

Client Guidelines:

Irrigation District Financial Reporting Guidelines

A. Purpose

This document outlines the requirements for an irrigation district to submit annual financial reports in a manner acceptable to the Ministry of Agriculture. An audit or review of the financial reports must be completed by a recognized accounting professional.

B. Irrigation District Financial Reporting Requirements

An irrigation district is required to submit annually to the ministry, within 120 days following the end of its fiscal year, its annual report including audited financial statements.

C. Financial Statements

There are three main types of financial statements expected from an irrigation district, that, when **reviewed together**, give a full picture of the district's financial health.

1. **Balance sheet (statement of financial position)** is a snapshot of the irrigation district finances as it currently stands. It indicates the assets owned and liabilities (i.e., debts) owed at a particular point in time.
2. **Income statement (statement of operation)** shows how profitable an entity was over an accounting period. It shows the revenue and the expenses and summarizes the entity's financial performance for the period.
3. **Cash flow statement (statement of changes in financial position)** summarizes the movements in the company's cash position for the period and are typically only prepared for companies that use the accrual accounting method.

D. Financial Statement Certification

An irrigation district is required to have its records, accounts and financial statements audited by a recognized accounting professional.

An irrigation district may apply to the ministry for an exemption from the requirement to carry out an audit and instead have its records, accounts and financial statements **reviewed** by an authorized person.

- The irrigation district must complete the “Irrigation District Financial Audit Exemption Request” form and submit it to the ministry for approval.

E. Financial Audit Exemption

The ministry will review the “Irrigation District Financial Audit Exemption Request” form and evaluate the following when determining if an exemption is warranted:

- The annual revenue of the district;
- The area served by the district and the number irrigators served;
- The public interest; and
- Any other circumstances considered appropriate.

Districts that are smaller in size, with minimal or no shared infrastructure, have a lower risk than large districts and will be considered for an exemption to submit audited financial statements.

	TIER 1	TIER 2	TIER 3
Number of Irrigated Acres	< 6,000	< 6,000	≥ 6,000
Annual Revenue	<\$100,000	<\$100,000	>\$100,000
IRP Funding	No	Yes	-
Audit Exemption Eligible	Yes	Yes*	No

Tier 1

- Irrigation districts that are considered to have a low risk due to their size, structure and annual revenue can be exempted from providing audited financial statements if they meet the above criteria.
- A review of the financial statements by an authorized person will still be required annually.

Tier 2

- Irrigation districts that are considered to have a moderate risk as they are receiving funding from the Irrigation Rehabilitation Program (IRP).
- A review of the financial statements by an authorized person will still be required annually.
 - * These districts can be exempted from providing audited financial statements but will require a full audit completed at an interval to be determined by the ministry.

Tier 3

- Irrigation districts that would be considered to have a higher risk due to their size, structure and annual revenue are not eligible for an exemption from providing audited financial statements.

F. Failure to Submit Financial Statements

Should an irrigation district fail to submit financial statements annually, the ministry will work with the irrigation district to help them meet the requirement to comply with *The Irrigation Act, 2019*.

G. Authority

The following sections of *The Irrigation Act, 2019* (effective March 20, 2020) apply to these guidelines:

- Section 2-16(1) defines “auditor” as a person who is—or, in the case of a firm of accountants, a firm at least one of whose partners is—a member in good standing of a recognized accounting profession that is regulated by appropriate legislation.
- Section 2-16(2) requires an irrigation district appoint an auditor to audit the irrigation district’s records, accounts and financial statements within the time frame approved by the ministry.
- Section 2-16(3) requires an irrigation district to appoint as auditor a person who is independent of the irrigation district.
- Section 2-16(4) identifies if an irrigation district does not appoint an auditor, it shall authorize its financial statements in the prescribed manner per *The Irrigation Regulations, 2020*.

The following sections of *The Irrigation Regulations, 2020* (effective March 20, 2020) apply to these guidelines:

- Section 2-17(1)(b) identifies irrigation districts must submit audited or duly authorized financial statements with their annual report submission.

- Section (7)(1) gives irrigation districts the right to apply for an exemption to carry out an audit of the financial records and instead have the records reviewed by an authorized person.
- Section (7)(2) outlines what an irrigation district must include in its application for an exemption.
- Section (7)(3) states the factors the Minister will consider when reviewing and permitting the exemption from audit request.
- Section (7)(4) allows the Minister to impose any terms and conditions on the approved exemption request.
- Section (7)(5) states that the authorized person must be independent of the irrigation district and district consumers.
- Section (7)(6) identifies the authorized person shall review and provide comments on an irrigation district's records annually.

H. Definitions

Authorized person: an accountant with a professional designation who has knowledge of accounting practices and principles used by businesses and can perform analytical procedures to understand and comment on the financial position of an organization.

I. General

1. Financial statements provide important financial information about the irrigation district to ensure there is enough capital available to maintain/sustain operations.
2. Financial statements that are audited or reviewed by an accounting professional provide a level of accountability and control to the irrigation district.
3. Financial statements are used by the ministry to evaluate the health of the irrigation district and its Irrigation Replacement Fund, to monitor fees collected from users and the district's overall sustainability.

Visit the Ministry of Agriculture [irrigation webpage](#) for more information or contact Crops and Irrigation in Outlook at 306-867-5500.