

Ministry of Energy and Resources

Institutional Control Monitoring and Maintenance Fund and the Unforeseen Events Fund 2019-20

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Manager's Responsibility for Financial Statements



I have the honour of submitting the Annual Report for the Institutional Control Monitoring and Maintenance Fund and the Institutional Control Unforeseen Events Fund for the fiscal year ending March 31, 2020. As Acting Deputy Minister of Energy and Resources, I am responsible for the administration and management of these funds. The financial statements contained in this report were prepared in accordance with Canadian public sector accounting standards. The financial information presented elsewhere in the Annual Report is consistent with these financial statements.

To ensure the integrity and objectivity of the financial data, management maintains a comprehensive system of internal controls including written policies and procedures, and an organizational structure that segregates duties. These measures provide reasonable assurance that transactions are recorded and executed in compliance with legislation and required authority, that assets are properly safeguarded and that reliable financial records are maintained.

The financial statements have been audited by the Office of the Provincial Auditor. Its report to the Members of the Legislative Assembly, stating the scope of its examination and opinion on the financial statements, appears after the introduction.

A handwritten signature in black ink, appearing to read 'Doug MacKnight', written in a cursive style.

Doug MacKnight
A/Deputy Minister of Energy and Resources
Regina, Saskatchewan
July 31, 2020

Introduction

The Institutional Control Monitoring and Maintenance Fund and the Institutional Control Unforeseen Events Fund were established on April 3, 2009, pursuant to Sections 11 and 12 of *The Reclaimed Industrial Sites Act* (Act). These funds support the operation of the Institutional Control Program (ICP) established pursuant to *The Reclaimed Industrial Sites Regulations*.

The ICP implements the process for the long-term monitoring and maintenance of industrial sites when mining or milling activities have ended, remediation has been completed, and the sites are ready to be transferred to provincial responsibility. The two primary components of the program are the Institutional Control Registry and the Institutional Control Funds. The registry maintains a formal record of closed sites while the funds support any required monitoring and maintenance work.

The funds are administered by the Ministry of Energy and Resources.

Program Purpose

In 2005, Saskatchewan initiated the development of an institutional control framework for the long-term management of decommissioned mine and mill sites located on provincial Crown lands. This work resulted in the establishment of the ICP in 2007. The ICP's purpose is to:

- support the safe, environmentally-sound decommissioning of mining and mill sites;
- ensure the ongoing monitoring and maintenance of reclaimed sites;
- provide a funding mechanism to cover costs associated with long-term monitoring and maintenance of reclaimed sites; and,
- ensure that records and information on the reclaimed sites are preserved through the establishment of a registry.

The Institutional Control Registry includes location records of a closed site, former owner/operator, site description, historical activities, site maintenance, monitoring and inspection documentation, and future allowable land use for the site. The funding component is divided into two accounts:

- the Institutional Control Monitoring and Maintenance Fund to pay for long-term monitoring and maintenance of a reclaimed site after it is accepted into the ICP;
- the Institutional Control Unforeseen Events Fund to pay for any unforeseen future events that are not covered by the Institutional Control Monitoring and Maintenance Fund.

The amount deposited into the two funds by the former owner of each site accepted into the ICP is determined by the Ministry of Energy and Resources based on a site-specific risk assessment.

The legislated funds are managed by the Government of Saskatchewan and independent from provincial revenue.

Program Activities

During the 2019-20 fiscal year, monitoring activities were carried out on six of the accepted Registry sites. The inspections included the Beaverlodge area sites and the former Contact Lake Gold mine site. The inspections confirmed that the environmental stability of these sites continues to be sound. In order to perform these activities, an expense of \$21,924 was incurred from the Monitoring and Maintenance Fund.

In 2019-20, the Ministry of Energy and Resources, together with other regulators, continued its review and assessment of 19 Beaverlodge area sites for acceptance into the ICP. This work is expected to continue in 2020-21.

Investment activity for the funds continued to be directed by the Fund Advisory Committee comprised of industry stakeholders. Funds in financial instruments that matured in 2019-20 were invested based on the advice of the Committee, and continue to be comprised of both short-term and long-term investments.

**INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
FINANCIAL STATEMENTS
For The Year Ended March 31, 2020**

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of the Institutional Control Monitoring and Maintenance Fund (Fund), which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, and statement of 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 Fund as at March 31, 2020, and the result of its operations, and its remeasurement gains and losses, and its cashflows 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 Fund 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, 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 Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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 Fund'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 Fund'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 Fund 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 identified during the audit.

Regina, Saskatchewan
July 20, 2020

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

**INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 4)	\$ ---	\$ 58,251
Investments (Note 5)	161,388	124,113
Interest receivable	<u>64</u>	<u>123</u>
Total Financial Assets	<u>161,452</u>	<u>182,487</u>
LIABILITIES		
	<u>---</u>	<u>---</u>
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Note 3)		
	<u>\$ 161,452</u>	<u>\$182,487</u>
Accumulated Surplus is comprised of:		
Accumulated Surplus, end of year	\$ 158,052	\$179,165
Accumulated re-measurement Gains, end of year	<u>3,400</u>	<u>3,322</u>
Ending Accumulated Total Surplus	<u>\$ 161,452</u>	<u>\$182,487</u>

(See accompanying notes to the financial statements)

**INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31**

	<u>Budget</u>	<u>Actual</u>	
	<u>2020</u> (Note 8)	<u>2020</u>	<u>2019</u>
REVENUES:			
Interest (Note 4)	\$ ---	\$ 810	\$ 223
Return on Investment (Note 5)	---	---	749
Fees (Note 6)	<u>---</u>	<u>---</u>	<u>24,031</u>
Total Revenues	<u>---</u>	<u>810</u>	<u>25,003</u>
EXPENSES:			
Monitoring and Maintenance	---	21,923	---
Administration Costs	<u>---</u>	<u>---</u>	<u>---</u>
Total Expenses	<u>---</u>	<u>21,923</u>	<u>---</u>
ANNUAL (DEFICIT)/SURPLUS	<u>\$ ---</u>	\$ (21,113)	\$ 25,003
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>179,165</u>	<u>154,162</u>
ACCUMULATED SURPLUS, END OF YEAR - to Statement 1		<u>\$ 158,052</u>	<u>\$ 179,165</u>

(See accompanying notes to the financial statements)

**INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Year Ended March 31**

	<u>2020</u>	<u>2019</u>
ACCUMULATED RE-MEASUREMENT GAINS(LOSSES), BEGINNING OF YEAR	<u>\$ 3,322</u>	<u>\$ 199</u>
Unrealized gains(losses) attributable to:		
One Year Cashable GIC	78	---
Canadian Banking Market-Smart GIC	3,322	3,322
Amount re-classified to the Statement of Operations and Accumulated Surplus	<u>(3,322)</u>	<u>(199)</u>
Net re-measurement gains(losses) for the year	<u>\$ 3,400</u>	<u>\$ 3,123</u>
ACCUMULATED RE-MEASUREMENT GAINS, END OF YEAR	<u>\$ 3,400</u>	<u>\$ 3,322</u>

(See accompanying notes to the financial statements)

**INSTITUTIONAL CONTROL
MONITORING AND MAINTENANCE FUND
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>2020</u>	<u>2019</u>
OPERATING TRANSACTIONS		
Cash Received From:		
Matured Investment	\$ ---	\$ 37,760
Return on Investment	---	749
Interest	870	513
Fees	<u>---</u>	<u>24,031</u>
Total Cash Received	<u>870</u>	<u>63,053</u>
Cash Paid For:		
Investment	37,198	5,178
Monitor & Maintenance	<u>21,923</u>	<u>---</u>
Total Cash Paid	<u>59,121</u>	<u>5,178</u>
DECREASE IN CASH	(58,251)	57,875
CASH, BEGINNING OF YEAR	<u>58,251</u>	<u>376</u>
CASH, END OF YEAR	<u>\$ ---</u>	<u>\$ 58,251</u>

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

1. Authority

The Institutional Control Monitoring and Maintenance Fund (Fund) was established on April 3, 2009 pursuant to Sections 11 of *The Reclaimed Industrial Sites Act (Act)*. In 2007, the Government of Saskatchewan legislated the Act and *The Reclaimed Industrial Sites Regulations (Regulations)* to establish and enforce the Institutional Control Program (ICP). In 2017-18 the Ministry introduced amendments to the Act and a first reading of proposed legislative changes occurred in December 2017. OC 556/2018 ordered the issuance of a Proclamation fixing Saturday, December 1, 2018 as the day on which The Reclaimed Industrial Sites Amendment Act, 2018 shall come into force.

The purposes of the ICP are to:

- set out the conditions by which the Government of Saskatchewan will accept responsibility for land that, in consequence of development and use, requires long-term monitoring and, in certain circumstances, maintenance;
- ensure that the required monitoring and maintenance are carried out on that land;
- provide a funding mechanism to cover costs associated with the monitoring and maintenance on that land; and
- ensure that certain records and information are preserved with respect to that land.

The purpose of the Fund is to cover maintenance costs anticipated at the time the closed site is accepted into the Institutional Control Program and for any other general costs that should have reasonably been anticipated at the time the closed site was accepted into the Institutional Control Program and costs incurred for the purpose of determining the required monitoring and maintenance of the closed site.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an “other government organization”. These financial statements are prepared in accordance with Canadian public sector accounting standards. For the year ending March 31, 2020 a cash flow statement has been included. A Statement of Changes in Net Financial Assets is not presented as the Fund does not hold any non-financial assets.

Use of Estimates

The preparation of the financial statements in accordance with 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 the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current revenues and expenses or unrealized gains and losses when identified.

Revenue

Fees are recognized as revenue when a site owner has completed decommissioning and reclamation work and the site has been accepted into the Institutional Control (IC) Registry.

Interest is recognized as revenue when earned. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Re-Measurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Re-Measurement Gains and Losses and recognized in the Statement of Operations and Accumulated Surplus.

Financial guarantees provided by site holders as security for monitoring and maintenance costs are recorded as financial assets and revenue of the Fund when redeemed (Note 6).

Financial guarantees that are no longer deemed necessary to cover a maximum failure event are returned to the site owner.

Financial Assets

The Fund's financial assets include Due from General Revenue Fund, Investments and Interest Receivable. The Due from General Revenue Fund and Interest Receivable are recorded at cost. The carrying amount of Due from General Revenue Fund and Interest Receivable approximates fair value due to its immediate or short-term maturity. Investments consist of guaranteed investment certificates quoted in an active market and are measured at fair value. The fair value is linked to the performance of the S&P/TSX Banks Index.

Risk

These instruments have no significant exposure to credit risk and liquidity risk. Investments are subject to market risk. Market risk is the risk that arises from changes in the value of financial instruments. Values can be affected by changes in interest rates, foreign exchange rates, and equity prices. Only the interest-only portion of the investment is subject to market risk as the principal is guaranteed. The investments are classified using a hierarchy that reflects the significance of the inputs used in determining their measurement. Under the classification structure for financial instruments, investments are classified at Level 1 for financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities.

3. Net Financial Assets

The net financial assets of the Fund are available under Sections 11 of the Act to provide for the costs described in subsection (6).

4. Due from the General Revenue Fund

The Fund's money is on deposit with the General Revenue Fund (GRF) and in a bank account included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Fund's earned interest is calculated and paid by the GRF on a quarterly basis to the Fund using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The Government's average thirty-day borrowing rate for 2020 is 1.72% (2019 – 1.54%).

5. Investments

The Institutional Control Fund Advisory Committee was formed to direct investment activity of the Fund until the Fund is self-sufficient and a fund manager can be assigned. All investments are CDIC insured up to \$100,000. The fair market value of investments consists of guaranteed investment certificates (GICs) that have the following terms:

\$118,793 Maturing March 23, 2023 – gains are linked to the performance of the S&P/TSX Bank Index

\$5,320 Maturing October 5, 2023 – gains are linked to the performance of the S&P/TSX Bank Index

\$37,198 Maturing February 5, 2021 – 1 year redeemable GIC at 1.40% interest per annum

The principal portion of the investments are guaranteed and when applicable the minimum and maximum rate of return is applied for the total duration of the investment.

Risk Factors/Considerations:

- a) If the Index Settlement Level is less than the Index Base Level on the Maturity Date, the Minimum Return will be used to calculate the Variable Return Payment;
- b) If the Index Settlement Level is greater than the Index Base Level on the Maturity Date, the Maximum Return will be used to calculate the Variable Return Payment;
- c) The Variable Return will depend upon the performance of the applicable Equity Index. No assurance may be given as to how an Equity Index will perform.

Index rate risk

The current re-measurement gain is recorded at the minimum rate of return, 2.75%, due to a lower current index rate as at March 31, 2020. Sensitivity to the S&P/TSX Banks Index rate is summarized in the table below.

	March 31, 2020	
	Minimum return in index rate (2.75%)	Maximum return in index rate (25.00%)
Increase (decrease) to re-measurement gains (losses)	\$0.00	\$26,875.85

6. Fees

The Regulations require an owner applying for entry of a closed site into the ICP to pay the Fund an amount representing the present value of the future costs associated with the monitoring and maintenance of the site.

In addition, as a condition of the site being accepted into the ICP, the Regulations require a site owner to provide the Fund with:

- a) an agreed-upon amount of security in the form of financial guarantees that reflects the costs of dealing with a maximum failure event that could occur at the closed site; and / or
- b) confirmations, satisfactory to the Minister, that addresses the site owner's legal responsibility and other conditions such as financial guarantees and credit worthiness to pay for a maximum failure event.

At March 31, 2020, the fund held \$33,250 (2019 - \$33,250) in financial guarantees as security for maximum failure events at mine sites.

7. Related Party Transactions

Included in these financial statements are transactions with the government ministries and agencies related to the fund by virtue of common control by the Government of Saskatchewan. A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel, their close family members and entities controlled by, or under shared control of, any of these individuals.

Routine operating transactions with related parties are recorded at rates charged by those organizations and are settled on normal trade terms.

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of Energy and Resources. Once an investment manager is contracted, administrative costs will be charged to the Fund.

8. Budget

The scheduled monitoring activities for six sites that have been accepted into the Institutional Control Registry were procured and completed in the fall of 2019. These sites remain safe, stable or improving. There are 19 sites that applied for entrance into the Registry from 2016-2018 and are at near completion of acceptance. In the 2019-20 fiscal year there was one former Beaverlodge site and four additional Satellite sites that applied to enter the Registry are expected to be accepted by end of 2020. Funding will be received for these 23 sites as they enter the Registry during the 2020-21 fiscal year.

9. COVID-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. Energy and Resources continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on Energy and Resources financial position and operations.

**INSTITUTIONAL CONTROL
UNFORESEEN EVENTS FUND**

FINANCIAL STATEMENTS

For The Year Ended March 31, 2020

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

Opinion

We have audited the financial statements of Institutional Control Unforeseen Events Fund, which comprise the statement of financial position as at March 31, 2020, and the statement of operations and accumulated surplus, statement of remeasurement gains and losses, and statement of 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 Institutional Control Unforeseen Events Fund as at March 31, 2020, and the result of its operations, and its remeasurement gains and losses, and its cashflows 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 Institutional Control Unforeseen Events Fund 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.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, 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 Institutional Control Unforeseen Events Fund'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 Institutional Control Unforeseen Events Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Institutional Control Unforeseen Events Fund'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 Institutional Control Unforeseen Events Fund'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 Institutional Control Unforeseen Events Fund'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 Institutional Control Unforeseen Events Fund 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 identified during the audit.



Regina, Saskatchewan
July 20, 2020

Judy Ferguson, FCPA, FCA
Provincial Auditor
Office of the Provincial Auditor

**INSTITUTIONAL CONTROL
UNFORESEEN EVENTS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Due from General Revenue Fund (Note 4)	\$ 3,123	\$ 8,327
Investments (Note 5)	29,666	24,208
Interest receivable	<u>16</u>	<u>14</u>
Total Financial Assets	<u>\$ 32,805</u>	<u>\$ 32,549</u>
LIABILITIES	<u>---</u>	<u>---</u>
NET FINANCIAL ASSETS AND ACCUMULATED SURPLUS (Note 3)	<u>\$ 32,805</u>	<u>\$ 32,549</u>
Accumulated Surplus is comprised of:		
Accumulated Surplus, end of year	\$ 32,201	\$ 32,028
Accumulated re-measurement Gains, end of year	<u>604</u>	<u>521</u>
Ending Accumulated Total Surplus	<u>\$ 32,805</u>	<u>\$ 32,549</u>

(See accompanying notes to the financial statements)

**INSTITUTIONAL CONTROL
UNFORESEEN EVENTS FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31**

	<u>Budget</u>	<u>Actual</u>	
	<u>2020</u> (Note 8)	<u>2020</u>	<u>2019</u>
REVENUES:			
Interest (Note 4)	\$ ---	\$ 125	\$ 53
Return on Investment (Note 5)	---	48	373
Fees (Note 6)	<u>---</u>	<u>---</u>	<u>2,403</u>
Total Revenues	<u>---</u>	<u>173</u>	<u>2,829</u>
EXPENSES:			
Monitoring and Maintenance	<u>---</u>	<u>---</u>	<u>---</u>
Total Expenses	<u>---</u>	<u>---</u>	<u>---</u>
ANNUAL SURPLUS	<u>\$ ---</u>	\$ 173	\$ 2,829
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>32,028</u>	<u>29,199</u>
ACCUMULATED SURPLUS, END OF YEAR – to Statement 1		<u>\$ 32,201</u>	<u>\$ 32,028</u>

(See accompanying notes to the financial statements)

**INSTITUTIONAL CONTROL
UNFORESEEN EVENTS FUND
STATEMENT OF REMEASUREMENT GAINS AND LOSSES
Year Ended March 31**

	<u>2020</u>	<u>2019</u>
ACCUMULATED RE-MEASUREMENT GAINS(LOSSES), BEGINNING OF YEAR	\$ <u>521</u>	\$ <u>276</u>
Unrealized gains(losses) attributable to:		
Canadian Market-Linked GIC	259	71
Canadian Utilities MarketSmart GIC	---	123
Canadian MarketSmart GIC	327	327
One Year Cashable GIC	18	---
Amount re-classified to the Statement of Operations and Accumulated Surplus	\$ <u>(521)</u>	\$ <u>(276)</u>
Net re-measurement gains for the year	\$ <u>83</u>	\$ <u>245</u>
ACCUMULATED RE-MEASUREMENT GAINS, END OF YEAR	\$ <u>604</u>	\$ <u>521</u>

(See accompanying notes to the financial statements)

**INSTITUTIONAL CONTROL
UNFORESEEN EVENTS FUND
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>2020</u>	<u>2019</u>
OPERATING TRANSACTIONS		
Cash Received From:		
Matured Investment	\$ 3,075	\$ 5,406
Return on Investment	48	373
Interest	123	94
Fees	<u>---</u>	<u>2,403</u>
Total Cash Received	<u>3,246</u>	<u>8,276</u>
Cash Paid For:		
Investment	<u>8,450</u>	<u>---</u>
Total Cash Paid	<u>8,450</u>	<u>---</u>
DECREASE IN CASH	(5,204)	8,276
CASH, BEGINNING OF YEAR	<u>8,327</u>	<u>51</u>
CASH, END OF YEAR	<u>\$ 3,123</u>	<u>\$ 8,327</u>

(See accompanying notes to the financial statements)

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2020

1. Authority

The Institutional Control Unforeseen Events Fund (Fund) was established on April 3, 2009 pursuant to Sections 12 of *The Reclaimed Industrial Sites Act* (Act). In 2007, the Government of Saskatchewan legislated the Act and *The Reclaimed Industrial Sites Regulations* (Regulations) to establish and enforce the Institutional Control Program (ICP). In 2017-18 the Ministry introduced amendments to the Act and a first reading of proposed legislative changes occurred in December 2017. OC 556/2018 ordered the issuance of a Proclamation fixing Saturday, December 1, 2018 as the day on which The Reclaimed Industrial Sites Amendment Act, 2018 shall come into force.

The purposes of the ICP are to:

- set out the conditions by which the Government of Saskatchewan will accept responsibility for land that, in consequence of development and use, requires long-term monitoring and, in certain circumstances, maintenance;
- ensure that the required monitoring and maintenance are carried out on that land;
- provide a funding mechanism to cover costs associated with the monitoring and maintenance on that land; and
- ensure that certain records and information are preserved with respect to that land.

The purpose of the Fund is to cover maintenance obligations that are not covered by the Institutional Control Monitoring and Maintenance Fund for a closed site that has been accepted into the Institutional Control Program and costs incurred for the purpose of determining the maintenance obligations.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the Fund is classified as an “other government organization”. These financial statements are prepared in accordance with Canadian public sector accounting standards. For the year ending March 31, 2020 a cash flow statement has been included. A Statement of Changes in Net Financial Assets is not presented as the Fund does not hold any non-financial assets

Use of Estimates

The preparation of the financial statements in accordance with 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 the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current revenues and expenses or unrealized gains and losses when identified.

Revenue

Fees are recognized as revenue when a site owner has completed decommissioning and reclamation work and the site has been accepted into the Institutional Control (IC) Registry.

Interest is recognized as revenue when earned. Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the Statement of Re-Measurement Gains and Losses. Upon settlement, the cumulative gain or loss is reclassified from the Statement of Re-Measurement Gains and Losses and recognized in the Statement of Operations and Accumulated Surplus.

Financial guarantees provided by site holders as security for monitoring and maintenance costs are recorded as financial assets and revenue of the Fund when redeemed (Note 6).

Financial guarantees that are no longer deemed necessary to cover a maximum failure event are returned to the site owner.

Financial Assets

The Fund's financial assets include Due from General Revenue Fund, Investments and Interest Receivable. The Due from General Revenue Fund and Interest Receivable are recorded at cost. The carrying amount of Due from General Revenue Fund and Interest Receivable approximates fair value due to its immediate or short-term maturity. Investments consist of guaranteed investment certificates quoted in an active market and are measured at fair value. The fair value is linked to the performance of the S&P/TSX 60 Index S&P/TSX Banks Index and the S&P/TSX Capped Utilities Sector Index.

Risk

These instruments have no significant exposure to credit risk and liquidity risk. Investments are subject to market risk. Market risk is the risk that arises from changes in the value of financial instruments. Values can be affected by changes in interest rates, foreign exchange rates, and equity prices. The interest-only portion of the investment is subject to market risk as the principal is guaranteed. The investments are classified using a hierarchy that reflects the significance of the inputs used in determining their measurement. Under the classification structure for financial instruments, investments are classified at Level 1 for financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities.

3. Net Financial Assets

The net financial assets of the Fund are available under Section 12 of the Act to provide for the costs described in subsection 5.

4. Due from the General Revenue Fund

The Fund's money is on deposit with the General Revenue Fund (GRF) and in a bank account included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Fund's earned interest is calculated and paid by the GRF on a quarterly basis to the Fund using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The Government's average thirty-day borrowing rate for 2020 is 1.72% (2019 – 1.54%).

5. Investments

The Institutional Control Fund Advisory Committee was formed to direct investment activity of the Fund until the Fund is self-sufficient and a fund manager can be assigned. All investments are CDIC insured up to \$100,000. The fair market value of investments consists of guaranteed investment certificates (GICs) that have the following terms:

- \$4,166 Maturing March 23, 2021 – gains are linked to the performance of the S&P/TSX 60 Index
- \$7,398 Maturing March 23, 2023 – gains are linked to the performance of S&P/TSX Banks Index
- \$4,798 Maturing October 5, 2021 – gains are linked to the performance of S&P/TSX 60 Index
- \$4,835 Maturing October 5, 2023 – gains are linked to the performance of S&P/TSX Banks Index
- \$8,450 Maturing February 5, 2021 -1 year redeemable GIC at 1.40% interest per annum

The principal portion of the investments are guaranteed and when applicable the minimum and maximum rate of return is applied for the total duration of the investment.

Risk Factors/Considerations:

- a) If the Index Settlement Level is less than the Index Base Level on the Maturity Date, the Minimum Return will be used to calculate the Variable Return Payment;
- b) If the Index Settlement Level is greater than the Index Base Level on the Maturity Date, the Maximum Return will be used to calculate the Variable Return Payment;
- c) The Variable Return will depend upon the performance of the applicable Equity Index. No assurance may be given as to how an Equity Index will perform.

Index rate risk

The current re-measurement gain is recorded at the current index rate as at March 31, 2020. These investments have a guaranteed return of the principal amount. Sensitivity to the S&P/TSX 60 Index rate is summarized in the table below:

	March 31, 2020 Average Market Value	
	100 basis points decrease in Index rate	100 basis points increase in Index rate
Increase (decrease) to re-measurement gains(losses)	(\$ 258.77)	\$212.60

The current re-measurement gain is recorded at the minimum return, 2.75%, due to a lower current index rate as at March 31, 2020. Sensitivity to the S&P/TSX Banks Index rate is summarized in the table below:

	March 31, 2020	
	Minimum return in index rate (2.75%)	Maximum return in index rate (25.00%)
Increase (decrease) to re-measurement gains(losses)	\$ 0.00	\$ 2,649.16

6. Fees

Section 4(2) of the Regulations requires an owner applying for entry of a closed site into the ICP to pay the Fund an amount representing 10 per cent (20 per cent for a closed site with tailings or engineered structures) of the present value of the future costs associated with the monitoring and maintenance of the site.

7. Related Party Transactions

Included in these financial statements are transactions with the government ministries and agencies related to the Fund by virtue of common control by the Government of Saskatchewan. A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel, their close family members and entities controlled by, or under shared control of, any of these individuals.

Routine operating transactions with related parties are recorded at rates charged by those organizations and are settled on normal trade terms.

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Ministry of Energy and Resources. Once an investment manager is contracted, administrative costs will be charged to the Fund.

8. Budget

There is currently no planned budget for this Fund as it is not anticipated that, aside from fees, there will be any activity.

9. COVID-19

The COVID-19 pandemic is complex and rapidly evolving. It has caused material disruption to businesses and has resulted in an economic slowdown. Energy and Resources continues to assess and monitor the impact of COVID-19 on its financial condition. The magnitude and duration of COVID-19 is uncertain and, accordingly, it is difficult to reliably measure the potential impact on Energy and Resources financial position and operations.