

Annual Report for 2022-23



Water Security Agency

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, 2023.

The Water Security Agency underwent a reorganization in 2022-23 to better align with the Government of Saskatchewan's goal of service excellence and working as one team.

We continued to protect our province's most vital resource – water. Our drinking water and wastewater plants are in compliance. We helped vulnerable communities increase their resiliency by preparing drought response plans. We maintained and operated our 72 dams and related conveyance channels for the benefit of the province.

A handwritten signature in black ink, appearing to read 'Jeremy Cockrill', written over a light blue horizontal line.

The Honourable Jeremy Cockrill
Minister Responsible for Water Security Agency



*Shawn Jaques
Interim President and CEO
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, 2023.

This past year has included a shift in the way the Water Security Agency does business. We rolled out a client service model to better serve the citizens of Saskatchewan.

We also embarked on an extensive engagement process for our Agricultural Water Stewardship Policy, welcoming feedback from a range of stakeholder organizations and the public.

We were also able to announce additional water availability for irrigation projects in the Saskatoon Southeast Water Supply System, further contributing to Saskatchewan's Plan for Growth.

A handwritten signature in black ink, appearing to read 'Shawn Jaques', written over a light blue horizontal line.

Shawn Jaques, Interim President and Chief Executive Officer
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

The Water Security Agency is responsible for managing the 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

To manage water resources for a better quality of life for all Saskatchewan people.

Vision

To be the best water management agency in North America providing safe, reliable water that drives economic growth.

Service Delivery System

Within WSA in 2022-23, services were provided by 320.5 full-time-equivalent employees located throughout the province.

Core Lines of Business

- ⇒ Safe Drinking Water
- ⇒ Protection of Water Resources and Habitat
- ⇒ Water Infrastructure Management
- ⇒ Water Related Emergency Response and Planning
- ⇒ Secure and Resilient Water Supplies
- ⇒ Agricultural Water Management

In addition, WSA helped facilitate development of a number of irrigation projects, adding over 15,000 new irrigable acres, supporting Saskatchewan’s goal to maximize irrigation in the province and add 85,000 new irrigated acres by 2030.

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

Portions of *The Public Health Act, 1994*

The Watershed Associations Act

The Water Security Agency’s 2022-23 Business Plan can be found at: <https://publications.saskatchewan.ca/#/products/117223>

Progress on Goal 1: Saskatchewan's Water Infrastructure Drives Growth

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.

Strategy

Ensure infrastructure meets the desired level of service

Key Actions

- ⇒ Develop a framework to prioritize infrastructure rehabilitation maintenance
 - ↳ The capital planning prioritization process has been developed, documented and reviewed. The new prioritization process will be piloted in 2023-24.

Strategy

Explore opportunities to develop new water management infrastructure

Key Actions

- ⇒ Work in consultation with the Ministry of Trade, Export, and Development to capitalize on new opportunities
 - ↳ WSA works with the Ministry of Trade, Export and Development to find and develop new opportunities by providing information and technical expertise to support growth.
- ⇒ Proactively support municipalities in building capacity to sustain population growth
 - ↳ WSA worked with SaskWater and the Ministry of Government Relations to advance a regional system for water supply in various communities. WSA supports communities in planning for growth. WSA participates in various Government of Saskatchewan collaborative tables to help facilitate economic development opportunities as well as establishing new, or upgrading existing, water supply capacities including regional systems. These efforts will assist in advancing community sustainability and growth.

Strategy

Implement policies to promote using water as an economic driver

Key Actions

- ⇒ Develop a policy framework to guide future policy development in the agency
 - ↳ A framework has been developed and will be implemented in the next fiscal year. Adopting this framework will ensure that policy is developed collaboratively with impacted stakeholders.

Strategy

Use available water to expand irrigation capacity

Key Actions

- ⇒ Complete the preliminary design of the Westside Rehabilitation and Expansion Project and initiate procurement of the next stage of design and/or construction
 - ↻ The Lake Diefenbaker Irrigation Projects could add up to 500,000 irrigated acres. It is one of the most unique opportunities in Canada for food security and production, and economic growth.
 - ↻ The current focus is on the Westside Rehabilitation and Expansion Projects, which could expand irrigation in the province by up to 340,000 acres.
 - ↻ The reports for the Westside Projects preliminary engineering and financial analysis are currently being finalized.
 - ↻ Once the reports are finalized, it will help to further determine the overall scope of the engineering needed to move forward.
 - ↻ More environmental and field work will be completed with the next phases of planning. This work helps to inform the current level of engineering.
- ⇒ Expand new irrigation opportunities through continuous planning and development of small irrigation projects and water supply studies
 - ↻ Initial investigations were completed for Thunder Creek, Quill Lakes, North Saskatchewan River, and Elbow-Loreburn projects, as well as water availability studies for the Saskatoon Southeast Water Supply (SSEWS), the Old Wives Basin and Swift Current Creek/Rush Lake basins. Additional Elbow-Loreburn preliminary design work was also completed. Work on the Southeast project, SSEWS model development, and continued Swift Current Creek/Rush Lake basins water availability are underway. Luck Lake Irrigation District Expansion was identified as a potential new small project. Rollout is underway of the 15,000 acres of new allocation on the SSEWS and 4,000 acre-feet of new allocation from Duncairn Reservoir.

Performance Measure Results

Dam Safety Risk Index (DSRI) - This is a qualitative assessment of the overall condition of WSA dams and associated components. The intended outcome of this measure is to determine whether WSA rehabilitation work is outpacing the depreciation of our water management infrastructure. The baseline for 2022-23 was 31 per cent. Measured annually, the target is for an annual decreasing ratio.

- ⇒ 2022-23 Result: 31.6 per cent = Condition of Dams only. 33.6 per cent = Total DSRI (includes confirmed improvements needed to meet existing standards)
- ⇒ Note: The Total DSRI includes where upgrades are needed to meet a new established standard vs. the standard at time of construction. 2022-23 filled much of the data gaps in the assessment, but instability in the Total DSRI will continue until 2025-26 while the remaining data gaps are filled, and the target standards are confirmed or reset, at which time the new DSRI baseline will be established data.
- ⇒ 2022-23 Total DSRI (net +2.5%) = changes to the condition of the dams (net +0.5%) + data updates to standards (net +2.0%).

Number of new irrigation acres - This measure represents the number of new irrigation acres given approvals to irrigate. The 2022-23 target was 8,500 acres.

- ⇒ Result from 2022-23: 15,182 acres

Progress on Goal 2: Clean, Safe, Reliable Water that is Responsive to Change

Regardless of where we live or what we do, water is essential to life. We need it in our homes for drinking, cooking and bathing. We irrigate our gardens and fields. Water is essential to farmers, ranchers and many industries. To support our growing population, economy and quality of life, as the central water agency in Saskatchewan, WSA must take strong action to ensure clean, safe and reliable water.

Strategy

Improve information on water quality, availability and use

Key Actions

- ⇒ Scope where Saskatchewan needs updated information on water quality, availability and use
 - ↳ Work is progressing towards completion of geospatial products that identify natural surface water supply and availability. Initial products are completed and going through review and validation processes. WSA collects and tracks dozens of data streams on water and is moving forward with a GeoHub to make this information open to the public via GIS and mapping tools.
 - ↳ WSA collects water use information from a variety of sectors including industrial, municipal and agricultural users. WSA is working to modernize water use information gathering technology to collect accurate data and obtain more frequent water use information for irrigation in priority basins.

Strategy

Build Saskatchewan's capacity to be resilient to change

Key Actions

- ⇒ Work with communities to identify communities at risk to droughts and floods; and support communities in developing drought and flood mitigation plans
 - ↳ A flood risk study that looked at 477 communities ranging in size from cities to hamlets is nearing completion. 117 communities have been identified as having various levels of flood risk. This list is being used to identify communities in highest need for floodplain mapping.
- ⇒ Develop options to address the impacts of extreme weather events, such as flooding and drought
 - ↳ Externally, WSA has been working with 18 communities to develop their municipal hydrologic drought response plans. The work is expected to be complete in 2023-24. There are a further 55 communities that were identified as having risk with respect to hydrologic drought. These communities will require some attention to assist them in the development of plans.
 - ↳ WSA is working with a contractor and the Prairie Adaptive Research Collaborative to determine the impacts of extreme events and climate change on water levels for terminal lakes. That study is expected to be complete in 2023-24.

- ⇒ Develop a hydrologic drought management plan
 - ↳ The Water Security Agency has started developing a Hydrologic Drought Response Plan. The plan will describe WSA's role in measuring, monitoring and reporting hydrological drought in the province. It will outline the process of declaring hydrological drought levels and the responses that will be triggered at each level. Response and long-term mitigation will be designed to reduce adverse impacts of hydrological drought on Saskatchewan people and the environment. Plan development and stakeholder engagement are scheduled to occur over the next year with an anticipated completion in fiscal 2024-25.

Strategy

Facilitate responsible drainage within resilient watersheds

Key Actions

- ⇒ Complete Demonstration & Research projects and engage with stakeholders to inform development of the Agriculture Water Stewardship Policy
 - ↳ The recently concluded Demonstration and Research Projects Initiative produced key information and data through partnerships with agricultural producers, scientists, and Saskatchewan organizations to inform development of an Agricultural Water Stewardship Policy.
 - ↳ WSA has made significant progress in engagement, completing three multi-stakeholder engagement events (plenaries) and a series of one-on-one meetings, engaging with a total of 43 organizations. A set of desired policy outcomes that will serve as goals has been developed with input from engagement.
 - ↳ A dedicated webpage continues to provide the public with progress on policy development and best practices from Demonstration and Research Projects to help farmers and ranchers manage water on their land while safeguarding their operations, local infrastructure and the environment.
- ⇒ Complete an independent review of third-party water management organizations, including watershed stewardship groups, conservation and development area authorities and watershed association boards, and their respective membership associations to guide next steps to build capacity to support effective delivery of water management programming
 - ↳ Third party water management organizations play a vital role in delivering programming to the citizens of Saskatchewan. This review is aimed at ensuring WSA's funding dollars go where they will provide support for sustainable water management in the province.
 - ↳ In the first phases of the project, a review of the existing roles, responsibilities and authorities of the current organizations has been completed. This information informed WSA's path forward as we continue to work on new funding, support and governance structures along with updated legislation.
 - ↳ This work has included engagement sessions with stakeholders to offer the opportunity for them to provide input on what's working and where improvements should be made for program delivery, governance and funding.
- ⇒ Develop and implement Agricultural Water Management service standards
 - ↳ The request for assistance process provides a legislated means for persons who may be impacted by drainage works to access support from WSA. We are currently developing an updated procedural manual for our staff to improve on a consistent and fair approach to addressing these requests.
 - ↳ WSA staff have been providing support to the citizens of Saskatchewan through the request for assistance process for many years. These updated procedures and service standards will include the existing processes that have been developed over the years while renewing our commitment to a timely resolution to these issues.

- ↪ Agricultural water management compliance work falls into several categories. Besides the request for assistance process there are other issues WSA must address. Along with an updated request for assistance manual, we are developing additional compliance pathways to support the protection of public and private lands and infrastructure, habitat areas and water quality.
- ↪ WSA completed an internal review of the approvals process to improve timelines and client satisfaction. This review is a key step toward both improving client service and establishing service standards. The review determined that lack of landowner engagement and difficulties acquiring land control were the major causes of delay in the approval process. Program changes to address these issues are being piloted in 2023 with full implementation (including service standards) planned for early 2024.

Performance Measure Results

Percentage of water treatment plants that meet or exceed minimum treatment standards -

Minimum treatment standards help ensure clean, safe and reliable water for drinking purposes. The 2022-23 target was 99 per cent.

- 2022-23 Result: 99%

Percentage of sewage treatment plants that meet or exceed treatment standards and do not pose a risk to source waters -

The number of sewage effluent discharges that represent a risk to source waters is a measure and direct indication of the potential for source water contamination due to poor wastewater treatment. The 2022-23 target was 95 per cent.

- 2022-23 Result: 92%
- Note: 47 wastewater works out of 617 sewage works that WSA regulates that discharge to fish bearing waters are not meeting effluent standards or require upgrades. Many of these works are in the process of upgrading or have been upgraded and require confirmation quality testing to remove them from the list.

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

This measures the number of communities in Saskatchewan identified as being at risk of flooding that have completed or have access to floodplain maps. The 2022-23 target was 22+.

- 2022-23 Result: 5
- Note: 16 communities have old, first generation FDRP floodplain maps. The goal is 22+ communities with modern second-generation engineered flood maps. In 2022-23, five new sets of second-generation maps have been developed.

Progress on Goal 3: Service Excellence

Service excellence means we continually strive to meet or exceed client expectations. We take the time to listen and understand their needs and concerns and collaboratively work together to solve problems. We respond timely to all issues and have a positive attitude.

Strategy

Develop and implement an integrated client service model

Key Actions

- ⇒ Develop an engagement strategy to involve stakeholders in program, policy and service standard development
 - ↳ Engagement allows for the inclusion of diverse perspectives, experiences and expertise in policy development. Citizens from different backgrounds and sectors of society bring unique insights and knowledge, which leads to more robust and effective programs, policies and services. A best-practices scan was completed in 2022-23. The strategy will continue to be developed in 2023-24.
- ⇒ Develop a comprehensive marketing and communications strategy to promote programs and services, including digital and social media
 - ↳ WSA is in the final stages of creating a comprehensive marketing and brand strategy. This plan will encompass our core lines of business, client profiles and strategic plan. It employs a variety of tactics including traditional media releases, social and digital content. The brand strategy will inform the comprehensive marketing plan which will help to market WSA's programs and services to our clients.

Strategy

Develop a Business Continuity Plan

Key Actions

- ⇒ Identify the scope of the Business Continuity Plan by considering the continuity of the entire organization and determine the necessary resources
 - ↳ A Business Continuity Plan Project Charter was created and endorsed by WSA leadership. The project objective is to develop measures that ensure WSA's critical services are maintained through unanticipated disruptions.
- ⇒ Complete a Business Impact Assessment (BIA) to assess our business processes to determine which areas are vulnerable, and the potential losses if those processes were to go down
 - ↳ Risk Assessment workshops and Business Impact Assessment (BIA) workshops were conducted with all branches in the agency. The results were compiled and will be the basis for development of specific continuity plans and risk mitigation strategies.

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, 2023

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, 2023, and the statements of operations and accumulated surplus, change 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, 2023, 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.

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 11, 2023

MNP LLP

Chartered Professional Accountants

WATER SECURITY AGENCY**STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31, 2023

(\$ thousands)

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Cash	\$ 38,918	\$ 74,746
Accounts receivable (Note 4)	14,963	7,281
	<u>53,881</u>	<u>82,027</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 12)	12,453	8,471
Deferred revenue (Note 5)	179	56
Employee future benefits (Note 6)	776	848
Long-term debt (Note 7)	9,165	14,309
	<u>22,573</u>	<u>23,684</u>
NET FINANCIAL ASSETS	<u>31,308</u>	<u>58,343</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	483,536	445,425
Prepaid expenses and supplies	437	383
	<u>483,973</u>	<u>445,808</u>
ACCUMULATED SURPLUS	<u>\$ 515,281</u>	<u>\$ 504,151</u>


The accompanying notes and schedules are an integral part of these financial statements.

Contractual Obligations and Contingencies (Note 11)

Liability for Contaminated Sites (Note 12)

Contractual Rights (Note 15)

On behalf of the Board:



The Honourable Jeremy Cockrill
Minister Responsible for Water Security Agency

WATER SECURITY AGENCY
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2023
(\$ thousands)

	<u>2023</u>	<u>2023</u>	<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 14)		
REVENUE			
Government of Saskatchewan			
Operating Grant	\$ 25,657	\$ 24,717	\$ 25,568
Capital Grant	43,121	19,921	40,800
Own Source Revenue	28,215	28,611	23,683
	<u>96,993</u>	<u>73,249</u>	<u>90,051</u>
EXPENSES (Schedule 2)			
Science & Licensing	15,594	15,005	13,018
Infrastructure	14,131	13,560	13,663
Agriculture Services & Economic Development	8,861	8,095	7,944
Finance	8,865	10,076	7,738
Corporate Services	4,102	4,158	3,303
President & CEO's Office	2,319	1,794	2,167
Amortization	10,100	9,431	8,986
	<u>63,972</u>	<u>62,119</u>	<u>56,819</u>
Operating surplus for the year	<u>33,021</u>	<u>11,130</u>	<u>33,232</u>
Accumulated operating surplus - beginning of the year	<u>504,151</u>	<u>504,151</u>	<u>470,919</u>
Accumulated operating surplus - end of the year	<u>\$ 537,172</u>	<u>\$ 515,281</u>	<u>\$ 504,151</u>

The accompanying notes and schedules are an integral part of these financial statements.

WATER SECURITY AGENCY
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2023
(\$ thousands)

	<u>2023</u>	<u>2023</u>	<u>2022</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 14)		
Surplus for the year	\$ 33,021	\$ 11,130	\$ 33,232
Acquisition of tangible capital assets (Schedule 3)	(71,000)	(47,545)	(45,647)
Amortization of tangible capital assets	10,100	9,431	8,986
Loss on sale of tangible capital assets	-	3	1
	<u>(27,879)</u>	<u>(26,981)</u>	<u>(3,428)</u>
Net acquisition of prepaid expenses	<u>-</u>	<u>(54)</u>	<u>512</u>
Decrease in net financial assets	(27,879)	(27,035)	(2,916)
Net financial assets – beginning of year	<u>58,343</u>	<u>58,343</u>	<u>61,259</u>
Net financial assets – end of year	<u>\$ 30,464</u>	<u>\$ 31,308</u>	<u>\$ 58,343</u>

The accompanying notes and schedules are an integral part of these financial statements.

WATER SECURITY AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2023
(\$ thousands)

	2023	2022
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Surplus for the year	\$ 11,130	\$ 33,232
Items not affecting cash:		
Amortization of tangible capital assets	9,431	8,986
Loss on sale of tangible capital assets	3	1
Net change in non-cash balances relating to operations:		
Change in accounts receivable	(7,682)	599
Change in accounts payable and accrued liabilities	3,982	(782)
Change in deferred revenue	123	(31)
Change in employee future benefits	(72)	(30)
Change in prepaid expenses	(54)	512
	<u>16,861</u>	<u>42,487</u>
CAPITAL ACTIVITIES:		
Acquisition of tangible capital assets	(47,545)	(45,647)
	<u>(47,545)</u>	<u>(45,647)</u>
FINANCING ACTIVITIES:		
Principal portion of loan repaid in year	(5,144)	(5,716)
Decrease in cash, during the year	<u>(35,828)</u>	<u>(8,876)</u>
Cash – beginning of year	74,746	83,622
Cash – end of year	<u>\$ 38,918</u>	<u>\$ 74,746</u>

The accompanying notes and schedules are an integral part of these financial statements.

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ 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	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

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ Thousands)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

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

Own source revenue consists of water revenue, contract revenue, and other revenue. Water revenue is recognized as revenue in the year it is consumed. Contract revenue received by WSA for specific purposes is recognized as revenue in the year in which the related expenses are incurred. 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.

Asset Retirement Obligation

A liability for an asset retirement obligation is recognized at the best estimate of the amount required to retire a tangible capital asset (or a component thereof) at the financial statement date when there is a legal obligation for the WSA to incur retirement costs in relation to a tangible capital asset (or component thereof), the past transaction or event giving rise to the liability has occurred, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount can be made. The best estimate of the liability includes all costs directly attributable to asset retirement activities, based on information available at March 31, 2023. The best estimate of an asset retirement obligation incorporates a present value technique, when the cash flows required to settle or otherwise extinguish an asset retirement obligation are expected to occur over extended future periods.

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ Thousands)

Measurement Uncertainty

The preparation of financial statements in accordance 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, allowance for doubtful accounts, asset retirement obligation 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.

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, 2023:

New and Amended Standards	Effective Date
PS 3400 Revenue	April 1, 2023
PS 3160 Public Private Partnerships	April 1, 2023
PSG-8 Purchased Intangibles	April 1, 2023

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.

PS 3160 Public Private Partnerships establishes standards on how to account for and report on public private partnerships. This standard provides guidance for recognition, measurement presentation and disclosure of public private partnerships. The extent of the impact on adoption of PS 3160 Public Private Partnerships is not known at this time.

PSG-8 Purchased Intangibles establishes standards on how to account for and report on purchased intangibles. Purchased intangibles are recognized as non-financial assets when they meet the definition of an asset and general recognition criteria under PS3210 Assets. The extent of the impact on adoption of PSG-8 Purchased Intangibles is not known at this time.

Application of new PS 3280 Asset Retirement Obligation standard. The only tangible capital asset that is deemed to be impacted by the adoption of PS 3280 Asset Retirement Obligations and deemed to have an asset retirement obligation consists of an office building. It was determined that this liability is insignificant and therefore was not included in these financial statements. It has been determined that Water Infrastructure tangible capital assets are not within the PS 3280 Asset Retirement Obligation standard.

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ 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 amount for long-term debt is the fair value initially recognized. The carrying amounts for other 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 \$165 (2022 - \$207).

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>2023</u>	<u>2022</u>
Balance, beginning of year	\$56	\$87
Additions during the year	165	17
Revenue recognized during the year	(42)	(48)
Balance, end of year	\$179	\$56

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ Thousands)

6. EMPLOYEE FUTURE BENEFITS

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

	<u>2023</u>	<u>2022</u>
Accrued benefit liability	\$776	\$848
Benefits paid during the year	89	60
Net expense (benefit)	17	30

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

	<u>2023</u>	<u>2022</u>
Discount rate	3.90%	3.20%
Salary increase	3.00%	3.00%
Average remaining service life	9.8 years	10.1 years

For 2022 and 2023, the mortality assumption is based on the 2014 Canadian Pensioner Mortality (CPM) Table using the CPM improvement Scale B, for the private sector with generational mortality projection 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>2023</u>	<u>2022</u>
TD Commercial Banking	1-Nov-22	2012-13	2.65%	\$ -	\$504
National Bank of Canada	28-Nov-23	2013-14	3.51%	713	1,749
Bank of Montreal	31-Dec-24	2014-15	3.03%	2,917	4,607
TD Commercial Banking	12-Dec-25	2015-16	2.69%	5,535	7,449
Total Debt				\$9,165	\$14,309

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

2024	\$4,418
2025	3,209
2026	1,538
Total	\$9,165

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ 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	\$3,873	\$4,780	\$2,174	\$544,425	\$29,212	\$15,298	\$604,917
Additions	-	-	414	1	14,041	29,312	3,777	47,545
Disposals	-	-	(19)	-	-	-	-	(19)
Balance, end of year	\$5,155	\$3,873	\$5,175	\$2,175	\$558,466	\$58,524	\$19,075	\$652,443

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	\$-	\$1,135	\$3,132	\$1,293	\$153,932	\$-	\$-	\$159,492
Amortization	-	355	675	308	8,093	-	-	9,431
Disposals	-	-	(16)	-	-	-	-	(16)
Balance, end of year	\$-	\$1,490	\$3,791	\$1,601	\$162,025	\$-	\$-	\$168,907

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, 2022	\$5,155	\$2,738	\$1,648	\$881	\$ 390,493	\$29,212	\$15,298	\$445,425
Balance, March 31, 2023	\$5,155	\$2,383	\$1,384	\$574	\$ 396,441	\$58,524	\$19,075	\$483,536

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ 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>2023</u>	<u>2022</u>
General Revenue Fund	\$44,638	\$66,368
Water, contract, and other revenue	26,173	23,573
Purchases	11,514	7,414
Accounts receivable and accrued receivables	11,727	5,073
Accounts payable and accrued liabilities	48	425
Deferred Revenue	61	-

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 \$1,896 (2022 - \$14,136), 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>2023</u>	<u>2022</u>
Emergency flood damage reduction	\$12	\$25
Flood damage reduction	19	45
Channel clearing	478	294
Watershed implementation and projects	101	822
Agriculture water management	24	578
Stewardship – water quality	132	115
Total	\$766	\$1,879

WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ Thousands)

11. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

Contractual obligations

As of March 31, 2023, WSA has outstanding contractual obligations of \$16,221 (2022 - \$26,469) 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:

	<u>Building Leases</u>	<u>Copier Leases</u>
2024	\$2,396	\$24
2025	2,406	-
2026	2,279	-
2027	2,043	-
2028	1,683	-
Thereafter	4,239	-

Litigation

WSA is party to eight lawsuits (2022 - 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. 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 (2022 - \$200). 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.

**WATER SECURITY AGENCY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2023
(\$ Thousands)**

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 2023 was \$2,122 (2022 - \$1,971).

14. BUDGET FIGURES

The budget figures are presented for comparison purposes. WSA's Board of Directors approved the 2022-23 budget March 7, 2022.

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>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>
Haying, Grazing, and Cultivation Agriculture Permits	1, 3, or 5 years	\$321	\$321	\$311	\$621

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, 2023

(\$ thousands)

	<u>2023</u>	<u>2022</u>
Fisheries & Oceans Canada	\$ 946	\$ 601
Ministry of Parks, Culture and Sport - Pike Lake	451	20
Canadian Wildlife Service	239	147
Environment Canada	238	31
Natural Resources Canada	218	39
Ducks Unlimited Canada	150	-
Wildlife Habitat Canada	68	33
Sask Power	56	27
Ministry Of Highways	34	-
UPL NA INC.	25	-
Ministry of Environment	20	-
Scotiabank	11	-
Ministry of Agriculture	9	20
District of Lakeland	-	6
Health Canada	-	10
International Joint Commission - Souris River	-	90
	<u>\$ 2,465</u>	<u>\$ 1,024</u>

WATER SECURITY AGENCY
Schedule 2 - Expenses by Functional Area
Year Ended March 31, 2023
(\$ thousands)

	Science & Licensing	Infrastructure	Agriculture Services & Economic Development	Finance	Corporate Services	President & CEO's Office	2023 Total	2022 Total
Salaries & Employee Benefits	\$ 11,372	\$ 8,016	\$ 4,696	\$ 2,345	\$ 2,567	\$ 1,260	\$ 30,256	\$ 27,517
Professional & Contractual Services	1,795	3,979	2,253	988	332	378	9,725	8,810
Rent and Utilities	65	710	-	2,463	7	15	3,260	3,577
Travel & Other Staff Costs	884	663	262	22	763	60	2,654	2,349
Software & Computer Hardware	161	102	91	3,584	138	8	4,084	2,404
Cash Grants (Note 10)	132	-	633	-	-	1	766	1,879
Supplies & Materials	551	654	82	236	51	29	1,603	946
Interest & Bank Charges	-	-	-	346	-	-	346	562
Insurance & Licenses	10	56	-	92	2	-	160	233
Promotional Expenses	13	18	34	-	298	17	380	112
Other	22	(638)	44	-	-	26	(546)	(556)
Subtotal	15,005	13,560	8,095	10,076	4,158	1,794	52,688	47,833
Amortization							9,431	8,986
Total	\$ 15,005	\$ 13,560	\$ 8,095	\$ 10,076	\$ 4,158	\$ 1,794	\$ 62,119	\$ 56,819

WATER SECURITY AGENCY

Schedule 3 - Capital Acquisitions by Program Area
Year Ended March 31, 2023
(\$ thousands)

	March 31, 2022	Additions	Disposals	March 31, 2023
Water Management Infrastructure	\$ 589,380	\$ 43,715	\$ (19)	\$ 633,076
Irrigation	15,298	3,777	-	19,075
Grant Devine Dam Flood Passage Project	239	53	-	292
Total	\$ 604,917	\$ 47,545	\$ (19)	\$ 652,443

Tangible Capital Assets (Note 8)