

Water Security Agency



Annual Report for 2021-22

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Letters of Transmittal



*The Honourable Jeremy
Cockrill*

*Minister Responsible for
Water Security Agency*

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report for the Water Security Agency for the fiscal year ending March 31, 2022.

This year, as we saw the province, and the world, begin to reopen and transition to living with COVID-19, I am happy to report that the Water Security Agency's (WSA) commitment to providing a safe, secure and reliable water supply for the Province of Saskatchewan never wavered. The agency delivered its programs and regulatory oversight throughout the pandemic with professionalism and a renewed focus on improving client interactions.

WSA supports Saskatchewan's ability to cope with, adapt, innovate and thrive through improved resilience and protection of vital water systems securing water for the future and long-term needs of the citizens of Saskatchewan. WSA continues to make progress on ongoing initiatives, strategies and commitments, supporting economic growth, quality of life and environmental well-being, while reflecting government's accountability and expenditure management commitments.

A handwritten signature in black ink, appearing to read 'Jeremy Cockrill', written over a faint circular watermark.

The Honourable Jeremy Cockrill
Minister Responsible for Water Security Agency

Dear Minister:

I have the honour of submitting the Annual Report of the Water Security Agency for the fiscal year ending March 31, 2022.

The Water Security Agency (WSA) worked to gain the expertise required to maintain and run the dam infrastructure transferred by the federal government to ensure the safety of Saskatchewan's citizens. We also worked with the prime consultant on the preliminary engineering for the Lake Diefenbaker Irrigation Projects and engaged with Indigenous communities, interested stakeholders and municipalities.

WSA worked with communities on drought plans and flood plain mapping to safeguard our citizens against the impacts of a changing climate. We are continuing our work on the Agricultural Water Management Strategy by developing a mitigation policy for agricultural drainage practices that balances a prosperous industry with a healthy ecosystem. Protecting our water resources and habitat is essential to a thriving province.

A handwritten signature in black ink, appearing to read 'Shawn Jaques', written over a faint circular watermark.

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. WSA reports to the Minister Responsible for Water Security Agency, who also serves as their 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 2021-22, services were provided by 284 full-time-equivalent employees in ten 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 is the lead government agency working in collaboration with other ministries, and the external prime consultant, on the 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 2021-22 Operational Plan can be found at: <https://publications.saskatchewan.ca/#/products/104456>.

Progress in 2021-22

Government Goals



Organization Goal

Goal 1: Saskatchewan's water resources are more resilient to the impacts of climate change

Strategy

Enhance our ability to deliver earlier and more accurate flow forecasts and flood warnings for key watersheds

Key Actions

- ⇒ Develop and implement a renewed flow forecasting centre that meets the level of service required by the citizens of Saskatchewan.
- ↳ The flow forecasting system and predictive models for Saskatchewan's five priority watersheds are operational; however, the implementation of the flow forecasting centre is delayed as the Water Security Agency revisits deliverables and timelines. A recommendation to change to virtual operations instead of a physical operations centre to address service needs and long-term recruitment challenges, is being evaluated. Work is ongoing to have this change implemented for 2022-23.

Strategy

Build municipal/community capacity to become more resilient to climate variability (floods and droughts)

Key Actions

- ⇒ Advance the Building Regional Adaptation Capacity and Expertise (BRACE) Project to aid communities to understand drought-related threats and develop contingency plans.
- ↳ WSA and its partner agencies, the Saskatchewan Research Council and the Saskatchewan Public Safety Agency, identified 75 communities as being at risk of drought and offered assistance and guidance to support the development of community drought response plans. Eighteen of these communities are actively participating in the Hydrologic Drought Program, and all have completed their community risk assessments. WSA continues to collaborate with these communities to complete their community drought response plans by June 30, 2022, which will also include adaptation for climate change.

Performance Measure Results

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

Measure Target: percentage of communities in Saskatchewan identified as being at risk of flooding that have completed or have access to flood maps

In 2021-22, three new community flood map projects and two replacement projects for baseline communities (communities that were legally designated and where flood mapping was completed under the Canada-Saskatchewan Flood Damage Reduction Program 1977-1996) were completed. Four additional new community flood map projects and one replacement project were started in 2021-22 and are scheduled to be completed in fiscal year 2022-23. Although the target of 22 communities was not met due to changes in priorities, plans for fiscal year 2022-23 will bring the anticipated cumulative progress back on track.

Key watersheds with an advanced flow forecasting system in place

Measure Target: number of key watersheds with improved and timely flow forecasting systems

Modern flow forecasting models for five prioritized watersheds and the Saskatchewan River Basin are complete and operational. Although the models are operational, additional work remains to formalize policies, procedures and forecast centre functions.

Government Goals

 A Strong Economy

 Strong Communities

 Strong Families

Organization Goal

Goal 2: Reduce the impacts of agricultural water management on water quantity, quality and habitat.

Strategy

Advance the Agricultural Water Management Strategy

Key Actions

- ⇒ Continue to develop, demonstrate and implement policies, procedures and processes to support the streamlined and consistent delivery of the Agricultural Water Management Strategy in a way that supports economic growth and protects the environment.
 - ↳ Progress on developing an Impact Mitigation Policy is on schedule. An interdisciplinary, cross-ministry Mitigation Policy Project Team has been established. Work is focused on finalizing the stakeholder engagement strategy and integrating data from the Demonstration and Research Projects.
 - ↳ WSA continues to support clients in achieving drainage approvals through the Stimulus and Support Funding with \$500,000 invested in 2021-22 to address project barriers.
- ⇒ Engage partners to identify needs and initiate research and development to address key knowledge gaps.
 - ↳ In spring 2020, WSA launched the Demonstration and Research Project Initiative 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.
 - ↳ The Demonstration and Research Projects provide essential data and information to drive the development of the Mitigation Policy. Final deliverables of the projects are expected in spring 2022.
 - ↳ WSA also continues to work with key research partners to advance research to fill key knowledge gaps. This includes better understanding of soil carbon values for wetlands and investigating the synergies of 4R Nutrient Management to reduce agricultural nutrient runoff.
- ⇒ Effectively communicate the intent, outcomes and requirements of the strategy to clients and key stakeholders.
 - ↳ The agency continues to work toward improved communication including developing new material to ensure clients have access to the information they need about the program and how to access it.
 - ↳ The AgH2Onward workshop was delivered throughout the year. This workshop provides clients with information about the Agricultural Water Management Program through a free two-day online seminar. This education session introduces innovative agricultural water management solutions to strengthen farm and ranch operations. To date, this workshop has been delivered to 356 unique attendees.
- ⇒ Build the capacity of Qualified Persons (QPs) to ensure consistent and high-quality drainage applications.
 - ↳ WSA continues to build QP capacity through enhanced training, funding and support.
 - ↳ The QP training program has successfully transitioned to delivery through Southeast College. The college delivered the basic course to 110 individuals through 10 sessions, providing QPs with the foundational knowledge and tools to help agricultural producers successfully achieve drainage approvals.

- ↳ The training program also includes three supplementary courses that focus on building technical and communication capacity of QPs.
- ↳ WSA has initiated a third-party review of water management organizations in Saskatchewan in order to guide future capacity building. WSA is scheduled to complete the independent review of third-party water management organizations in 2022-23 and will begin implementation of recommendations.
- ↳ Approximately 50 projects that received support through Stimulus and Support Funding are in various stages of completion, with half of these focused on building QP practical capacity, collaborating directly with producers, municipalities, and stakeholders.
- ⇒ Support the Saskatchewan Conservation and Development Association (SCDA) to advance the Agricultural Water Management Strategy.
 - ↳ WSA staff continue to work with SCDA to advance key strategic items such as registration of conservation and development area authorities (C&Ds) and watershed association boards (WAs), and agricultural drainage projects (including Stimulus and Support Funding projects).
 - ↳ WSA has extended its current funding agreement with SCDA until December 31, 2023. With WSA support, SCDA has completed a business plan and hired an executive director to deliver on future priorities.
 - ↳ The third-party water management organization review initiated by WSA will include a review of C&Ds, WAs and watershed stewardship groups (WSGs) to ensure an efficient and sustainable watershed management and services delivery model.

Performance Measure Results

Number of quarter sections that meet regulatory requirements

Measure Target: This measure provides an indication of progress in the implementation of the Agricultural Water Management Strategy

Number of drainage approvals issues:

- ⇒ This measure is an indicator of progress in implementing the province's approach to drainage. An approval allows a network of drainage works to operate with appropriate impact mitigation measures and practices in place. As this changed approach to drainage continues to mature, an increasing number of approvals will be issued.
- ⇒ The Agricultural Water Management Strategy continues to make considerable progress year over year with a total of 4,862 quarter sections of agricultural drainage in compliance, which includes 672 new quarter sections in 2021-22.

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

Measure Target: This measure provides an indication of the level of awareness of producers in Saskatchewan towards the Agricultural Water Management Strategy

Client awareness and understanding is foundational to supporting program success. This measure provides an indicator of short-term, immediate or direct outcomes for the communication and awareness component of program implementation. Given the constraints posed by COVID-19, WSA's goal was to maintain the level of awareness around the Agricultural Water Management Strategy at 33 per cent. A follow up survey will be completed in 2022-23.

Number of active Qualified Persons supporting the delivery of the Agricultural Water Management Strategy

Measure Target: This measure represents the number of Qualified Persons actively working to support producers through the Agricultural Water Management Strategy approval process

In 2021-22, an additional seven Qualified Persons were active in supporting producers through the approvals process. In total, there are 32 qualified persons in the provinces who are working directly with clients to design projects and develop applications for agency review.

Government Goals



Organization Goal

Goal 3: WSA infrastructure safely and effectively meets the water supply and management needs of the citizens of Saskatchewan

Strategy

Develop a ten-year rolling Water Infrastructure Maintenance Plan to address the growing maintenance deficit and advance priority maintenance activities

Key Actions

- ⇒ Assess and identify the maintenance needs of WSA's water management infrastructure
 - ↳ Compiling an asset inventory has commenced and will continue through the duration of the project. Years one and two of the maintenance plan have been developed; additional information will be collected to build the remaining years of the maintenance plan. This includes the delineation of routine and operation critical maintenance, and the identification of critical equipment and spares that are required.

Strategy

Develop and implement a Water Infrastructure Planning Program to assist with decision-making related to the prioritization of WSA infrastructure rehabilitation and maintenance

Key Actions

- ⇒ Perform pilot project on lifecycle costing and levels of service on water infrastructure assets.
 - ↳ The pilot project was deferred to fiscal year 2022-23 in order to accommodate the development of a water management impact index. This new index will be used to prioritize and plan capital and maintenance projects in conjunction with the existing Dam Safety Risk Index. Completion of the pilot project on lifecycle costing and levels of service on water infrastructure assets will be coordinated within the roadmap for developing a wholistic asset management program.
- ⇒ Implement a maintenance management/asset management application.
 - ↳ Implementing a maintenance/asset management application is a multi-year project; the very initial stage involves identifying two elements: asset management governance and the management tools that will be used.
 - ↳ This initiative was deferred to fiscal year 2022-23 due to reassignment of existing capacity within Infrastructure Planning to capital project prioritization work. Infrastructure Planning will look at options for external support on business case development and planning.

Strategy

Maximize irrigation capacity that draws from sustainable water sources with adequate water quality

Key Actions

- ⇒ Complete an assessment of selected areas that would benefit from irrigation.
 - ↪ Elbow/Loreburn – This project has been sole sourced to Stantec. WSA has communicated the initiation of this project with the RM and interested producers in the area as they begin irrigation development.
 - ↪ Saskatoon South East Water Supply System (SWESS) – An internal assessment is underway to identify system limitations and opportunities to support expansion.
 - ↪ Thunder Creek – The consultant’s work has been completed with the final report and presentation received. Stakeholder engagement will be initiated for the Thunder Creek area and the report will be shared.
 - ↪ Boundary/Rafferty/Grant-Devine/Cookson reservoirs – Internal hydrology and water availability analysis allotment review and an internal review of soil suitability are underway. A sole source procurement with KGS is underway.
 - ↪ North Saskatchewan River – An internal review has taken place to determine best approach and scope of work. A request for quote (RFQ) has been drafted for a conceptual review of irrigation potential in the area.
 - ↪ Quill Lakes – A conceptual study was undertaken to assess irrigation as flood control, hydrologic analysis and agronomic screening to review irrigation potential. The report and contract deliverables from KGS have been received.
 - ↪ Old Wives – A request for proposal (RFP) is currently out for tender to complete a water supply assessment.
- ⇒ Develop and maintain additional water conveyance infrastructure.
 - ↪ Work on the Lake Diefenbaker’s Westside Irrigation Project continues to make significant progress. Key deliverables in 2021-22 include the forming a Technical Advisory Committee, receipt and review of numerous technical appendices and presentations, work and review of the business case and marketing strategy, ongoing internal and external stakeholder engagement, numerous Indigenous engagement activities, work on policy and objectives and collaboration with numerous invested organizations, ministries and Crowns.
- ⇒ Support existing irrigation district infill development.
 - ↪ WSA continues to collaborate with, and support, the Ministry of Agriculture on any irrigation district infills. This includes identifying opportunities to assist in navigating the infill process efficiently. An example of the support WSA provides is responding questions related to using current allocation to expand areas associated with the South Saskatchewan River Irrigation District (SSRID).

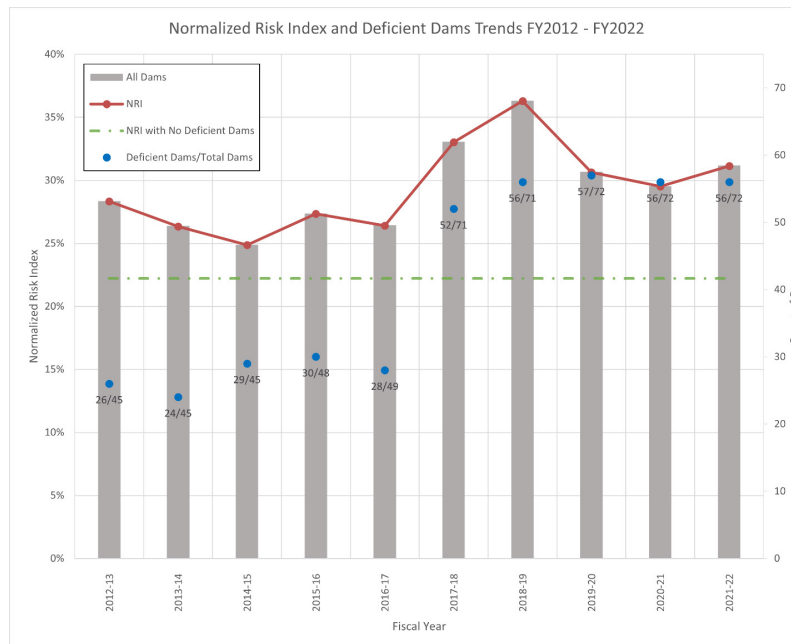
Performance Measures

Dam Safety Risk Index

Measure Target: The Dam Infrastructure Risk Index is a qualitative assessment of the current knowledge of the hydraulics, structural, geotechnical, electrical and mechanical components taking into consideration the consequence classification of the dam

The Dam Infrastructure 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 that 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 (2021-22 = 1.77).



Government Goals



A Strong Economy



Strong Communities



Strong Families

Organization Goal

Goal 4: Corporate data, information and systems are easily accessible for both internal application and external communication

Strategy

Develop an IT modernization plan for corporate data and information

Key Actions

- ⇒ Work with clients to identify business needs to inform future enterprise solutions
 - ↳ In 2021-22, WSA partnered with Ministry of SaskBuilds and Procurement (SBP) and the Ministry of Finance (Office of Planning, Performance and Improvement – OPPI) to undertake a three-phase approach to develop and implement a multi-year Information and Technology Strategy (IT strategy).

Financial Summary

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, 2022

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, 2022, and the statements of operations and accumulated 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, 2022, and the results of its operations, changes in its 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.



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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.

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, but not 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.

Regina, Saskatchewan

May 9, 2022

MNP LLP

Chartered Professional Accountants

WATER SECURITY AGENCY**STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31, 2022

(\$ thousands)

	<u>2022</u>	<u>2021</u>
FINANCIAL ASSETS		
Cash	\$ 74,746	\$ 83,622
Accounts receivable	7,281	7,880
	<u>82,027</u>	<u>91,502</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,471	9,253
Deferred revenue (Note 5)	56	87
Employee future benefits (Note 6)	848	878
Long-term debt (Note 7)	14,309	20,025
	<u>23,684</u>	<u>30,243</u>
NET FINANCIAL ASSETS	<u>58,343</u>	<u>61,259</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	445,425	408,765
Prepaid expenses and supplies	383	895
	<u>445,808</u>	<u>409,660</u>
ACCUMULATED SURPLUS	<u>\$ 504,151</u>	<u>\$ 470,919</u>

Contractual Obligations and Contingencies (Note 11)

Liability for Contaminated Sites (Note 12)

Contractual Rights (Note 15)

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, 2022
 (\$ thousands)

	<u>2022</u>	<u>2021</u>
	<u>Budget</u> <u>(Note 14)</u>	<u>Actual</u> <u>Actual</u>
REVENUE		
Government of Saskatchewan		
- General Revenue Fund	\$ 67,503	\$ 66,368
Water revenue	25,970	21,043
Contract revenue (Schedule 1)	412	1,024
Interest Revenue	840	487
Other	1,081	1,129
	<u>95,806</u>	<u>90,051</u>
EXPENSES (Schedule 2)		
Salaries & Employee Benefits	30,819	27,517
Amortization	10,932	8,986
Professional & Contractual Services	11,155	8,810
Rent and Utilities	2,912	3,577
Travel & Other Staff Costs	2,903	2,349
Software & Computer Hardware	2,316	2,404
Cash Grants	2,660	1,879
Supplies & Materials	1,111	946
Interest & Bank Charges	579	562
Insurance & Licenses	273	233
Promotional Expenses	218	112
Other	125	(556)
	<u>66,003</u>	<u>56,819</u>
Operating surplus for the year	<u>29,803</u>	<u>33,232</u>
Accumulated operating surplus - beginning of the year	<u>470,919</u>	<u>470,919</u>
Accumulated operating surplus - end of the year	<u>\$ 500,722</u>	<u>\$ 504,151</u>

See accompanying notes and schedules

WATER SECURITY AGENCY
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
 FOR THE YEAR ENDED MARCH 31, 2022
 (\$ thousands)

	2022		2021
	Budget (Note 14)	Actual	Actual
Surplus for the year	\$ 29,803	\$ 33,232	\$ 11,582
Acquisition of tangible capital assets	(66,477)	(45,647)	(24,254)
Amortization of tangible capital assets	10,932	8,986	8,090
Loss on disposal of tangible capital assets	-	1	47
	<u>(25,742)</u>	<u>(3,428)</u>	<u>(4,535)</u>
Net acquisition of prepaid expenses	-	512	(473)
Decrease in net financial assets	(25,742)	(2,916)	(5,008)
Net financial assets – beginning of year	<u>61,259</u>	<u>61,259</u>	<u>66,267</u>
Net financial assets – end of year	<u>\$ 35,517</u>	<u>\$ 58,343</u>	<u>\$ 61,259</u>

See accompanying notes and schedules

WATER SECURITY AGENCY
STATEMENT OF CASHFLOWS
 FOR THE YEAR ENDED MARCH 31, 2022
 (\$ thousands)

	<u>2022</u>	<u>2021</u>
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Surplus for the year	\$ 33,232	\$ 11,582
Items not affecting cash:		
Amortization of tangible capital assets	8,986	8,090
Loss on disposal of tangible capital assets	1	47
Change in deferred revenue	(31)	(34)
Net change in non-cash balances relating to operations:		
Accounts receivable	599	776
Prepaid expenses	512	(473)
Accounts payable and accrued liabilities	(782)	(44)
Employee future benefits	(30)	(116)
	<u>42,487</u>	<u>19,828</u>
CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(45,647)	(24,254)
	<u>(45,647)</u>	<u>(24,254)</u>
FINANCING ACTIVITIES:		
Principal portion of loan repaid in year	(5,716)	(5,871)
Decrease in cash, during the year	<u>(8,876)</u>	<u>(10,297)</u>
Cash – beginning of year	83,622	93,919
Cash – end of year	<u>\$ 74,746</u>	<u>\$ 83,622</u>

See accompanying notes and schedules

WATER SECURITY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2022
 (\$ 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.

COVID-19

The outbreak of the novel strain of coronavirus specifically identified as COVID-19 was declared a pandemic on March 12, 2020, by the World Health Organization. The outbreak has impacted both local and global economies. The outbreak may also cause staff shortages and reduced customer demand, which may negatively impact the business, financial condition, or results of the operations of WSA. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate. This pandemic had a limited effect on WSA's financial performance and WSA did not receive any government assistance relating to the COVID-19 pandemic in the current year

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	Amortization Basis	Amortization Rate
Leasehold improvements	Straight-line	Term of lease
Buildings	Straight-line	20 to 60 years
Water infrastructure - mobile equipment	Diminishing balance	15 to 30 percent
Maintenance equipment	Straight-line	5 years
Office equipment	Straight-line	2 to 10 years
Water infrastructure	Straight-line	20 to 60 years

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 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, 2022
(\$ THOUSANDS)

3. NEW STANDARDS AND AMENDMENTS TO STANDARDS

The following new standards and amendments to standards are effective for financial statements on or after April 1, 2022:

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

PS 3280 Asset Retirement Obligations establish guidance on the accounting and reporting of legal obligations associated with the retirement of tangible capital assets controlled by a public sector entity. The standard covers the entity's legal obligations established by agreement, contract or legislation including obligations created by a promissory estoppel for tangible capital assets that are in productive and no longer in productive use. No Financial Statement adjustments are expected April 1, 2022, on adoption of PS 3280 Asset Retirement Obligations.

PS 3400 Revenue establishes standards on how to account for and report on revenue. This standard provides the identification, recognition, measurement, and disclosure for revenues arising from transactions that include performance obligations and transactions that do not have performance obligations. Performance obligations are enforceable promises to provide goods or services to a specific payor. The extent of the impact on adoption of PS 3400 Revenue is not known at this time.

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022
(\$ THOUSANDS)

4. 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 \$207 (2021 - \$188).

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.

5. DEFERRED REVENUE

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$87	\$121
Fees collected	17	15
Recognition of deferred revenue	(48)	(49)
Balance, end of year	\$56	\$87

6. EMPLOYEE FUTURE BENEFITS

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

	<u>2022</u>	<u>2021</u>
Accrued benefit liability	\$848	\$878
Benefits paid during the year	60	109
Net expense (benefit)	30	(\$7)

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

	<u>2022</u>	<u>2021</u>
Discount rate	3.20%	2.50%
Salary increase	3.00%	3.00%
Average remaining service life	10.1 years	10.5 years

For 2021 and 2022, the mortality assumption is based on the 2014 Canadian Pensioner Mortality Table (CPM2014) using the CPM improvement Scale B, for the private sector with generational mortality projection without size adjustment factors.

WATER SECURITY AGENCY
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 (\$ THOUSANDS)

7. LONG-TERM DEBT

<u>Financial Institution</u>	<u>Maturity Date</u>	<u>Fiscal Year Acquired</u>	<u>Interest Rate</u>	<u>2022</u>	<u>2021</u>
Bank of Montreal	31-Mar-22	2011-12	3.40%	\$ -	\$476
TD Commercial Banking	1-Nov-22	2012-13	2.65%	504	1,243
National Bank of Canada	28-Nov-23	2013-14	3.51%	1,749	2,750
Bank of Montreal	31-Dec-24	2014-15	3.03%	4,607	6,247
TD Commercial Banking	12-Dec-25	2015-16	2.69%	7,449	9,309
Total Debt				\$14,309	\$20,025

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

2023	\$5,143
2024	4,418
2025	3,209
2026	1,539
2027	-
Thereafter	-
Total	\$14,309

WATER SECURITY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2022
 (\$ 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	\$3,973	\$2,162	\$528,233	\$16,984	\$1,043	\$559,295
Additions	-	2,128	832	12	16,192	12,228	14,255	45,647
Disposals	-	-	(25)	-	-	-	-	(25)
Balance, end of year	\$5,155	\$3,873	\$4,780	\$2,174	\$544,425	\$29,212	\$15,298	\$604,917

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	\$-	\$738	\$2,504	\$960	\$146,328	\$-	\$-	\$150,530
Amortization	-	397	652	333	7,604	-	-	8,986
Disposals	-	-	(24)	-	-	-	-	(24)
Balance, end of year	\$-	\$1,135	\$3,132	\$1,293	\$153,932	\$-	\$-	\$159,492

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, 2021	\$5,155	\$1,007	\$1,469	\$1,202	\$381,905	\$16,984	\$1,043	\$408,765
Balance, March 31, 2022	\$5,155	\$2,738	\$1,648	\$881	\$ 390,493	\$29,212	\$15,298	\$445,425

WATER SECURITY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS
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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>2022</u>	<u>2021</u>
General Revenue Fund	\$66,368	\$31,166
Water, contract, and other revenue	23,573	26,012
Purchases	7,414	6,488
Accounts receivable	5,073	5,486
Accounts payable and accrued liabilities	425	475

On April 5, 2021 WSA entered into a Memo of Understanding (MOU) with the Saskatchewan Ministry of Highways (Highways) to provide WSA with a full range of expertise and advice related to the Lake Diefenbaker Irrigation Expansion Project (the Project). Under the MOU WSA reimburses Highways for advice on planning, cost estimating, designing and rehabilitating or constructing all aspects of the Project including administrative costs and third party invoices paid directly by Highways. During the year, tangible capital asset expenditures of \$14,136 (2021 - \$nil), that were related to the Project and reimbursed to the Ministry of Highways were capitalized.

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>2022</u>	<u>2021</u>
Flood damage reduction	\$45	\$182
Emergency flood damage reduction	25	281
Channel clearing	294	328
Watershed implementation and projects	822	824
Agriculture water management	578	-
Stewardship – water quality	115	135
Total	\$1,879	\$1,750

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
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(\$ THOUSANDS)

11. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Contractual obligations

As of March 31, 2022, WSA has outstanding contractual obligations of \$26,469 (2021 - \$26,050) 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:

2023	\$2,425
2024	2,097
2025	2,017
2026	1,940
2027	1,554
Thereafter	3,883

Litigation

WSA is party to eleven lawsuits (2021 - ten) 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. LIABILITY FOR CONTAMINATED SITES

Included within accounts payables and accrued liabilities are remediation costs from creosote treated timber at Dellwood Brook dam. The estimated value of the remediation using undiscounted future expenditure is \$200 (2021 - \$nil). Replacement of the current structure may lead to further contamination being discovered and the total amount of the liability may change due to the estimation being based on current exploration of the contamination.

13. 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 2022 was \$1,971 (2021 - \$1,634).

14. BUDGET FIGURES

The budget figures are presented for comparison purposes. WSA's Board of Directors approved the 2021-22 budget February 9, 2021.

WATER SECURITY AGENCY
 NOTES TO THE FINANCIAL STATEMENTS
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15. 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.

Expected revenues from these contractual rights are as follows:

	<u>Terms at Inception</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>
Haying, Grazing, and Cultivation Agriculture Permits	1, 3, or 5 years	\$296	\$279	\$261	\$519
North American Waterfowl Management Plan	1 year	\$73	-	-	-
Canada Nature Fund – Aquatic Species at Risk	1 year	\$33	-	-	-

16. COMPARATIVE INFORMATION

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

WATER SECURITY AGENCY

Schedule 1 - Contract Revenue

Year Ended March 31, 2022

(\$ thousands)

	<u>2022</u>	<u>2021</u>
Canadian Wildlife Service	\$ 147	\$ 140
Environment Canada	31	40
Fisheries & Oceans Canada	601	265
International Joint Commission - Souris River	90	138
Ministry of Agriculture	20	28
Natural Resources Canada - BRACE	39	350
Ministry of Parks, Culture and Sport - Pike Lake	20	220
Sask Power	27	25
Health Canada	10	-
District of Lakeland	6	-
Wildlife Habitat Canada	33	-
	<u>\$1,024</u>	<u>\$1,206</u>

WATER SECURITY AGENCY

Schedule 2 - Expenses by Functional Area

Year Ended March 31, 2022

(\$ thousands)

	AGRICULTURE SERVICES	CORPORATE SERVICES	LEGAL SERVICES, LANDS & ABORIGINAL AFFAIRS	REGULATORY SERVICES	TECHNICAL SERVICES	2022 Total	2021 Total
SALARIES & EMPLOYEE BENEFITS	\$4,136	\$4,253	\$1,097	\$8,466	\$9,565	\$27,517	\$25,039
DEPRECIATION	-	1,290	-	-	7,696	8,986	8,090
PROFESSIONAL & CONTRACTUAL SERVICES	629	815	489	1,753	5,124	8,810	7,099
RENT & UTILITIES	-	2,790	-	27	760	3,577	3,167
TRAVEL & OTHER STAFF COSTS	256	701	35	644	713	2,349	1,891
CASH GRANTS	578	-	2	1,299	-	1,879	1,750
SOFTWARE & COMPUTER HARDWARE	108	1,948	8	104	236	2,404	2,569
SUPPLIES & MATERIALS	35	255	8	202	446	946	787
INTEREST & BANK CHARGES	-	562	-	-	-	562	689
INSURANCE & LICENSES	-	163	-	8	62	233	232
PROMOTIONAL EXPENSES	35	59	-	14	4	112	209
OTHER	42	21	2	31	(652)	(556)	(425)
Total	\$5,819	\$12,857	\$1,641	\$12,548	\$23,954	\$56,819	\$51,097