODS AND SERVICES				
Labor recovery - construction	-	28,465	28,465	45,900
Equipment pool recoveries	-	222,665	222,665	287,810
Overhead	-	17,079	17,079	27,540
	-	268,209	268,209	361,250
TOTAL 2016	\$ -	\$ 771,537	\$ 771,537	\$ -
TOTAL 2015	\$ -	\$ 757,494	-	\$ 757,494

UNITED IRRIGATION DISTRICT

Schedule of Changes in Fund Balance - Irrigation Works Fund

For the Year Ended December 31, 2016

Schedule 3

	2016			2015
	District	Province of Alberta	Total	Total
FUND BALANCE, beginning of year	\$ -	\$ (141,033)	\$ (141,033)	\$ (40,543)
ADDITIONS:				
Contribution from Province of Alberta	-	500,920	500,920	491,553
Interest earned	-	-	-	-
Contribution from rate payer	-	-	-	1,600
Contributions for irrigation works	166,973	-	166,973	163,851
Transfer to Cost-sharing	(166,973)	166,973	-	-
	-	667,893	667,893	657,004
DEDUCTIONS:				
Irrigation works expenditures (Schedule 2)	-	771,537	771,537	757,494
FUND BALANCE, end of year	\$ -	\$ (244,677)	\$ (244,677)	\$ (141,033)