

UNITED IRRIGATION DISTRICT

ANNUAL REPORT

YEAR ENDING DECEMBER 31, 2019

**Annual Meeting: Wednesday, March 18, 2020 1:00 P.M.
Glenwood Community Hall
Glenwood, Alberta**

UNITED IRRIGATION DISTRICT

BOARD OF DIRECTORS

Duane Nelson	Chairman
Daniel Hunsperger	Vice-Chairman
Jim Woolf	Director
Brandon Gibb	Director
Craig B. Smith	Director

STAFF

Fred W. Rice	District Manager
Viera Ducky	Assistant District Manager
Steve Lybbert	Ditchrider/Operator
Jared Nelson	Ditchrider/Operator
Byran Cahoon	Operator/Construction

Engineer for the District – 2019

Wilde Brothers Engineering Ltd. – Darin Wilde

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

Wednesday, March 18, 2020, 1:00 P.M.

Glenwood Community Hall, Glenwood, 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 20, 2019
- 5.0 Business Arising from the Minutes: March 20, 2019
- 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 New Business
- 10.0 Adjournment

UNITED IRRIGATION DISTRICT
Wednesday, March 20, 2019
ANNUAL MEETING MINUTES

These are the Minutes of the Annual Meeting of the United Irrigation District held in Hill Spring, Alberta at the Hill Spring Community Hall on Wednesday, March 20, 2019, commencing at 1:00 p.m.

The following were in attendance:

UNITED IRRIGATION DISTRICT:

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

GUESTS:

Irrigation Council
Rufa Doria

Alberta Agriculture and Forestry
Jennifer Nitschelm

Skoien Professional Corporation
Hakon Skoien

Wilde Brothers Engineering Ltd.
Darin Wilde

Water users: Standoff Colony – James Hofer, Larry & Carol Lybbert, Diane Woolf, Lawrence Draper, Bruce Wynder, Lloyd Smith, Larry Gibb, Al McEwen, B. Craig Smith, David Hunsperger, Diane Hunsperger, Gary Folsom, Barbara Baxter

Total attendance – 14 water users, 4 guests, 4 employees and 5 Board Directors

Duane Nelson called the meeting to order at 1:00 p.m. and thanked everyone for attending. He mentioned that the UID is celebrating 100 years this year.

NOMINATION FOR CHAIRMAN

The Board of Directors had appointed Jim Woolf prior to the meeting to act as the meeting chairman. Jim welcomed our guests and all attendees.

ADOPTION OF THE AGENDA

Jim Woolf called for a motion to adopt the agenda. Diane Woolf MOVED to adopt the agenda. Bruce Wynder SECONDED the motion. ...CARRIED

MINUTES OF LAST MEETING

The Minutes of March 21, 2018 were read by Craig B. Smith.

Page 5, Paragraph 4th – ~~Craig Smith~~ B. Craig Smith

Page 5, Paragraph 5th – ~~Craig Smith~~ B. Craig Smith

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Page 6, Paragraph 2nd – ~~last \$100,000~~ only \$100,000 left

Page 6, last sentence – ~~Craig Smith~~ B. Craig Smith

Daniel Hunsperger MOVED to accept the Minutes as read, SECONDED by Lloyd Smith.

...CARRIED

BUSINESS ARISING FROM THE MINUTES

B. Craig Smith pointed out that the letter from July 1st, 2018 informed ratepayers about the UID willing to buy small parcel acres, yet the UID bought bigger parcels as well. What is the criteria? The UID is interested in buying preferably small parcel acres, however we bought irrigation rights from one parcel – 65 acres because this land has not been irrigated for a very long time, if ever, and by its shape will not be irrigated in the future either; the other big parcel – 65.77 acres was changed from agricultural to recreational. Other purchases were small parcel acres.

Al McEwen asked if the expenses for purchasing acres were included in the budget. Those expenses were not considered in the budget for 2018 and are not included in the budget for 2019. In 2019 those acres will be sold and if we will receive more offers, we will continue buying irrigation acres. The UID has a bylaw of 150 acres per year that will buy. When sold, these acres have to be used for a low-pressure pivot. Acres will be sold based on a matrix system that the UID Board has approved and it will be similar to the Western Irrigation District's criteria.

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, 2018. It was noted that the Audit was good and clean 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 of December 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

Mr. Skoien explained financial statements and differences between years 2018 and 2017.

In 2018 there was water earning due to a rate increase and some Annual Acre Agreements. In investments we had unrealized losses, which was caused by investment market fluctuation in the fourth quarter of the year. The investments have already been improving in the first couple months of 2019. Compared to 2017, the IRP funding went down, we have received a one-time operational grant from the government and with that grant the overall funding was about the same as previous years. The district closed the year with a surplus of \$72,640.00 thanks to more work done on the IRP project #2298 on lateral B8. This fact leads to higher equipment recovery from those projects. \$72,000 from the surplus was moved into restricted funds.

As per the auditor the UID had healthy and steady balance sheet in 2018. Cash and cash equivalents went down due to all projects completed. The district bought a new excavator in 2018. This resulted in increased Property and Equipment assets, there is also a loan on this equipment for 4 years with 0% interest.

Larry Gibb asked if your investment portfolio is in high risk investments. The UID's funds are in low risk investments and if we look at the time range, for example February 2018 until February 2019, we have lost hardly anything. It is just unrealized loss on investments.

B. Craig Smith asked if restricted funds can be used to cover the deficit in the future. Yes, it can be used for this purpose and our Board has decided to transfer \$72,000.00 from the surplus into restricted funds this year.

Larry Gibb MOVED to accept the Auditor's Report, SECONDED Diane Woolf.

...CARRIED

MANAGER AND CHAIRMAN REPORT

The Board of Directors and Manager's report was read by Board Chairman Duane Nelson.

B. Craig Smith asked how the Board of Directors will handle the situation if our district will not receive IRP funding in the future. The only answer now is to increase rates. Fred mentioned that without funding our rate for permanent acres may need to be raised to \$26.50/acre from \$12.50/acre which is a rate for 2019 to cover a \$500,000 infrastructure project if the Board wants to continue with rehabilitation. We are trying to raise rates slowly every year so the ratepayers don't need to experience a radical change. If IRP funding be cut completely and even though the district has some saved money, they will be used only for Operation and Maintenance in the future if needed. Regarding rate increase Larry Gibb pointed out that we need to remember that farmers in our district can't grow expensive crops.

Brandon stated that Fred is doing a great job picking out projects which need to be done.

Jim mentioned the UID's concerns about expansion acres in other districts which leads to lower IRP funding for our district. We have no control over it. It is not easy to expand for us because we do not have water storage on the Belly

Annual Meeting Minutes, March 20, 2019 ...Page 2

River. Al McEwen asked how the Allocation formula for funding is. The formula is based 50% on infrastructure and 50% on assessed acres.

Larry Gibb MOVED to accept the Chairman and Manager's report, SECONDED by Lawrence Draper.

...CARRIED

OPERATIONS/MAINTENANCE/REHABILITATION/SEEPAGE CONTROL REPORT

The Operation and Maintenance Report, the Seepage Control Plan, the RIP Work Report was read by District Manager Fred Rice. Board member Daniel Hunsperger read page 12 of the Annual Report – Notes of Interest and Policy Reminders.

The UID spent \$272,090.96 on IRP#2298 project which should come from 2019 funding. We are trying to be careful to not spend too far ahead in case the funding is cut off completely.

Al McEwen asked why we had used less irrigation water in 2018 than in 2017. The reasons were that winter was longer so farmers seeded later and later during irrigation season we were forced to use less water due to low flows in the river.

Diane Woolf asked about drip irrigation system. So far, we don't have much information about it, so it's hard to judge but it is definitely a more expensive system. Sub-surface irrigation system will probably be used more in the future because of climate change and water shortage.

NEW BUSINESS

- a) Selling irrigation assessed acres: The deadline to submit an application to buy irrigation assessed acres was set for March 29th, 2019 at 4:30 PM and during a Special Meeting on April 1st, 2019 the Board will decide who can buy these acres.
- b) Scheduling system for irrigation: Brandon Gibb explained how important the cooperation between farmers and Ditch Rider is, do not waste water and plan ahead. If this year is a drought again, we need to start with scheduling, we need to be proactive.
- c) Water rationing: The UID is working closely with Lee Nelson from Alberta Environment & Parks during the summer when the Belly River is very low and we need to keep the minimum river flow. We are trying to use rationing rather than call for priority on Belly River.
Al McEwen asked if other districts will participate in scheduling if needed. The UID could be notified and will participate in the Water Sharing Agreement. This time the agreement will be based on all 34,400 assessed acres. Any water that comes from the Belly River will be recorded but not subject to rationing. Fred advised ratepayers to use water when we have it early if possible, we might not have it later.
Barbara Baxter asked what the predictions are on the water in the next 10 years. Predictions say that we will have less water in the future.
- d) IRP funding: 2019 Annual Three-Year Plan and Application for Funding was approved by Irrigation Council. A provincial election has been called and no budget was tabled, so we are not sure about our funding for this year. This year's funding is supposed to remain the same as last year and next year's will be even lower. The UID is really concerned about the future IRP funding as mentioned previously.

Larry Gibb asked how is everything going with the Proposed Water storage on the Belly River and if we can do anything with it. Daniel Hunsperger was an executive member for the Alberta Irrigation District Association since 2013. He mentioned that a number of proposed projects for flood mitigation and water storage were submitted but our proposal doesn't rank very high. The UID will continue to support this proposed project as much as we can.

Jim Woolf thanked everyone for their attendance and participation.

Daniel Hunsperger MOVED that the meeting be adjourned at 2:45 P.M. SECONDED by David Hunsperger.

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 year 2019. Water diversion started on May 15 and ended October 8, 2019. Total amount of water diverted in 2019 was 22,053-acre feet. 19,751-acre feet from the Belly River and 2,302-acre feet from the Waterton Reservoir through the Environment Canal. The snow pack in 2019 was average for Akamina Snow Pillow and Flat Top was above average. The low flow in the Belly River during the months of August and September required careful monitoring of water diversion on the Belly River license. 2019 was the first year after a long period of time where we didn't have to limit the use of water from the Belly River. 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 July, August and September to meet the demand. Rainfall throughout the growing season was limited in June, July and August. However, rainfall combined with irrigation resulted in excellent crop yields throughout the District.

The United Irrigation District celebrated its 100th year of operation and the celebration took place in August at Spring Glen Park and was well attended by local ratepayers and other guests.

The Board of Directors met in 11 regular and 3 special board meetings in 2019. There was no election and Jim Woolf was elected by acclamation to the Board of Directors of the United Irrigation District. Fred and Viera attended the Alberta Irrigation Districts Association Annual Conference in Calgary in February 2019.

In 2019 there was not much rehabilitation done under IRP projects as we were unsure if the district would receive any IRP funding. However, we did receive the funding for 2019 last month and we should receive funding this year and the following two years even though the amount has decreased compared to 2018. We have also received a one-time operational funding in the amount of \$79,269 which can be used only for the operation of the district.

IRP # 2298 – Lateral B8 – landscaping and some fencing was done and our plan is to continue with the work and finish this project in fall 2020. This project is also a part of the UID's Seepage Control Plan.

Some engineering was done on IRP # 2340 - Lateral F7. Lateral F7 is on Riverside Colony and Standoff Colony lands. This project will be a closed system.

The UID has purchased 66.77 irrigation assessed acres in 2019 and joined them with 102 irrigation assessed acres which we purchased in 2018. The UID has sold 183.56 irrigation assessed acres to four different ratepayers in 2019. Currently there are no assessed acres for sale.

There was an Appeal on RV Campground fees for 2019 which was filed by the Whisper Valley Campground and taken to Irrigation Council. Irrigation Council Appeal Panel decided the appeal was allowed ruling that the fee was not fair and equitable. The UID amended the bylaw to take care of the problem.

The Board of Directors Scholarship award in 2019 went to Maddie Barfuss of the Cardston High

School graduating Grade 12 class and to Erika Kobza of the Spring Glen Junior High School graduating Grade 9 class.

The UID has continued to cooperate with Alberta Agriculture and Forestry and Alberta Environment and Parks in 2019 in an effort to educate the boating public about the danger of aquatic invasive species coming into the waterways of Alberta. They are trying to register potash to help control these invasive species.

We express appreciation once again to the Provincial Government and Alberta Agriculture and Forestry, for their 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.

We appreciate the cooperation of irrigators and staff for the effective and efficient operation of the District in 2019. We extend wishes for a successful 2020.

Duane Nelson
Chairman, Board of Directors

Fred W. Rice
District Manager

Total U.I.D. Assessment Roll Acreage

Based on the 2019 Irrigation Season

Assessment Roll:

Permanent acres:	32,910.31
Terminable acres:	478.81
Minimum Parcel Acres (Permanent):	<u>975.32</u>
Total Acres:	34,364.44
Annual Acre Agreement	290.00

Total U.I.D. Water Diversion - 2019

Belly River Water Licence	-	48,988.32 acre feet
Belly River Diversion 2019	-	19,750.59 acre feet
Waterton to Cochrane Licence	-	17,000.00 acre feet
Waterton to Cochrane Lake 2019	-	2,302.43 acre feet
Total Diversion 2019	-	22,053.02 acre feet

2019 UID Method of Irrigation

Gravity	-	35.14 %
High Pressure Pivot	-	1.22 %
Low Pressure Pivot	-	57.47 %
Wheel Move	-	4.98 %
Other	-	1.19 %

2019 UID Energy Type Summary

Electricity	-	50.55 %
Gravity	-	17.80 %
Gravity Pressure Pipeline	-	27.22 %
Other	-	4.43 %

Operations/Maintenance/Rehabilitation/Seepage Control Report

Operations & Maintenance

General maintenance in 2019 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 from May until September.

Break-down:

Materials	\$ 22,868.47
Equipment Pool	\$ 45,764.19
Labor	\$ 19,074.43
Other	\$ 3,887.71
Total	\$ 91,594.80

IRP Rehabilitation

Income:

2019 Alberta Agricultural Funding	\$ 371,149.00
2019 UID Match Money	\$ 123,716.00
Total	\$ 494,865.00

Expenditures 2019:

IRP No. 2298 – Lateral B8	\$ 23,017.12
IRP No. 2340 – Lateral F7	\$ 6,320.00
Total Work Done in 2019	\$ 29,337.12
Ending 2019 Cost Share Account	\$ 126,128.44
Ending 2019 - Owing for Work Done in 2018 & 2019	\$ 301,428.08

Lateral B8 will be completed in 2020. This project included some seepage control rehabilitation. Engineering work is being done on Lateral F7 and planning to start with work in 2021.

Seepage Control Plan

The District is experiencing very little seepage. A subsequent Seepage Control Plan was prepared for 5 years 2018-2023. In this plan the following seepage is eliminated:

Lateral C (20 meters) - completed in 2019; Lateral B8 (400 meters) – to be completed in 2020; Lateral F7 (200 meters) – to be completed in 2021; Lateral A1e (250 meters) – to be completed in 2022; Lateral D1 (100 meters) – to be completed in 2023.

Changes to the Tax Assessment Roll for 2019:

There were some changes to the assessment roll for 2019.

Assessed acres purchased from these ratepayers: Vaughn Smith – 65.77 assessed acres

David Hunsperger – 1 assessed acre

Assessed acres sold to these ratepayers:

Blue Ridge Colony – 130 assessed acres

Larry Gibb - 18 assessed acres

Ben Layton – 4.56 assessed acres

Bar Double M Ranching – 31 assessed acres

Assessed acres transferred: 59.17 permanent assessed acres from NE 1-5-27-W4 to SW 5-4-27-W4

70.00 terminable assessed acres from SE 17-4-27-W4 to NW 5-4-27-W4

NOTES OF INTEREST AND POLICY REMINDERS

1. Today is the last day for nominations for two board members – the terms for Brandon Gibb and Craig B. Smith are up for election. Nominations close at 4:00 P.M. today.
2. **Ratepayers 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.**
3. 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.
4. Please note that there will be no new water orders accepted after 12:00 NOON on Fridays to allow our Ditchriders to manage the water appropriately on the week-ends.
5. 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.
6. 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.
7. The Three-Year Plan for work to be done under the Irrigation Rehabilitation Program has been approved by Irrigation Council at the time of printing the annual report.
8. 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.
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. The UID starts spraying our canals throughout the district from May 25th until September 1st each year. The main chemicals sprayed are: Roundup Transorb HC, Oracle, 2,4-D Amine 600.
12. 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.

WEED NOTICE

As in previous years, the United Irrigation District is permitted to implement a herbicide spray program, under specific condition, in or within 30 horizontal meters of irrigation canals, laterals and drains owned by the District to attempt to control: Broadleaf weeds and brush & 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: Fred Rice, District Manager

**CROPS GROWN WITHIN THE UNITED IRRIGATION DISTRICT
2019**

CROPS GROWN	EAST BLOCK	WEST BLOCK	TOTAL
Barley	2,890.89	2,142.24	5,033.13
Malt Barley		298.09	298.09
Hard Spring Wheat	2,755.83	1,189.48	3,945.31
Winter Wheat	1,011.36	160.0	1,171.36
Alfalfa 2nd Cut	1,414.81	2,498.65	3,913.46
Alfalfa 3rd Cut	953.10	591.16	1,544.26
Alfalfa Hay	68.60	191.21	259.81
Barley Silage	857.14	732.66	1,589.80
Barley Silage Underseeded	11.98		11.98
Corn Silage		109.18	109.18
Grass Hay	338.50	773.48	1,111.98
Green Feed	42.20	466.48	508.68
Native Pasture	1,161.59	1,499.43	2,661.02
Tame Pasture	271.60	1,789.50	2,061.10
Timothy Hay	1,460.20	365.61	1,825.81
Miscellaneous	51.81	63.75	115.56
Non-Crop	77.00		77.00
Canola	4,955.31	2,716.35	7,671.66
Dry Peas	701.25		701.25
Market Garden	3.00		3.00
Potato	5.00		5.00
TOTAL	19,031.17	15,587.27	34,618.44

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)
			2020/21	2021/22	2022/23	
2298	Lateral B8	11-Feb-16	\$ 350,365.31			
2340	Lateral F7	15-Feb-18	\$ 2,314.69	\$ 607,435.42	\$ 45,249.89	
<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)						
2353	Lateral A1e			\$ 5,000.00	\$ 211,590.00	
2354	Lateral D1			\$ 5,000.00	\$ 166,376.11	\$ 69,623.89
<u>Proposed Year Three Projects (and beyond)</u> (Projects Not Yet Approved by Irrigation Council)						
	Lateral F Drain Proposal					\$ 325,000.00
Total Estimated Expenditures per			\$ 352,680.00	\$ 617,435.42	\$ 423,216.00	\$ 394,623.89
Funding for the year			\$ 352,680.00	\$ 423,216.00	\$ 423,216.00	
Money carried forward for nex year			\$ 194,219.42			
Using forwarded money				\$ 194,219.42		
Funding available to use			\$ 546,899.42	\$ 617,435.42		

UNITED IRRIGATION DISTRICT

Financial Statements

For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of United Irrigation District:

Opinion

I have audited the financial statements of United Irrigation District (the Entity), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for not-for-profit organizations (ASNFPO).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

Skoien Professional Corporation

Chartered Accountant

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Entity to express an opinion on the financial statements. I am responsible for the direction, supervision and performance of the audit. I remain solely responsible for my audit opinion. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Hakon Skoien.



SKOIEEN PROFESSIONAL CORPORATION
CHARTERED PROFESSIONAL ACCOUNTANT
Hakon Skoien, CPA, CA
Cardston, Alberta
February 26, 2020

UNITED IRRIGATION DISTRICT

Statement of Financial Position as at December 31, 2019

	Ref.	General Fund	District Capital	Irrigation Works	2019	2018
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	1	\$ 441,404	\$ 242,000	\$ 126,129	\$ 809,533	\$ 701,368
Accounts receivable	2	11,837	-	371,149	382,986	15,645
Inventory	3	41,413	-	-	41,413	35,388
Prepaid expenses	4	19,199	-	-	19,199	14,725
	5	513,853	242,000	497,278	1,253,131	767,126
INTERFUND RECEIVABLES (PAYABLES) (Note 13)	6	297,387	-	(297,387)	-	-
INVESTMENTS (Note 6)	7	1,675,132	-	-	1,675,132	1,506,914
PROPERTY AND EQUIPMENT (Note 7)	8	-	581,414	-	581,414	622,377
IRRIGATION WORKS (Note 10)	9	-	-	13,288,530	13,288,530	13,909,699
	10	\$ 2,486,372	\$ 823,414	\$ 13,488,421	\$ 16,798,207	\$ 16,806,116
LIABILITIES AND FUND BALANCES						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	11	\$ 19,972	\$ -	\$ -	\$ 19,972	\$ 20,655
Current portion of long-term debt (Note 11)	13	-	47,078	-	47,078	47,078
	14	19,972	47,078	-	67,050	67,733
LONG-TERM DEBT (Note 11)	15	-	94,157	-	94,157	141,235
	16	19,972	141,235	-	161,207	208,968
FUND BALANCES						
Unrestricted net assets	17	2,466,400	-	-	2,466,400	2,277,122
Internally restricted (Note 8)	18	-	242,000	-	242,000	242,000
Net assets invested in property and equipment	19	-	440,179	-	440,179	434,064
Irrigation works fund (Note 9, Schedule 3)	20	-	-	199,891	199,891	(265,737)
Equity in irrigation works	21	-	-	13,288,530	13,288,530	13,909,699
	22	2,466,400	682,179	13,488,421	16,637,000	16,597,148
	23	\$ 2,486,372	\$ 823,414	\$ 13,488,421	\$ 16,798,207	\$ 16,806,116

Chairman

Director

UNITED IRRIGATION DISTRICT
Statement of Operations and Changes in Fund Balances
For the Year Ended December 31, 2019

	<i>Ref.</i>	General Fund	District Capital	Irrigation Works	2019	2018
REVENUE						
WATER EARNINGS						
Irrigation rates, net (Note 12)	1	\$ 425,156	\$ -	\$ -	\$ 425,156	\$ 408,145
Conveyance of commercial water	2	25,414	-	-	25,414	18,169
Conveyance of agricultural domestic water	3	4,782	-	-	4,782	3,565
Annual acre agreements	4	4,495	-	-	4,495	4,350
Penalties	5	1,306	-	-	1,306	477
	6	461,153	-	-	461,153	434,706
INVESTMENT INCOME	7	61,675	-	100	61,775	73,552
UNREALIZED GAIN (LOSS) ON INVESTMENTS	8	123,131	-	-	123,131	(101,119)
GAIN ON DISPOSAL OF PROPERTY AND EQUIPMENT	9	-	-	-	-	14,079
IRRIGATION WORKS FUND REVENUE	10	-	-	371,149	371,149	370,315
OTHER	11	236,845	-	-	236,845	80,381
	12	882,804	-	371,249	1,254,053	871,914
EXPENDITURES						
OPERATING EXPENDITURES (Schedule 1)	13	497,743	-	-	497,743	286,997
AMORTIZATION	14	-	65,952	650,506	716,458	715,063
PROVISION FOR IRRIGATION WORKS	15	123,716	-	(123,716)	-	-
	16	621,459	65,952	526,790	1,214,201	1,002,060
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	17	261,345	(65,952)	(155,541)	39,852	(130,146)
FUND BALANCE, beginning of year	18	2,277,122	676,064	13,643,962	16,597,148	16,727,294
INTERFUND TRANSFERS	19	(72,067)	72,067	-	-	-
FUND BALANCE, end of year	20	\$ 2,466,400	\$ 682,179	\$ 13,488,421	\$ 16,637,000	\$ 16,597,148

UNITED IRRIGATION DISTRICT

Statement of Cash Flows

For the Year Ended December 31, 2019

	2019	2018
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 39,852	\$ (130,146)
Items not involving cash:		
Amortization	716,458	715,063
Unrealized (gain) loss on fair value change in investments	(123,131)	101,119
(Gain) loss on sale of property and equipment	-	(14,079)
	<u>633,179</u>	<u>671,957</u>
Net change in non-cash working capital balances		
Accounts receivable	(367,341)	(696)
Inventory	(6,025)	5,576
Prepaid expenses	(4,474)	(774)
Accounts payable and accrued liabilities	(683)	(5,062)
	<u>254,656</u>	<u>671,001</u>
INVESTING ACTIVITIES		
Purchase of investments	(45,087)	(53,621)
Proceeds on disposal of property and equipment	-	55,000
Purchase of property and equipment	(24,989)	(243,314)
Purchase of irrigation works	(29,337)	(791,675)
	<u>(99,413)</u>	<u>(1,033,610)</u>
FINANCING ACTIVITIES		
Proceeds from loans - District Capital	-	188,313
Repayment of loans - District Capital	(47,078)	-
	<u>(47,078)</u>	<u>188,313</u>
NET INCREASE (DECREASE) IN CASH	108,165	(174,296)
CASH, beginning of year	<u>701,368</u>	<u>875,664</u>
CASH, end of year	<u>\$ 809,533</u>	<u>\$ 701,368</u>
SUPPLEMENTARY CASH FLOW INFORMATION		
Operating activities include the following:		
	2019	2018
Interest received	<u>\$ 29,388</u>	<u>\$ 37,558</u>

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2019

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), *CPA Canada 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. Other income is recognized when the amount can be reasonably estimated and collection is reasonably assured.

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, 2019

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, 2019

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 excess of revenues over expenditures.

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

Financial investments in equity instruments are measured at fair market value and are classified as current or long-term in concurrence with the nature and intent of the investment.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and long-term debt.

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 excess of revenues over expenditures.

Transactions costs

The District recognizes its transaction costs in excess of revenues over expenditures 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,

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.

Management has estimated the average useful life of irrigation works in the District to be 40 years. Amortization of irrigation works is based on these estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2019

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

The District, as part of its operations, carries a number of financial instruments. It is management's opinion that the District is not exposed to significant liquidity, credit, market, or other price risks arising from these financial instruments except as otherwise disclosed. The following analysis provides a measure of the entity's risk exposure and concentrations at the balance sheet date.

Credit Concentration

The District does not have significant exposure to risk from any individual customer and conducts regular reviews of its existing customers' credit performance. The *Irrigation Districts Act* provides a mechanism to recover losses associated with non-payment of irrigation rates and rights.

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 and long-term debt.

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 risk is related to its accounts receivable. The District provides credit to its clients in the normal course of its operations.

Market risk

The District is exposed to market risk with respect to fluctuations in the trading price of its investments (Note 6).

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

	2019	2018
GIC	137,184	93,443
Preferred shares	256,344	238,234
Principal protected notes	141,484	130,021
Mutual funds	1,131,455	1,036,580
	<u>1,666,467</u>	<u>1,498,278</u>
Patronage reserves	8,665	8,636
	<u>\$ 1,675,132</u>	<u>\$ 1,506,914</u>

The book value of investments is \$1,491,832 (2018 - \$1,447,946).

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2019

7. Property and Equipment

	2019			2018
	Cost	Accumulated Amortization	Net	Net
Land	\$ 13,666	\$ -	\$ 13,666	\$ 13,666
Buildings	137,165	108,465	28,700	30,210
Power equipment	931,911	508,270	423,641	470,712
General equipment	78,236	63,440	14,796	16,440
Trucks	514,709	417,259	97,450	87,453
Furniture and fixtures	15,722	14,285	1,437	1,597
Computer equipment	15,064	13,340	1,724	2,299
	<u>\$ 1,706,473</u>	<u>\$ 1,125,059</u>	<u>\$ 581,414</u>	<u>\$ 622,377</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.

	2019			2018
	Cost	Accumulated Amortization	Net	Net
Irrigation Works	<u>\$27,628,066</u>	<u>\$14,339,536</u>	<u>\$13,288,530</u>	<u>\$13,909,699</u>

UNITED IRRIGATION DISTRICT

Notes to Financial Statements

For the Year Ended December 31, 2019

11. Long-term Debt

	2019	2018
John Deere Canada fixed rate instalment contract, bearing interest at 0%, repayable in equal, annual, principal only payments of \$47,078, with the first payment due March 1, 2019 and the last payment due March 1, 2022. Loan is secured by specified equipment with a net book value of \$208,033.	\$ 141,235	\$ 188,313
Less: current portion	47,078	47,078
	<u>\$ 94,157</u>	<u>\$ 141,235</u>

12. Irrigation Rates

Irrigation rates, net, consist of:

	2019	2018
32,915 acres @ \$12.50 per acre (2018 - 32,952 acres @ \$12.00 per acre)	\$ 411,732	\$ 395,423
479 acres @ \$14.50 per acre, terminable (2018 - 479 acres @ \$13.50 per acre)	6,943	6,464
970 acres; minimum charge @ \$315 per parcel (2018 - 879 acres @ \$290 per parcel)	26,460	24,360
34,364 acres (2018 - 34,309 acres)	445,135	426,247
Discounts	(19,979)	(18,102)
	<u>\$ 425,156</u>	<u>\$ 408,145</u>

13. 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.

14. Approval of Financial Statements

The Board of Directors and management of the United Irrigation District approved these financial statements on February 26, 2020.

UNITED IRRIGATION DISTRICT

Schedule of Operating Expenditures For the Year Ended December 31, 2019

Schedule 1

	2019			2018	
	Operations & Maintenance	Water Delivery	Administration and General	Total	Total
EXPENDITURES					
Salaries	\$ 92,530	\$ 66,708	\$ 156,785	\$ 316,023	\$ 353,670
Fuel	24,875			24,875	37,086
Materials and supplies	44,520		4,328	48,848	29,158
Insurance			24,129	24,129	21,502
Association fees, dues			13,569	13,569	13,529
Equipment maintenance	15,133			15,133	29,531
Board of Directors - fees and expenses			16,300	16,300	13,770
Travel expenses		21,600	2,700	24,300	23,583
Professional fees			9,650	9,650	9,225
Office			15,782	15,782	12,927
Utilities			5,817	5,817	4,944
Miscellaneous			57,447	57,447	81,954
Conferences			1,191	1,191	1,021
Telephone		240	2,129	2,369	2,603
Advertising and promotions			635	635	333
	177,058	88,548	310,462	576,068	634,836
RECOVERIES					
Equipment pool recoveries	(2,256)			(2,256)	(234,173)
Labor recovery - construction	(5,930)			(5,930)	(40,340)
Overhead	(3,558)			(3,558)	(24,204)
Custom work	(66,581)			(66,581)	(49,122)
	(78,325)	-	-	(78,325)	(347,839)
TOTAL 2019	\$ 98,733	\$ 88,548	\$ 310,462	\$ 497,743	\$ -
TOTAL 2018	\$ 39,723	\$ 90,505	\$ 249,161	-	\$ 286,997

UNITED IRRIGATION DISTRICT**Schedule of Irrigation Works Expenditures****For the Year Ended December 31, 2019**

Schedule 2

	2019			2018
	District	Province of Alberta	Total	Total
EXTERNAL GOODS AND SERVICES				
Materials and supplies	\$ -	\$ 8,885	\$ 8,885	\$ 433,914
Contract services - engineering	-	7,703	7,703	45,741
Miscellaneous	-	1,005	1,005	13,303
	-	17,593	17,593	492,958
INTERNAL GOODS AND SERVICES				
Equipment pool recoveries	-	2,256	2,256	234,173
Labor recovery - construction	-	5,930	5,930	40,340
Overhead	-	3,558	3,558	24,204
	-	11,744	11,744	298,717
TOTAL 2019	\$ -	\$ 29,337	\$ 29,337	\$ -
TOTAL 2018	\$ -	\$ 791,675	-	\$ 791,675

UNITED IRRIGATION DISTRICT

Schedule of Changes in Fund Balance - Irrigation Works Fund

For the Year Ended December 31, 2019

Schedule 3

	2019			2018
	District	Province of Alberta	Total	Total
FUND BALANCE, beginning of year	\$ -	\$ (265,737)	\$ (265,737)	\$ 27,740
ADDITIONS:				
Contribution from Province of Alberta	-	371,149	371,149	370,315
Interest earned	-	100	100	4,445
Contributions for irrigation works	123,716	-	123,716	123,438
Transfer to Cost-sharing	(123,716)	123,716	-	-
	-	494,965	494,965	498,198
DEDUCTIONS:				
Irrigation works expenditures (Schedule 2)	-	29,337	29,337	791,675
FUND BALANCE, end of year	\$ -	\$ 199,891	\$ 199,891	\$ (265,737)