

Water Security Agency



Annual Report for 2020-21

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Letters of Transmittal



The Honourable Fred Bradshaw

*Minister Responsible for
Water Security Agency*

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report of the Water Security Agency (WSA) for the fiscal year ending March 31, 2021.

This year presented major challenges for the province as we worked through the unprecedented global pandemic that highlighted the responsiveness and critical importance of the province's key priorities including the security, safety, and reliability of Saskatchewan's water supply. The global pandemic demonstrated the foresight of our government's forward thinking *25-year Water Security Plan*, which prioritizes a commitment to monitoring and reporting, education, and compliance for safe water and wastewater that WSA rigorously protects. WSA plays a central role in supporting Saskatchewan's Growth Plan for the Next Decade of Growth 2020-2030 through its mandate to responsibly and sustainably manage our water resources to enhance and expand economic growth, improve quality of life, and enhance environmental well-being.

The Water Security Agency is achieving this with a cultural shift towards a client-focused approach to the services we provide, renewal of infrastructure with the addition of 72 dams transferred from the federal government, and the announcement last year of the Lake Diefenbaker Irrigation Projects - a ten-year legacy project that will add up to 500,000 irrigable acres to our province - strengthening Saskatchewan and our province's long-term food security.

The expansion of WSA's mandate is consistent with the expansion of growth in the province as water is an economic driver. It is time to reframe how water is managed in Saskatchewan to ensure the growth targets are achieved while regulating this essential resource. WSA continued to progress other ongoing initiatives, strategies, and commitments, supporting economic growth, quality of life and environmental well-being, now and into the future, while reflecting government's accountability and expenditure management commitments.

I thank the professionals at WSA, as well as many people active in our municipal, industrial and agricultural sectors for their continuing collaborative work on ensuring we manage our water resources successfully for the future.

Sincerely,

A blue ink signature of Honourable Fred Bradshaw.

Honourable Fred Bradshaw
Minister Responsible for Water Security Agency

Dear Minister:

I have the honour of submitting the Annual Report for the Water Security Agency for the fiscal year ending March 31, 2021.

Respectfully submitted,

A black ink signature of Shawn Jaques.

Shawn Jaques, Interim President and Chief Executive Officer
Water Security Agency



*Shawn Jaques Interim President
and CEO*

Water Security Agency

Agency Overview

The Water Security Agency (WSA) is a unique organization in Canada – bringing together all of the Government of Saskatchewan’s core water management responsibilities in one place. WSA manages the province’s water supply, protects water quality, ensures safe drinking water and effective treatment of wastewater, owns and operates 72 dams and related water supply channels and reservoirs, helps to reduce flood and drought damage, protects aquatic habitat and provides information about water. WSA represents Saskatchewan on transboundary water issues.

The *Saskatchewan 25-Year Water Security Plan* guides the actions of WSA, ensuring a sustainable approach to water use that will protect the quality and quantity of water now and for the future. The 2020-21 updates for this plan can be found on wsask.ca. WSA reports to the Minister Responsible for Water Security Agency, who also serves as the Board of Directors.

Mandate Statement

WSA is responsible for managing water supply, protecting water quality, ensuring safe drinking water, managing dams and water supply channels, reducing flood and drought damage and providing information on water. The agency works to integrate all aspects of provincial water management to ensure water supplies support economic growth, quality of life and environmental well-being.

Mission Statement

We strive to provide exceptional service and ensure that water management supports growth, a healthy environment and a high quality of life for Saskatchewan people.

Service Delivery System

Within WSA in 2020-21, services were provided by 255 full-time-equivalent employees in eight locations across the province.

Core Lines of Business

- ⇒ Sustainable supplies – Ensure the sustainability of our surface and ground water supplies
- ⇒ Safe drinking water – Ensure our drinking water is safe by protecting supplies from the source to the tap
- ⇒ Protection of water resources – Ensure water quality and ecosystem functions are sustained
- ⇒ Safe dams – Ensure dams safely meet water supply and management needs
- ⇒ Flood and drought damage reduction – Ensure measures are in place to effectively respond to floods and drought

In addition, WSA has lead responsibility in collaborating with other government agencies and an external prime consultant to manage the 10-year Lake Diefenbaker Irrigation Projects to bring up to 500,000 acres of new irrigation capacity to Saskatchewan.

Public Partnerships

Effective water management and source water protection depends on public understanding, support and participation. WSA works with community representatives to develop watershed protection plans. Plans include initiatives to help landowners improve watershed health through restoration of riparian areas, protection of grasslands and wetlands, and encouragement of management practices that benefit fish and wildlife. Watershed stewardship groups lead implementation of watershed protection plans with financial and technical support from WSA.

Enforcement

Fair and effective water management may occasionally require enforcement. Ministry of Environment conservation officers provide support to WSA for enforcement work through a contractual agreement.

Legislation Administered by the Water Security Agency

The Water Security Agency Act

The Water Power Act

Portions of *The Environmental Management and Protection Act, 2010*

The Conservation and Development Act

The Watershed Associations Act

Portions of *The Public Health Act, 1994*

The Water Security Agency’s 2020-21 Operational Plan can be found at: <https://publications.saskatchewan.ca/#/products/104456>.

Water Security Agency COVID-19 Response Highlights

Overview

The COVID-19 pandemic has challenged government operations during the 2020-21 fiscal year. The expected operations of programs and services may have significantly changed as the Government of Saskatchewan worked quickly to support citizens and businesses. Annual Reports for the 2020-21 fiscal year provide information on the impacts of COVID-19 and recognize the work of the Government of Saskatchewan in responding to the pandemic.

Organization COVID-19 Response Highlights

- ⇒ The Water Security Agency's (WSA's) COVID-19 response plan in 2020-21 was a flexible and fluid approach, consistently informed by provincial health guidelines, while prioritizing public and employee safety. WSA has a critical safety oversight function in the regulation of safe drinking and wastewater facilities for communities across the province – that business function had to continue during COVID-19.
- ⇒ Accordingly, while some employees were able to work remotely from their homes, especially during period of high COVID-19 waves, there was a need for essential staff to continue to conduct on-site safety inspections and oversee water testing which required their presence in the office. While the agency worked to reduce face-to-face interaction for other services such as permitting, there was a recognition that business continuity was needed and clients were directed toward an alternative service delivery model, which prioritized remote methods of client service and ensured that client contact could occur in the safest manner possible. For employees who needed to be in office, safety protocols such as masking, social distancing, sanitizers, the closure of meeting rooms and limits on other common areas, such as bathrooms, were implemented.
- ⇒ The agency also assisted at the request from the Saskatchewan government to assist the Saskatchewan Health Authority on contact tracing by redeploying several employees through the course of the pandemic.
- ⇒ While there was an adjustment period for all involved, service delivery and turnaround times for client interaction with WSA remained a priority. Essential oversight functions were completed amidst an environment with rigorous safety protocols. WSA continues to look forward to the achievement of broad vaccination levels and lower caseloads that will precipitate a return to the office of its larger employee team in 2021-22.

Progress in 2020-21

Government Goals



A Strong
Economy



Strong
Communities



Strong Families

Organization Goal

Reduce water quantity, quality and habitat impacts of agricultural water management.

Strategy

Agricultural Water Management Strategy.

Key Actions and Results

- ⇒ Develop and implement mitigation policies and operational procedures to address impacts to water quality, quantity and habitat.
 - ↳ The Water Security Agency launched the Demonstration and Research Project Initiative in spring 2020 to develop, advance and affirm support for an Agricultural Water Management Mitigation Policy. This initiative represents an integrated approach that brings farmers, scientists and other partners together to develop, test and monitor management practices and new technologies through real life context. WSA has invested \$1 million into 11 demonstration and research projects through support of 10 partner agencies. The projects will evaluate the agronomics, hydrology, water quality and habitat considerations of a variety of mitigation alternatives and the results will inform a Made-in-Saskatchewan approach to mitigation.
- ⇒ Engage partners to identify and initiate research and development needs to support continuous improvement and address key knowledge gaps.
 - ↳ In addition to the work being completed through the Demonstration and Research Project Initiative, WSA is working with the University of Saskatchewan Agricultural and Bioresources Department to develop a new proposal to investigate the soil carbon values of wetlands and potential impacts of agricultural wetland alteration.
 - ↳ WSA is also exploring additional research partnerships to investigate nutrient management tools such as 4R Nutrient Stewardship practices including forage crop, variable rate fertilizer management, residue management and grassed runways.
 - ↳ WSA has continued its participation in the ResNet project funded by Environment and Climate Change Canada. The project is assessing the efficacy of erosion controls and other Beneficial Management Practices, as well as the impact of an approved drainage network, on nutrient loading. Sampling sites have now been selected and sampling has started for the Lang West project, which is an approved Conservation and Development Area Authority in southeast Saskatchewan.
- ⇒ Implement agricultural water management compliance and enforcement policies.
 - ↳ In fall 2020, WSA regional services underwent a restructure that created a dedicated focus on implementing the Agricultural Water Management Strategy. Internal resources have shifted to ensure clients receive the information and support they need, emphasizing effective communication, coordination and facilitation to achieve successful approvals.
 - ↳ The Request for Assistance (RFA) approach has undergone a review. Process improvements have been implemented and additional policy review continues.

- ⇒ Effectively communicate the intent, outcomes and requirements of the Agricultural Water Management Strategy to clients and key stakeholders.
 - ↳ With support from the Natural Resources Canada Building Regional Adaptation Capacity and Expertise (BRACE) program, WSA has been working with numerous partners including Prairie Water, the Saskatchewan Association of Watersheds, the Prairie Adaptation and Research Collaborative, the Ministry of Agriculture, the Saskatchewan Conservation and Development Association and the Saskatchewan Association of Rural Municipalities to advance the new Ag H2Onward workshop. This workshop publicly launched in March 2021 and focuses on providing producers with practical information on agriculture water management and WSA's strategy. 190 individuals have participated in the workshop to date. The Ag H2Onward program will continue to be offered throughout the next year.
- ⇒ Streamline the Agricultural Water Management Strategy application process by enhancing the Qualified Persons network and developing the necessary tools to ensure consistent, high quality applications.
 - ↳ Throughout the last year, 92 individuals took the Basic Qualified Persons (QP) Training and 74 individuals participated in Agricultural Drainage Application Mapping (ADAM) Training. Since fall 2020, WSA shifted training to an online virtual platform.
 - ↳ WSA worked with partners and stakeholders to develop a new QP training program that launched through South East College in February 2021. During the period of January 1 to March 31, 2021, 55 individuals enrolled in and completed the online Basic QP course.
 - ↳ WSA will continue to work with South East College to develop additional supplemental education modules to equip QPs with the technical and practical information required to effectively support clients.
 - ↳ Through its stimulus-related funding, the Agricultural Water Management Branch provided a total of \$419,000 to support 25 QPs working on 20 drainage network projects. These projects also receive funding from local partners (rural municipalities, conservation and development area authorities/watershed associations, and individual producers).
- ⇒ Continue to work with the Saskatchewan Conservation and Development Association to advance the Agricultural Water Management Strategy.
 - ↳ WSA continues to meet regularly with the Saskatchewan Conservation and Development Association (SCDA) to review progress on key strategic items such as registration of conservation and development area authorities and watershed associations, piloting a new approach for expansions and renewals, collaboratively advancing network approvals and supporting SCDA's strategic business planning efforts.
- ⇒ Centralize decision-making so that communication to clients is consistent.
 - ↳ WSA restructured its regional offices to provide dedicated and streamlined service to clients. The Agricultural Water Management Strategy is now supported through the Agricultural Water Management Branch, which includes both Approvals Assurance and Compliance Assurance Units, as well as the Program Advancement Section. As part of this transition, eight new staff have been hired. WSA continues to improve consistency of program delivery and communication through training programs and additional communication support.

Performance Measures

Number of quarter sections that meet regulatory requirements

This measurement provides an indication of progress in the implementation of the Agricultural Water Management Strategy.

Number of drainage approvals issued:

- ⇒ This measure is an indicator of progress in implementing the new approach to drainage. An approval allows for a network of drainage works to operate with impact mitigation measures and practices in place. As the new approach to drainage matures, an increasing number of approvals will be issued.
- ⇒ Over the past five years, WSA has worked with agricultural producers to achieve a total 4,196 quarters of agricultural drainage compliance. This is an average of 839 quarters per year. This average represents a 14-fold increase in average annual compliance, compared to the previous 35 years prior to strategy implementation (average of 60 quarter sections/year).
- ⇒ As at March 31, 2021, a total of 6,300 quarter sections of agricultural drainage have achieved compliance.
- ⇒ The Agricultural Water Management Strategy has made significant progress over the last year.

WSA Fiscal Period	Quarters/Period		
	Requests for Assistance	Approvals	Totals
01 Apr 2016 – 31 Mar 2017	84	244	328
01 Apr 2017 – 31 Mar 2018	61	651	712
01 Apr 2018 – 31 Mar 2019	126	1,381	1,507
01 Apr 2019 – 31 Mar 2020	80	1,051	1,131
01 Apr 2020 – 31 Mar 2021	38	480	518
Total under strategy	389	3,807	4,196

Total Current Compliance	1981-2016	2016-2021	Quarters
	2,104	4,196	6,300

Percentage of producers that are aware of the Agricultural Water Management Strategy

This measure provides an indicator of short-term, immediate or direct outcome for the communication and awareness component of program implementation. This provides a measure of client understanding of the program, which is foundational in support program success in that clients need to be aware of and understand the compliance approach and requirements in order to ensure works meet regulatory requirements.

- ⇒ Given the constraints posed by COVID-19, WSA's goal was to maintain the level of awareness around the Agricultural Water Management Strategy for 2020-21. Survey data, collected by Insightrix, indicates that 33 per cent of producers are aware of the strategy. It is anticipated that with the launch of the BRACE Ag H2Onward and enhanced QP online training, there will be increased awareness in 2021-22.

Number of Qualified Persons trained in Agricultural Water Management Strategy

This is an output measure of the QP training program. It provides an indication of the number of individuals who have successfully completed the required training courses, are able to practically apply the concepts and have participated by supporting producers through an application.

- ⇒ Throughout the last year, 92 individuals received training through the Basic Qualified Persons Training course. 74 individuals received additional Agricultural Drainage Application Mapping (ADAM) training.

Government Goals



Organization Goal

Transition federal infrastructure to WSA control.

Strategy

Fulfill commitments of the Federal Dam Transfer Agreement and the Federal Canals Transfer Agreement.

Key Actions

- ⇒ The four-year transition of federal structures and associated knowledge to WSA came to a close on March 31, 2021.
 - ↳ WSA received over 1,400 parcels of land surrounding water infrastructure and transferred reservoirs from the federal government.
 - ↳ WSA has transitioned over 100 new Water Supply Agreements and/or Land Use Agreements with former federal patrons.
 - ↳ Four federal employees were transferred to WSA.
 - ↳ Documentation (both physical and digital), drawings, Operation and Maintenance Manuals, as well as a significant number of other sources were provided from the federal government to WSA to support the knowledge transfer associated with the 23 dams and two major canals transferred.
 - ↳ WSA has fully integrated the federal assets into its operations and planning.
 - ↳ WSA will continue to manage business and capacity impacts associated with the acquisition of federal structures. These structures represent a 47 per cent increase in the number of total dams WSA is responsible to maintain and operate.

Government Goals



Organization Goal

WSA infrastructure safely and effectively meets the water supply and management needs of the citizens of Saskatchewan.

Strategy

Advance priority rehabilitation on WSA infrastructure as per the Ten-Year Rolling Infrastructure Rehabilitation Plan.

Key Actions

- ⇒ Complete upgrades and renewal work on WSA infrastructure as per the Ten-Year Rolling Infrastructure Rehabilitation Plan.
 - ↳ Rehabilitation of the first 3.3km of the Saskatoon South East Water Supply System (SSEWSS) Canal was substantially completed.
 - ↳ Construction at La Ronge Dam was underway, until it was put on hold due to high water levels in the Churchill River System.
 - ↳ Design work was completed for the east spillway and low-level outlet at Highfield Dam and a contractor was procured.
 - ↳ Right abutment stabilization work at Theodore Dam was completed.

- ↪ Work continues on the Upper Qu'Appelle Conveyance Channel. Another series of rock riffles and groynes were installed to help stabilize the Upper Qu'Appelle channel. This multipurpose work not only helps to maintain conveyance capacity but also improves fish habitat and helps to alleviate local water supply concerns.
- ↪ WSA continues to refine and evolve its procurement practices to continue to advance the Ten-Year Rolling Infrastructure Rehabilitation Plan. The Owners Engineer initiative was implemented to assist in delivering the Rehabilitation Plan.
- ↪ Determine the base data requirements to support asset management.
- ⇒ WSA has posted a Request for Proposal (RFP) for an inspections and operator logs tracking application. Work continues on asset registries, standardized condition ratings and equipment naming standards.

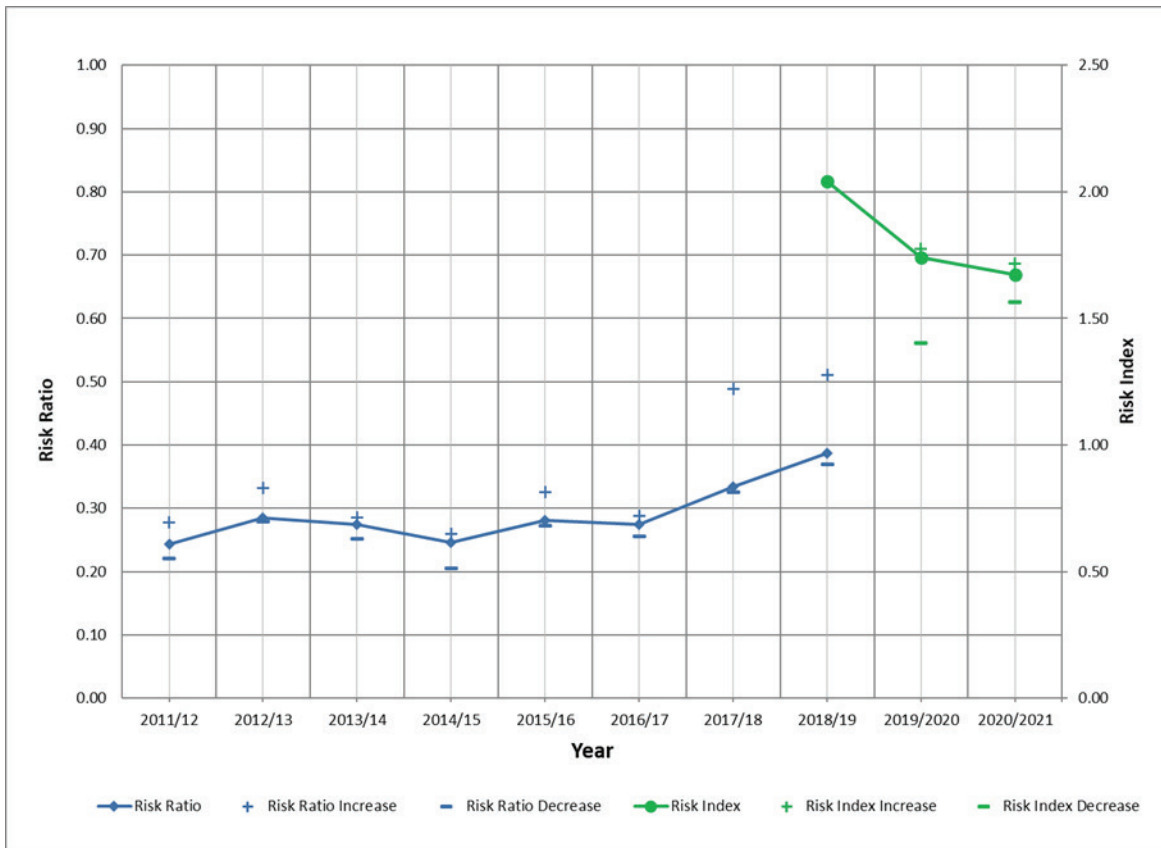
Performance Measures

Dam Safety Risk Index

Prior to 2019, a similar measure “risk ratio” was used to measure WSA dam infrastructure risk. In 2019, WSA transitioned to the “risk index” measure as an improved measure of actual safety risk, by removing the influence of maintenance issues not affecting the actual safety of the structure from affecting the measure.

The risk index is a relative qualitative measure for each of WSA’s dams that considers both the probability and the consequences of a dam failure. WSA uses this measure to prioritize work and measure progress in reducing risk associated with its dams. A reduction in the risk index indicates progress that rehabilitation work is reducing risk, while an increase is an indication the need for future work is increasing. The total portfolio risk index is the sum of the value for each individual structure.

Information used to assess probability comes from a variety of sources including annual inspections; formal dam safety reviews; design and assessment studies; site staff/project operators; and dam monitoring data. The consequence of each structure considers life safety, economic damages, and restoration costs in the case of a failure. The chart below indicates the trends in WSA’s dam infrastructure risk.



Rehabilitation and maintenance work reduced failure probabilities at ten dams, while newly identified issues or continued deterioration of existing issues increased the failure probability at nine dams, resulting in the decrease. Overall, the net risk index decreased from 1.74 in 2019-20 to 1.67 in 2020-21 *.

* A correction to the risk index values reported in the 2019-20 annual was required.

Government Goals



A Strong Economy



Strong Communities



Strong Families

Organization Goal

Reduce the risk and impact to the public downstream and when interacting with WSA dams.

Strategy

Implement a multi-year Public Safety Interaction Program for WSA dams that meets Canadian Dam Association (CDA) guidelines.

Key Actions

- ⇒ Complete individual dam assessments related to dams with public safety interaction.
 - ↳ Assessments were completed at six dams in 2020-21, including Gardiner Dam, Qu'Appelle River Dam, Five Mile Dam, Kingsway Dam, Val Marie Dam and West Val Marie Dam.

Strategy

Complete the development and testing of Emergency Action Plans (Emergency Preparedness Plans & Emergency Response Plans) for dams with consequence of high, very high, or extreme.

Key Actions

- ⇒ Complete development of Val Marie, West Val and Eastend Emergency Action Plans.
 - ↳ A dam break study was completed for the three dams. The report, including inundation mapping, will be finalized in the first quarter of fiscal year 2021-22.
 - ↳ Emergency Action Plans will be prepared and distributed in 2021-22.
- ⇒ Complete Tabletop Test of Grant Devine Dam Emergency Action Plan.
 - ↳ The Grant Devine Emergency Action Plan was updated and presented to plan holders in March 2021. The Tabletop Test will be completed in 2021-22.
 - ↳ A Tabletop Test was completed for Qu'Appelle River Dam in March 2021.

Performance Measures

Number of assessments completed on dams with public safety interaction

This measures the number of assessments completed for sites where there are risks to the public interacting with infrastructure.

Public Safety Interaction Around Dams Assessments are completed to evaluate risks to the public interacting with WSA's dams despite existing mitigation measures. The final product is a Public Safety Management Plan summarizing the findings and the proposed control measures. As of March 31, 2021, a total of seventeen Public Safety Interaction Around Dams Assessments have been completed.

Developing Emergency Action Plans

This measures the progress of Emergency Action Plan (EAP) development. EAPs include the Emergency Preparedness Plan and the Emergency Response Plan. Downstream communities use the plans for their emergency preparedness responsibilities in the event of a dam emergency. As of March 31, 2021, WSA has developed eleven Emergency Action Plans for dams with a consequence classification of high, very high or extreme.

Tabletop Test of Emergency Preparedness Plan

This measures the progress of EAP testing. Tabletop tests are completed to validate WSA's EAPs and help the downstream communities prepare. As of March 31, 2021, WSA has completed two Tabletop Tests of Emergency Preparedness Plans (the first Tabletop Test was reported in the 2017-18 WSA Annual Report).

Government Goals



A Strong Economy



Strong Communities



Strong Families

Organization Goal

Mitigate the impacts of climate variability on Saskatchewan's water resources.

Strategy

Build municipal/community capacity to become more resilient to climate change.

Key Actions

- ⇒ Implement a cost-shared program to map flood risks for priority communities.
 - ↳ WSA continues to review, amend and endorse 25 community flood maps developed over the past few years with the objective of endorsing 50 per cent of the maps by 2021-22. WSA also collected LiDAR imagery and engaged a consultant to complete hydrological studies for the communities of Ile a la Crosse and Cumberland House and the Cumberland House Cree Nation. Flood mapping for these communities is expected to be completed in 2021-22.
- ⇒ Assess flood forecasting needs, identify, and implement new forecasting tools and systems.
 - ↳ The research work has concluded, model construction work for prioritized watersheds is completed, and work to implement the models into a system is proceeding well with the use of a consultant. Substantial completion is expected in 2021-22.
- ⇒ Identify communities that have water supplies susceptible to hydrologic drought and help them develop drought response plans.
 - ↳ WSA is participating in a Natural Resources Canada BRACE Program and working with partners to identify communities at risk from hydrologic drought. WSA reviewed water rights files and worked to identify up to 75 communities that are at risk to hydrologic drought.
- ⇒ Engage communities in the development of plans, organize sessions and experts to complete drought response plans.
 - ↳ In 2021-22, WSA will reach out to these communities to help communities develop drought response plans.

Performance Measures

Number of communities reliant on water supplies vulnerable to drought

This measures the number of municipalities that are at risk to hydrologic drought and have drought response plans.

- ⇒ No data available to report.

Flood mapping completed for communities identified as being at risk of flooding

This measures the percentage of communities in Saskatchewan identified as being at risk of flooding that have completed or have access to flood maps where the costs validate the benefits. WSA is presently applying a cost-benefit analysis to all Saskatchewan communities that are vulnerable to recurrent flood damages to determine the number that would benefit from access to modern engineered flood maps and that target will be developed in 2021-22.

2020-21 Financial Overview

Additional financial information can be found in the Government of Saskatchewan Public Accounts located at <https://publications.saskatchewan.ca/#/categories/893>.

WATER SECURITY AGENCY

FINANCIAL STATEMENTS

March 31, 2021

To the Board of Directors of Water Security Agency:

Opinion

We have audited the financial statements of Water Security Agency (the "Organization"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, accumulated operating surplus, changes in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



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Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 our 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, and for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization 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.

We 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 we identify during our audit.

MNP LLP

Regina, Saskatchewan

May 11, 2021

Chartered Professional Accountants

WATER SECURITY AGENCY**STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31, 2021

(\$ thousands)

	<u>2021</u>	<u>2020</u>
FINANCIAL ASSETS		
Cash	\$ 83,622	\$ 93,919
Accounts receivable	<u>7,880</u>	<u>8,656</u>
	<u>91,502</u>	<u>102,575</u>
LIABILITIES		
Accounts payable and accrued liabilities	9,253	9,297
Deferred revenue (Note 5)	87	121
Employee future benefits (Note 6)	878	994
Long-term debt (Note 7)	<u>20,025</u>	<u>25,896</u>
	<u>30,243</u>	<u>36,308</u>
NET FINANCIAL ASSETS	<u>61,259</u>	<u>66,267</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	408,765	392,648
Prepaid expenses and supplies	<u>895</u>	<u>422</u>
	<u>409,660</u>	<u>393,070</u>
ACCUMULATED SURPLUS	<u>\$ 470,919</u>	<u>\$ 459,337</u>

Commitments and Contingencies (Note 11)

Contractual Rights (Note 14)

See accompanying notes and schedules

On behalf of the Board:



WATER SECURITY AGENCY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
 FOR THE YEAR ENDED MARCH 31, 2021
 (\$ thousands)

	<u>2021</u>		<u>2020</u>
	<u>Budget</u> (Note 13)	<u>Actual</u>	<u>Actual</u>
REVENUE			
Government of Saskatchewan			
- General Revenue Fund	\$ 70,506	\$ 31,166	\$ -
Water	24,724	28,515	26,010
Contract (Schedule 1)	992	1,206	1,403
Interest	1,200	794	2,602
Other	1,045	998	1,360
	<u>98,467</u>	<u>62,679</u>	<u>31,375</u>
EXPENSES (Schedule 2)			
Salaries & employee benefits	27,330	25,039	24,324
Depreciation	9,089	8,090	7,671
Professional and contractual services	14,806	7,099	7,248
Rent and utilities	2,750	3,167	3,033
Travel & other staff costs	3,029	1,891	1,947
Cash grants (Note 10)	1,160	1,750	2,249
Software, telecommunications & data	1,501	1,620	1,288
Office, computer & hardware	636	949	734
Supplies & materials	1,419	787	829
Interest & bank	816	689	930
Insurance & licenses	297	232	402
Promotional	228	209	268
Other	155	(425)	(406)
	<u>63,216</u>	<u>51,097</u>	<u>50,517</u>
Operating surplus (deficit) for the year	<u>35,251</u>	<u>11,582</u>	<u>(19,142)</u>
Accumulated operating surplus - beginning of the year	<u>459,337</u>	<u>459,337</u>	<u>478,479</u>
Accumulated operating surplus - end of the year	<u>\$ 494,588</u>	<u>\$ 470,919</u>	<u>\$ 459,337</u>

See accompanying notes and schedules

WATER SECURITY AGENCY
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 FOR THE YEAR ENDED MARCH 31, 2021
 (\$ thousands)

	<u>2021</u>		<u>2020</u>
	<u>Budget</u> (Note 13)	<u>Actual</u>	<u>Actual</u>
Surplus (deficit) for the year	\$ 35,251	\$ 11,582	\$ (19,142)
Acquisition of tangible capital assets	(78,134)	(24,254)	(18,220)
Amortization of tangible capital assets	9,089	8,090	7,671
Impairment loss of tangible capital assets	-	47	15
	<u>(33,794)</u>	<u>(4,535)</u>	<u>(29,676)</u>
Net acquisition of prepaid expenses	<u>-</u>	<u>(473)</u>	<u>54</u>
Decrease in net financial assets	(33,794)	(5,008)	(29,622)
Net financial assets – beginning of year	<u>66,267</u>	<u>66,267</u>	<u>95,889</u>
Net financial assets – end of year	<u>\$ 32,473</u>	<u>\$ 61,259</u>	<u>\$ 66,267</u>

See accompanying notes and schedules

WATER SECURITY AGENCY
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED MARCH 31, 2021
(\$ thousands)

	<u>2021</u>	<u>2020</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Surplus (deficit) for the year	\$ 11,582	\$ (19,142)
Items not affecting cash:		
Amortization of tangible capital assets	8,090	7,671
Impairment loss of tangible capital assets	47	15
Recognition of deferred revenue	(34)	121
Net change in non-cash balances relating to operations:		
Accounts receivable	776	(999)
Prepaid expenses	(473)	54
Accounts payable and accrued liabilities	(44)	2,679
Employee future benefits	(116)	24
	<u>19,828</u>	<u>(9,577)</u>
CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(24,254)	(18,220)
Proceeds on sale of tangible capital assets	-	-
	<u>(24,254)</u>	<u>(18,220)</u>
FINANCING ACTIVITIES:		
Principal portion of loan repaid in year	(5,871)	(5,693)
Decrease in cash, during the year	(10,297)	(33,490)
Cash – beginning of year	93,919	127,409
Cash – end of year	<u>\$ 83,622</u>	<u>\$ 93,919</u>

See accompanying notes and schedules

WATER SECURITY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2021
 (\$ THOUSANDS)

1. STATUS OF THE WATER SECURITY AGENCY

The Water Security Agency (WSA) was originally established as the Saskatchewan Watershed Authority on October 1, 2002 and was continued under **The Water Security Agency Act**, on October 1, 2012. It is a Treasury Board Crown corporation within the meaning of **The Crown Corporations Act, 1993**.

WSA is mandated to integrate all aspects of provincial water management to ensure watersupplies support economic growth, quality of life and environmental wellbeing. WSA supports protection of drinking water, flood and drought response, and management of water supplies, water quality and aquatic habitat. WSA owns and operates provincial dams and water supply channels.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standards. The following accounting standards are considered to be significant:

Tangible Capital Assets

Tangible capital assets are recorded at cost. Internally provided engineering and technical services are capitalized at charge out rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by WSA employees on construction projects. WSA capitalizes interest expense on debt relating to specific construction projects. Amortization of assets under development commences once they are operational and available for use. Water infrastructure assets include land and earthen dams, which are not amortized as they do not degrade over time, if adequately maintained.

Charges for amortization are calculated at the following annual rates:

Asset Category	Depreciation Basis	Depreciation Rate
Leasehold improvements	Straight-line	Term of lease
Buildings	Straight-line	20 to 60 years dependent on threshold
Water infrastructure - mobile equipment	Diminishing balance	15 to 30 percent dependent on threshold
Maintenance equipment	Straight-line	5 years
Office equipment	Straight-line	2 to 10 years dependent on threshold
Water infrastructure	Straight-line	20 to 60 years dependent of classification

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Government transfers are recognized as revenue in the period during which the transfer is authorized and eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability.

Contractual revenue received by WSA for specific purposes is recognized as revenue in the year in which the related expenses are incurred. Water revenue is recognized as revenue in the year it is consumed. Other revenue includes licenses, fees, permits, and interest income which are recognized in the year they are earned.

Grants to Clients

Grants provided to clients for a variety of programs are recorded as an expense to WSA, when any eligibility criteria have been met including services provided and final approval for the grant payment is made. Where WSA enters into contractual agreements for project construction under various assistance programs, expenses are accounted for on an accrual basis.

Employee Future Benefits

WSA administers a benefit relating to a retirement allowance which is paid to eligible employees upon retirement. WSA has adopted the accrual method of accounting for this benefit whereby the cost of providing the benefits is recorded when the related services of employees are performed.

WSA's employees participate in the Public Employees' Pension Plan which is a multi-employer contribution plan. WSA's contributions to the pension plan are expensed as incurred.

Measurement Uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the useful lives of assets for amortization periods and employee future benefits.

Remeasurement Gains and Losses

These financial statements do not include a Statement of Remeasurement Gains and Losses as WSA has had no gains or losses due to remeasurement.

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(\$ THOUSANDS)

3. FINANCIAL INSTRUMENTS

WSA's financial assets consist of cash and accounts receivable. Financial liabilities consist of accounts payable and accrued liabilities, employee future benefits, deferred revenue and long-term debt.

All financial instruments are initially recognized at fair value. The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. The carrying amounts of these instruments approximates fair value due to their short-term nature.

Credit risk

WSA is exposed to credit risk from the potential non-payment of accounts receivable. The carrying amount of accounts receivable represents WSA's maximum credit exposure. The allowance for doubtful accounts is \$188 (2020 - \$208).

Liquidity risk

Liquidity risk is the risk that WSA will not be able to meet its financial obligations as they become due. WSA monitors its cash balances and cash flows from operations to meet its requirements.

Interest rate risk

WSA is exposed to interest rate risk on its fixed rate long-term debt. The fixed rate instruments subject WSA to a fair value risk due to interest rate fluctuations in the market.

4. NEW STANDARDS AND AMENDMENTS TO STANDARDS

Several new standards and amendments to standards which may impact WSA are not yet effective for the year ended March 31, 2021 and have not been applied in preparing these financial statements.

The following new standards and amendments to standards are effective for financial statements on or after April 1, 2021:

New and Amended Standards	Effective Date
PS 3280 Asset Retirement Obligations	April 1, 2022
PS 3400 Revenue	April 1, 2023

The extent of the impact on adoption of these standards is not known at this time.

5. DEFERRED REVENUE

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$121	\$-
Fees collected	15	121
Recognition of prior year deferred revenue	(49)	-
Balance, end of year	\$87	\$ 121

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(\$ THOUSANDS)

6. EMPLOYEE FUTURE BENEFIT

The amount related to the defined benefit retiring allowance are as follows:

	<u>2021</u>	<u>2020</u>
Accrued benefit liability	\$878	\$994
Benefits paid during the year	109	28
Net expense (benefit)	(\$7)	\$53

The significant actuarial assumptions adopted in measuring WSA's accrued benefit liability are:

	<u>2021</u>	<u>2020</u>
Discount rate	2.50%	2.50%
Salary increase	3.00%	3.00%
Average remaining service life	10.5 years	10.3 years

For 2020 and 2021, the mortality assumption is based on the 2014 Canadian Pensioner Mortality Table (CPM2014) using the CPM improvement Scale B, for the private sector without size adjustment factors.

7. LONG TERM DEBT

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Fiscal Year Acquired</u>	<u>Interest Rate</u>	<u>2021</u>	<u>2020</u>
Conexus Credit Union	31-Mar-21	2010-11	3.98%	\$-	\$321
Bank of Montreal	31-Mar-22	2011-12	3.40%	476	938
TD Commercial Banking	1-Nov-22	2012-13	2.65%	1,243	1,962
National Bank of Canada	28-Nov-23	2013-14	3.51%	2,750	3,717
Bank of Montreal	31-Dec-24	2014-15	3.03%	6,247	7,838
TD Commercial Banking	12-Dec-25	2015-16	2.69%	9,309	11,120
Total Debt				\$20,025	\$25,896

All long-term debt is borrowed over a 10-year loan period. Long-term debt repayments are as follows:

2022	\$5,718
2023	5,143
2024	4,418
2025	3,209
2026	1,537
Thereafter	-
Total	\$20,025

WATER SECURITY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2021
 (\$ THOUSANDS)

8. TANGIBLE CAPITAL ASSETS

Cost	Land	Building & leasehold improvements	Maintenance equipment	Office equipment	Water infrastructure	Work In-Progress (Water infrastructure)	Work In-Progress (Irrigation)	Total
Balance beginning of year	\$5,155	\$1,745	\$3,232	\$1,139	\$517,061	\$6,833	\$-	\$535,165
Additions	-	-	865	1,023	11,172	10,151	1,043	24,254
Disposals	-	-	(124)	-	-	-	-	(124)
Write-downs	-	-	-	-	-	-	-	-
Balance end of year	\$5,155	\$1,745	\$3,973	\$2,162	\$528,233	\$16,984	\$1,043	\$559,295

Accumulated Amortization	Land	Building & leasehold improvements	Maintenance equipment	Office equipment	Water infrastructure	Work In-Progress (Water infrastructure)	Work In-Progress (Irrigation)	Total
Balance beginning of year	\$-	\$535	\$2,006	\$628	\$139,348	\$-	\$-	\$142,517
Amortization	-	203	575	332	6,980	-	-	8,090
Disposals	-	-	(77)	-	-	-	-	(77)
Write-downs	-	-	-	-	-	-	-	-
Balance end of year	\$-	\$738	\$2,504	\$960	\$146,328	\$-	\$-	\$150,530

Net Book Value	Land	Building & leasehold improvements	Maintenance equipment	Office equipment	Water infrastructure	Work In-Progress (Water infrastructure)	Work In-Progress (Irrigation)	Total
Balance March 31, 2020	\$5,155	\$1,210	\$1,226	\$511	\$377,713	\$6,833	\$-	\$392,648
Balance March 31, 2021	\$5,155	\$1,007	\$1,469	\$1,202	\$381,905	\$16,984	\$1,043	\$408,765

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(\$ THOUSANDS)

9. RELATED PARTIES TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to WSA by virtue of common control by the Government of Saskatchewan, as well as key management personnel and their close family members (collectively referred to as “related parties”). Related party transactions with WSA are in the normal course of operations and are recorded at fair market value.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

	<u>2021</u>	<u>2020</u>
General Revenue Fund	\$31,166	\$-
Water, contract and other revenue	26,012	23,402
Purchases	6,488	6,335
Accounts receivable	5,486	6,808
Deferred revenue	-	1
Accounts payable	475	853

Details of amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

10. CASH GRANTS

Included in expenses are grants or assistance provided to various persons and organizations to carry out a variety of programs administered by WSA. Particulars of these grants, by program, are as follows:

	<u>2021</u>	<u>2020</u>
Flood damage reduction	\$182	\$225
Emergency Flood damage reduction	281	112
Channel clearing	328	2
Watershed implementation and projects	824	1,775
Stewardship – water quality	135	135
Total	\$1,750	\$2,249

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(\$ THOUSANDS)

11. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

As of March 31, 2021, WSA has outstanding commitments of \$26,050 (2020 - \$7,317) for construction contracts, consulting agreements, software licensing, watershed funding agreements and other services. Within various contractual agreements, WSA has committed to provide in-kind services. If contracts were terminated, WSA's only liability would be for actual costs incurred to date.

Leases

WSA has entered into various operating lease agreements with the following minimum lease payments:

2022	\$1,995
2023	1,119
2024	1,066
2025	1,081
2026	1,086
Thereafter	3,596

Litigation

WSA is party to ten lawsuits (2020 - eleven), related to various water management issues. The outcome of these lawsuits cannot be determined therefore no amounts have been allowed for settlement in these statements.

12. PENSION PLAN

WSA's employees participated in the Public Employees' Pension Plan (the Plan), which is a defined contribution pension plan. WSA's contributions to the Plan included making regular payments into the Plan. The total amount paid into the Plan for 2021 was \$1,634 (2020 - \$1,451).

13. BUDGET FIGURES

The budget figures are presented for comparison purposes. WSA's Board of Director approved the 2020-21 budget on March 12, 2020.

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021
(\$ THOUSANDS)

14. CONTRACTUAL RIGHTS

WSA is party to certain contractual rights which are expected to provide future economic benefits to the organization. Haying, grazing, and cultivation permits are agreements with local farmers to use WSA titled land. Rates for the permits are determined using the Ministry of Agriculture's rates that are determined annually.

There are three funding agreements in place; two with Natural Resources Canada for Building Regional Capacity and Expertise (BRACE) and one with Canada Nature Fund for Aquatic Species at Risk.

Expected revenues from these contractual rights are as follows:

	<u>Terms at inception</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>
Haying, Grazing, and Cultivation Agriculture Permits	1, 3, or 5 years	\$285	\$50	\$36	\$14
Natural Resources Canada – Brace Funding	1 year	7	-	-	-
Natural Resources Canada – Brace Funding	2 years	32	-	-	-
Canada Nature Fund – Aquatic Species at Risk	3 years	362	586	-	-

15. COMPARATIVE INFORMATION

WSA has adjusted certain amounts reported previously to conform with the current year's presentation.

16. SIGNIFICANT EVENT

In March 2020, there was a global outbreak of COVID-19 (coronavirus) which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on WSA as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

WATER SECURITY AGENCY

Schedule 1 - Contract Revenue

Year Ended March 31, 2021

(\$ thousands)

	<u>2021</u>	<u>2020</u>
Canadian Wildlife Service	\$ 140	\$ 140
Environment Canada	40	28
Fisheries & Oceans Canada	265	416
Global Transportation Hub	-	20
International Joint Commission - Souris River	138	241
Ministry of Agriculture	28	100
Natural Resources Canada - BRACE	350	196
Ministry of Parks, Culture and Sport - Pike Lake	220	106
Sask Power	25	156
	<u>\$ 1,206</u>	<u>\$ 1,403</u>

Water Security Agency
Schedule 2 - Expenses by Functional Area
Year Ended March 31, 2021
(\$ thousands)

	AGRICULTURAL SERVICES	CORPORATE SERVICES	LEGAL SERVICES, LANDS & ABORIGINAL AFFAIRS	REGIONAL SERVICES/RURAL WATER SERVICES	REGULATORY SERVICES	TECHNICAL SERVICES	2021 Total	2020 Total
SALARIES & EMPLOYEE BENEFITS	\$2,234	\$4,473	\$937	\$1,607	\$7,811	\$7,977	\$25,039	\$24,324
DEPRECIATION	-	982	-	-	-	7,108	8,090	7,671
PROFESSIONAL AND CONTRACTUAL SERVICES	838	437	450	25	1,522	3,827	7,099	7,248
RENT AND UTILITIES	53	922	63	444	656	1,029	3,167	3,033
TRAVEL & OTHER STAFF COSTS	86	460	21	115	532	677	1,891	1,947
CASH GRANTS	-	-	4	-	1,746	-	1,750	2,249
SOFTWARE, TELECOMMUNICATIONS & DATA PURCHASES	22	1,396	6	27	79	90	1,620	1,288
OFFICE, COMPUTER & HARDWARE	21	776	-	1	22	129	949	734
SUPPLIES & MATERIALS	13	208	5	14	154	393	787	829
INTEREST AND BANK CHARGES	-	689	-	-	-	-	689	930
INSURANCE & LICENSES	-	110	3	2	7	110	232	402
PROMOTIONAL EXPENSES	95	99	-	-	14	1	209	268
OTHER	23	20	2	29	32	(531)	(425)	(406)
Total	\$3,385	\$10,572	\$1,491	\$2,264	\$12,575	\$20,810	\$51,097	\$50,517