



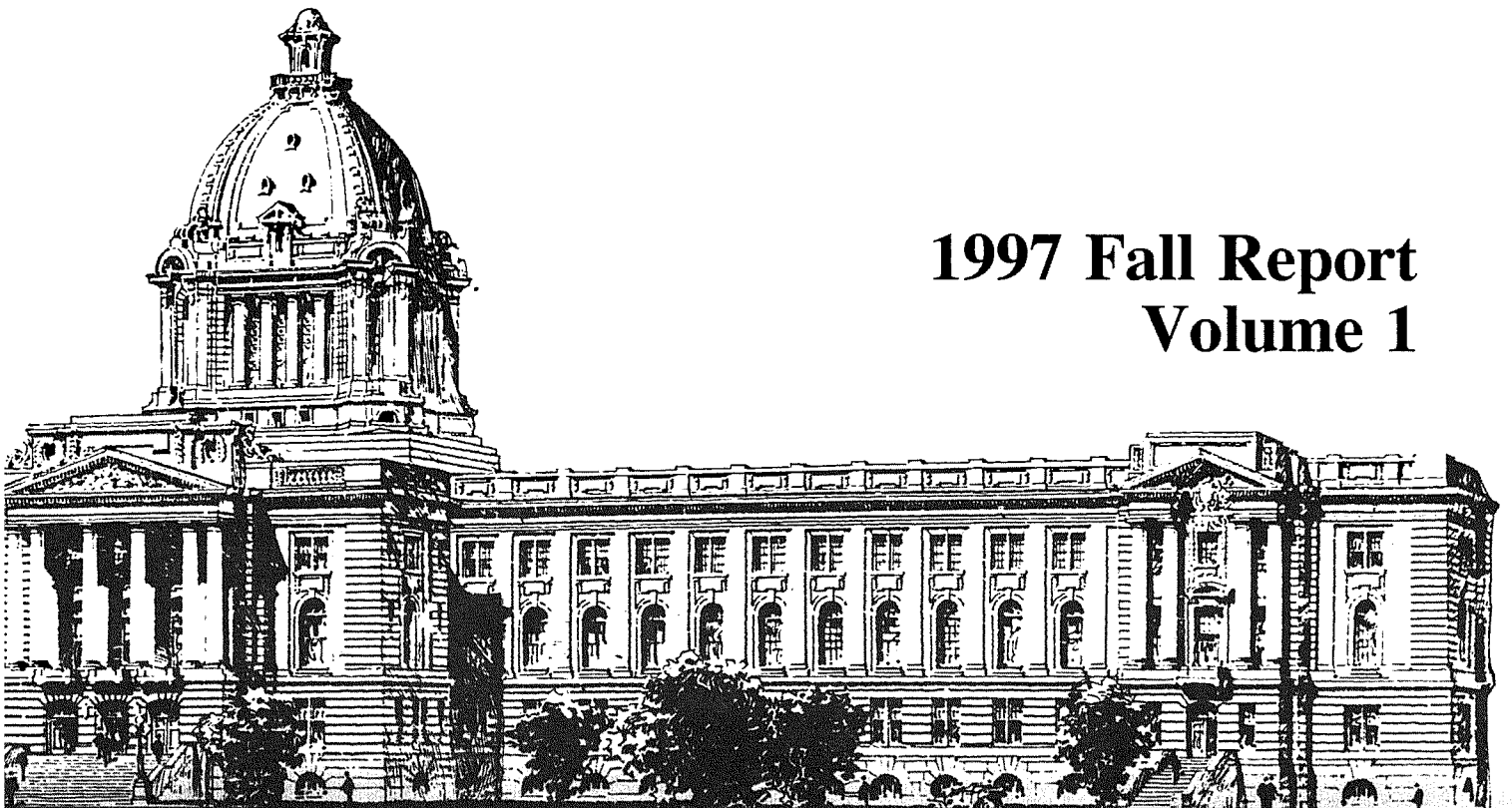
SASKATCHEWAN

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# Provincial Auditor Saskatchewan

*Government Plans and Performance Reports  
&  
Understanding the Finances of the Government*

**1997 Fall Report  
Volume 1**



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SASKATCHEWAN

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October 9, 1997

The Honourable Glenn Hagel  
Speaker of the Legislative Assembly  
Room 129, Legislative Building  
REGINA, Saskatchewan  
S4S 0B3

Dear Sir:

I have the honour of submitting my *1997 Fall Report - Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14 of *The Provincial Auditor Act*.

Respectfully yours,

Wayne Strelioff, CA  
Provincial Auditor

/lk

## **Our Vision**

We envision effective, open and accountable government.  
We are committed to making a difference by encouraging excellence  
in public sector management and reporting practices.

## **Our Mission**

Our Office serves the people of Saskatchewan through the Legislative Assembly.  
We encourage accountability and effective management in government operations through  
our independent examinations, advice and reports on the management of public  
resources entrusted to government.

## **Our Values**

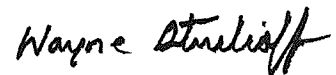
- ❖ **Accountability** - taking responsibility for and explaining one's actions.
- ❖ **Objectivity** - independence, integrity and professionalism.
- ❖ **Open communication** - understandable, fair, clear and honest.
- ❖ **Effectiveness** - innovative and effective management.
- ❖ **Courtesy** - polite and equitable treatment for all.
- ❖ **Public confidence** - earning and keeping the respect and confidence of the public and their elected representatives.
- ❖ **Our employees** - our employees are our strength and major resource in achieving our mission and values. We value fairness and equity; personal development; creativity, challenge, and innovation; teamwork; and leadership. We also value balance and harmony between work, home and community responsibilities.

## Foreword

I am pleased to present my *1997 Fall Report - Volume 1* to the Legislative Assembly. This Report focuses on the Government plans and performance reports and understanding the finances of the Government. Later this year, I will present Volume 2. Volume 2 will include the results of our work at government organizations with years ended December 31, 1996 and March 31, 1997.

I wish to thank the staff and officials of the government organizations audited by my Office for their co-operation and assistance. Also, I wish to thank the staff of my Office for their constant pursuit of excellence in public sector management and reporting practices.

Regina, Saskatchewan  
October 9, 1997



Wayne Strelieff, CA  
Provincial Auditor

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# Chapter 1 Observations

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# Chapter 1

## Observations

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### Introduction

**.01** In my 1997 Spring Report, I set out an important role MLAs play. Through public debate, enquiry and consultation, MLAs oversee the performance of the Government. To do this effectively, MLAs and the citizens they represent need clear information about the Government. They need information about the Government's plans and its results.

**.02** Information about the Government's plans should include what the Government wants to accomplish, how it will measure its success in both the short-term and the longer-term, and what its key strategies are to get it there. Information about results should include the status of its goals, its progress toward its targets, a summary and analyses of its finances, and lastly, where it plans to go next.

**.03** Without this information, MLAs and citizens will continue to find it difficult to assess the success of the Government's policies. Making this information public is important; Saskatchewan citizens expect it.

Clear overall plans and performance reports will contribute to informed debate and decision-making

**.04** In this Report, I focus on the importance of overall plans and performance reports for governments. In Chapter 2, **Government Plans and Performance Reports**, I provide a brief recap of practices used by other governments. These accountability practices are evolving and gaining acceptance worldwide. I compare the Saskatchewan Government's overall plans and performance reports to these practices.

**.05** I note some progress but further work is needed. I encourage Cabinet to continue to take a leadership role. I ask it to publish overall plans which show clearly the broad direction of the entire Government. Such plans should include the Government's goals and measurable objectives and its revenue raising, spending and borrowing plan. I also ask Cabinet to publish performance reports for the entire Government. These should show the Government's progress toward achieving the goals set out in its overall plan.

**.06** The plans for the economic development sector show the most progress in setting out objectives, strategies, target dates and measures of success for the entire Government. Its performance reports show clearly the importance of overall planning as most parts of government contribute to economic



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## Chapter 1 Observations

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development. I look forward to future plans and performance reports setting out how each government organization or sector contributes and at what cost.

**.07** In Chapter 3, **Understanding the Finances of the Government**, I explain why the focus on the General Revenue Fund is inappropriate to understand the finances of the Government. MLAs and citizens should use the Government's summary financial statements to understand the Government's finances.

**.08** I describe and discuss several key financial and economic measures that can be used to understand and assess the state of the Government's finances. These measures can be used to assess the Government's financial condition using the concepts of sustainability, flexibility and vulnerability.

**.09** I conclude the Government's financial condition continues to improve. But, I also express caution. The Government's financial condition remains fragile. The Government has a large accumulated deficit. This deficit is over \$9 billion or 34% of the province's gross domestic product. In 1997, total debt costs were \$1.54 billion. This compares to health costs of \$1.68 billion and energy (SaskPower & SaskEnergy) non-debt costs of \$886 million.

**.10** The Government's summary financial statements do not provide all of the information needed to assess the Government's financial performance. To assess performance, actual results should be compared to planned results. Without an overall financial plan for the entire Government, MLAs and citizens cannot fully determine the Government's success in reaching its goals.

**.11** Clear overall planning and reporting will contribute to informed debate and decision-making. The Government's decisions directly impact all Saskatchewan citizens. I am encouraged by practices and trends of individual agencies within the Saskatchewan Government. They recognize the importance of openness and strong accountability in increasing public confidence. I encourage Cabinet to continue to lead the Government in this direction.

## Chapter 2 Government Plans and Performance Reports

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## Chapter 2

### Government Plans and Performance Reports

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#### **Introduction**

**.01** Governments provide information in response to public interest. In the 1990's, citizens are expressing concern about the hard choices governments make to control debt.

**.02** Today, citizens want to know their governments' objectives. They clearly expect government spending to get results. Citizens demand full accountability for all government responsibilities.

**.03** Governments can increase public confidence by meeting these expectations. Many governments now make their goals and objectives public. Some governments also use performance reports to show their accountability.

**.04** Comprehensive performance reporting for governments is relatively new. Many governments are experimenting with different ways on how best to do this. Practices are evolving and gaining acceptance around the world.

**.05** Our Office continues to encourage the Government to show leadership and commitment to accountability for performance. We are heartened by recent progress. In this report, we further explain the accountability of the Government to Members of Legislative Assembly (MLAs) and Saskatchewan citizens. We also make two recommendations (see paragraphs .61 and .62).

#### **Government accountability**

Citizens expect better accountability

**.06** When Saskatchewan citizens elect MLAs, they give responsibility for provincial governance to the Assembly. In turn, the Assembly expects Cabinet to direct and coordinate all government activities. With that responsibility, Cabinet receives a duty to explain to the Assembly the Government's plans and actions. The Assembly is accountable directly to citizens, thus completing the accountability cycle.

**.07** The Saskatchewan Government includes seventeen departments and more than 100 agencies, corporations, boards, commissions and funds. The departments and their related

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## Chapter 2 Government Plans and Performance Reports

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agencies represent only about 60% of the Government's financial activity. Crown corporations and other agencies carry out a larger proportion of the Government's financial activity than in other provinces.

**.08** Accountability principles are the same for every part of the Government. Each time a responsibility is given, there is a duty to explain plans, actions and results. In this report, we focus on Cabinet's accountability. We do not discuss the accountability of specific agencies or their management.

**.09** Citizens know Cabinet directs the entire Government. They want assurance that Cabinet:

- assesses the situation of the entire Government, no matter how complex,
- decides the best direction to take (e.g., sets goals and objectives),
- approves plans developed by the Government's officials (e.g., strategies, action plans, costs),
- monitors activity,
- receives and evaluates detailed reports of the results achieved, and
- reports overall performance to MLAs and citizens.

**.10** We think public confidence increases when the Government communicates its plans, activities and results. Citizens want to know what direction the Government will take and expect to be told the result of its activities. When the Government's plans, actions and results are readily apparent and understood, the public gains more confidence.

**.11** The following figure shows the cycle of planning and reporting as described in paragraph .09. Accountability requires the broad direction and summarized reports to be made public.

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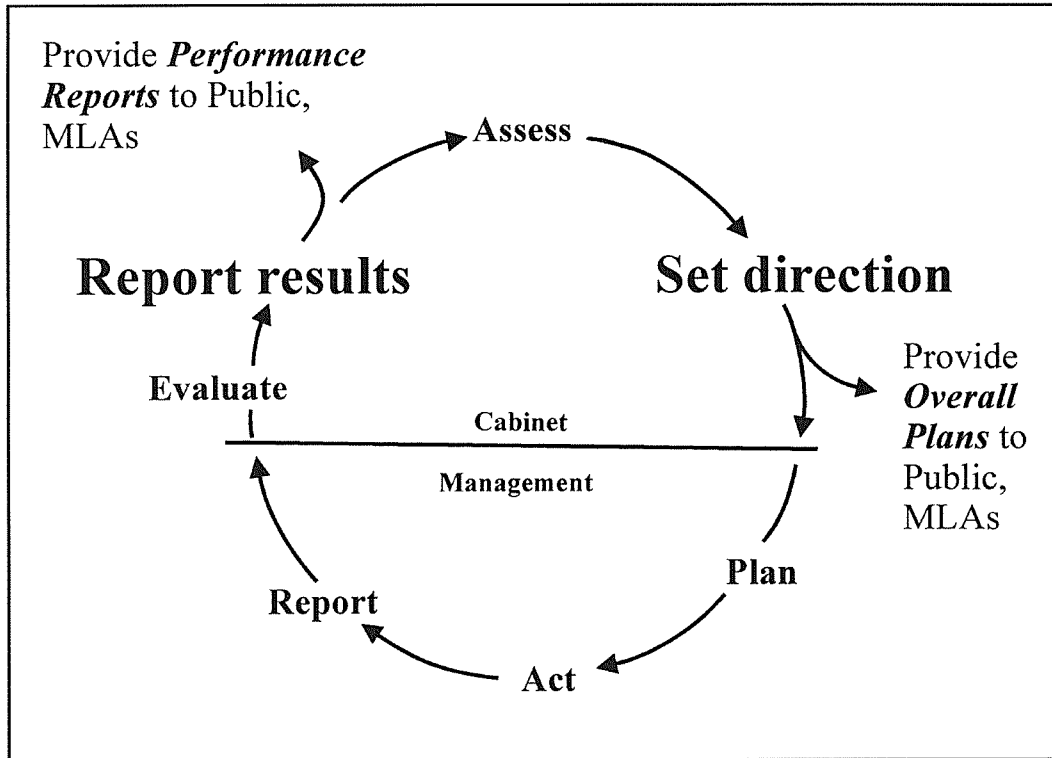
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## Chapter 2 Government Plans and Performance Reports

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### Planning & Reporting Cycle



Opportunities for better accountability exist

.12 Overall plans and performance reports give governments an effective way of showing MLAs and citizens how well they manage.

.13 **Overall plans** clearly show the general direction of all sectors of governments. They highlight the total cost of moving in that direction. MLAs and citizens access to overall plans bring confidence that cabinet is accountable for leadership of the entire government.

.14 **Performance reports** explain actions taken and resulting outcomes. They promote useful public debate and provide a base for informed decision making. Better information helps identify effective strategies and avoid waste.

.15 In addition, performance reports help MLAs and citizens assess governments. They show whether governments achieved their planned results. These reports give governments an opportunity to show citizens government's successes and where they still have work to do. Good performance reports explain why plans succeeded and show the impact of delays or disappointments.

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## Chapter 2 Government Plans and Performance Reports

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.16 To help monitor performance, governments select key performance indicators. Good indicators promptly alert governments, MLAs and citizens of important change or lack of change in performance.

.17 Performance reports based on indicators allow governments to rapidly assess and respond to changing situations. Most important, published overall plans and performance reports help governments communicate in a way that increases public confidence. This happens when performance indicators are linked to specific objectives and results are compared to plans.

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Public accountability  
strengthening  
elsewhere

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.18 Some governments now use overall plans and performance reports.

.19 In Nova Scotia, the Government published its vision, priorities and indicators to measure successful performance in 1995. In Alberta, the *Government Accountability Act (1995)* requires the Government to publish its goals and performance results in financial and program areas. In Ontario, the Financial Review Commission (1995) urged the Government to produce performance reports consistent with its plans and indicators of success. In British Columbia, the Government is working closely with the Auditor General to improve its annual performance reports and accountability framework.

.20 In the United States, the *Government Performance and Results Act of 1993* requires federal agencies to set goals, measure performance and report publicly on achievements. This legislation moves attention from staffing and activities. It puts the focus on results. The legislation states the Congress expects this shift will make more objective information available for decision making and improve program performance. It also expects by holding agencies accountable for results that the confidence of American citizens in the Federal Government will increase.

.21 Similar developments are occurring in a number of states (e.g., Oregon, Minnesota and Texas) and other countries (e.g., New Zealand and Australia).

.22 As time passes, these governments and others recognize the value of using overall plans and performance reports in their

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## Chapter 2 Government Plans and Performance Reports

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management of public funds. For example in a recent Canadian survey of Deputy Ministers, Deputies identify the need to redefine accountability relationships and to enhance performance measurement as one of the five major issues facing them in the next three years (Marson, 1997).

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| <h3>The Government's overall plan</h3> |
|--|

Useful overall plans are important

.23 Governments need to publish useful overall plans. Overall plans should describe the Government's broad direction in a way that is:

- relevant by touching on important information that could significantly affect the future (financial and non-financial or operational),
- complete by including all parts of the Government,
- comparable from year to year,
- accessible to citizens, and
- easy to read and understand.

.24 Overall plans set out the goals, objectives, and related performance targets and indicators for the entire Government. They show the cost of action toward goals including the expected revenue, spending, investing and borrowing for the entire Government. Overall plans explain desired outcomes. They also show how the Government intends to monitor indicators of its financial and non-financial well-being.

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Saskatchewan's overall plan improving

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.25 Every year, the Government publishes the *Budget Address* and *Speech from the Throne*. Together, they form the main non-financial portion of the Government's overall plan. These planning documents have improved in recent years.

.26 In addition, the Government publishes the plans of some integrated projects. For example, since 1993, the Government annually publishes its new initiatives and costs of

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## Chapter 2 Government Plans and Performance Reports

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*Saskatchewan's Action Plan for Children.* This cooperative effort by seven departments and secretariats provides a process for working together on children's issues.

.27 Similarly, the Government regularly publishes updates of its long-term strategy for the province's economy. *Partnership for Renewal* (1992) sets out objectives, strategies, target dates and measures of success. It was updated regularly with the bulletin, *In Progress*, which also reports results. *Partnership for Growth* (1996) builds on the previous plan with objectives, action plans and specific targets.

.28 Each year, the overall plan becomes more readable and relevant. For example, the *Speech from the Throne* (p.1) clearly identifies priorities. The Government's goals are clearer. For example, they include "investing in prosperity and jobs, enhancing quality of life, and delivering lower and fairer taxes" (*Budget Address*, 1997, pp. 3, 8, 17 and *Budget Highlights* pamphlet). The Government publishes specific objectives for some of these.

For example:

goal: "enhancing our quality of life"  
(MacKinnon, *Budget Address*, 1997, p.8)

objective: "every child, whether rich or poor, can get a quality education"  
(MacKinnon, *Budget Address*, 1997, p.8)

performance indicator: percentage of children achieving grade 12  
graduation (*Saskatchewan Education Indicators*, 1996, p.12)

performance target: all students complete grade 12  
(*Saskatchewan Education Indicators*, 1996, p.12)

.29 As yet, the Government does not publish targets and performance indicators within its overall plan. In Chapter 3, we set out indicators showing the Government's financial condition. These indicators are based on the concepts of sustainability, vulnerability and flexibility. Other performance indicators may relate to broad policies or programs. Indicators can highlight activities undertaken, services or products provided or outcomes expected.

.30 The economic development sector shows the greatest progress in setting performance indicators and targets (*Partnership for Renewal*, 1992). Some departments (e.g.,



health, post-secondary education) plan to publish performance indicators by 1998. Indicators will help to make an overall plan more meaningful.

.31 The *Budget Address* reports some financial and non-financial performance indicators (1997, pp. 26-35). However, they are not linked to objectives in the Government's overall plan. As a result, it is difficult for citizens to know the importance of what is reported. For several years, the Government has published the assumptions underlying its plans (*Budget Address*, 1997, pp. 26-28). This helps citizens to assess if the plan is realistic.

.32 In some cases, the overall plan appears incomplete. As stated previously, Crown corporations and other agencies provide significant services (e.g., utilities, insurance) to the public. The current overall plan does not tell whether significant changes in those services or costs of those services are planned. Gaps in the goals and objectives create confusion.

.33 The *Budget Address* does not describe or clearly cross-reference to related strategies. Doing this would help show the links between agencies and broad sectoral or cross-government goals. For example, when describing job training initiatives, the *Budget Address* (1997, pp.13-14) does not mention the *Saskatchewan Training Strategy*. Naming the strategic plans of various sectors within the overall plan would allow MLAs and citizens to examine the plan in more depth.

.34 At present, the Government's overall plan does not show the expected cost of carrying out all initiatives necessary to fulfil the goals identified. In turn, it does not show how it will fund these costs (e.g., raise revenues, borrow, or use existing investments). Instead, the 1997-98 overall plan provides the financial plan (i.e., the *Estimates*) only for the General Revenue Fund.

.35 The Government's planning documents improved during the 1990's. More improvement is needed to ensure overall plans are clearly communicated for the entire Government. In particular, planning documents would be improved if they included the costs of the plans, clear objectives, performance targets and key performance indicators for the entire Government.

### The Government's performance reports

Good performance reports are important

.36 Good performance reports explain the difference between planned goals and actual results. They compare planned to actual results for: operational targets, total revenue, total spending, total investing and total borrowing. These reports give citizens an understanding of what is happening concerning finances, program operations and legislation.

.37 Besides being timely and understandable, good performance reports contain:

- an overview of the current status of governments' broad goals (achieved, delayed or changed),
- a review of their objectives and performance indicators showing progress toward targets,
- a financial summary and analysis, and
- the outlook or plans.

.38 The need for governments to compare their original plans to the actions taken is not new. Citizens expect sufficient information to see if governments did what they promised. As well, the need for governments to report their financial results is not new. Governments prepare financial reports to satisfy the expectations citizens have to see the financial status of their governments.

.39 What is new, is the expectation governments will report results and explain whether things happened as planned. Usually a few objectives are not achieved or are not on schedule. In these areas, governments can explain what happened and the affect on plans.

.40 Performance reports also describe the impact of the changing environment on future goals and objectives. They show how targets change and performance indicators evolve. They identify major new objectives because of progress toward performance targets.

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## Chapter 2 Government Plans and Performance Reports

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Saskatchewan's performance reports need further work

.41 The Government publishes good summary financial statements (see Appendix I). These statements represent the financial part of a performance report for the entire Government.

.42 In addition, the Government publishes progress reports on integrated projects. For example, the *Progress Report* (1997) for the *Partnership for Growth* shows whether each strategy is on schedule or complete. It also displays the five-year trend for economic indicators and relates these results to the targets. The *Progress Report: Saskatchewan's Action Plan for Children* (1994) lists funding and projects. It describes the result of consultation with citizens about its ability to achieve its goals.

.43 Other than the Government's summary financial statements, the Government does not produce any broad performance reports that cover its entirety and show whether it achieved its overall plan. These reports could describe or clearly cross-reference to results published in progress reports on integrated projects.

.44 The Government does not publish its entire plan and does not clearly identify all its performance targets or indicators. As a result, MLAs and citizens cannot compare the Government's plans with the financial results contained in its financial statements. Also, they do not know how the Government measures the success of its goals. MLAs and citizens cannot assess whether or not the Government achieved its planned objectives.

.45 Although the Government's progress reports on its integrated projects are useful and continue to improve, further work is needed. The Government needs a performance report beyond its financial statements. This report would show how well the Government is achieving its goals and objectives. This, along with the Government's financial statements, would provide MLAs and citizens with clear information to assess the Government's performance.

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## Chapter 2 Government Plans and Performance Reports

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| <h3>Challenges</h3> |
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Good planning and performance reporting is challenging but worthwhile

**.46** Many challenges face governments who wish to make more performance information public. These include:

- making sure the plans of the entire government are clear, measurable, and address short, medium and long-term needs,
- selecting indicators that best measure the achievement of these plans,
- deciding what information must be collected for the performance indicators,
- collecting and analysing the necessary information,
- reporting to citizens on how much it achieved on a summarized basis, and
- presenting the appropriate level of detail to be meaningful.

**.47** More and more governments in Canada, the United States and other countries publish overall plans. With time and experience, the goals and objectives within these plans should become more clear and measurable.

**.48** The knowledge base for developing performance indicators grew rapidly during the 1980's. However, the emphasis on performance indicators that focus on outcomes (i.e., results) is relatively recent. Monitoring outcomes rather than activities requires a clear vision of what governments are trying to accomplish over the short, medium and long term. This requires maintaining a commitment to important long-term objectives. Each government's vision should reflect these and be clearly communicated to government officials who help decide what to monitor.

**.49** Governments must select indicators most helpful in explaining their overall performance. They need to select indicators which show the impact of government activity in

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## Chapter 2 Government Plans and Performance Reports

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important areas like the economy, education, health, justice and the environment. Governments must adjust these indicators to reflect continually changing objectives. Performance indicators will evolve with changing expectations for public reports.

.50 Often useful performance indicators cannot be used immediately, as governments may not have collected the data. Governments will need to assess what additional information is needed and how best to interpret information collected.

.51 Technology will influence how, when and what data is collected and analysed. Changes to information systems or the use of alternative indicators may be necessary. Changes take time and cost money.

.52 Governments continue to experiment with various means of giving citizens this information. Advances in computer technology (e.g., Internet) offer new and potential less costly options.

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Saskatchewan begins to address challenges

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.53 The Saskatchewan Government shares these challenges. It is gradually meeting some of them. The Government seems more aware that overall plans and performance reports foster informed public debate and improved decisions.

.54 More and more of its agencies use performance indicators to demonstrate their success in achieving objectives. For example, in recent years, Crown Investments Corporation of Saskatchewan promoted using performance indicators to measure the success of it and its subsidiary Crown corporations. We look forward to these efforts becoming more widespread.

.55 In summary, the Government has improved its accountability. It made important changes to the *Budget Address* and the *Speech from the Throne* which contain its overall plan. In addition, it began to publish useful summary financial statements as its financial performance report for the entire Government.

.56 Accountability can be improved. Most important, the Government needs to:

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## Chapter 2 Government Plans and Performance Reports

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- ensure its overall plan shows the broad direction of the entire Government from both a financial and operational perspective, and
- produce broad performance reports which show both the financial and operational results of its planned objectives for the entire Government.

**.57** Our research suggests that overall plans and performance reports for the entire Government will improve decision-making. In particular this will require clear objectives, targets and performance indicators. It may create additional opportunities for various parts of the Government to coordinate their work and resources.

**.58** Publishing overall plans and performance reports is also important. Public plans and reports contribute to informed debate. They make understanding the Government's intentions more widespread. In turn, this increases accountability. With this information, MLAs and citizens can then better assess the Government's performance.

**.59** The public's trust in the Government increases when citizens believe government plans and actions are readily available and clear. In this way, overall plans and performance reports help to build the public's confidence in the Government.

**.60** Accountability and the public's confidence can be further strengthened. We look forward to the Government's continued improvements in this area.

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We recommend

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**.61** Cabinet should continue to improve its published overall plan by showing clearly the broad direction of the entire Government from both a financial and operational perspective.

**.62** Cabinet should publish performance reports for the entire Government which show its progress (both financial and operational) toward achieving the goals set out in its overall plan.

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## Chapter 2 Government Plans and Performance Reports

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### Glossary

|                       |  |
|-----------------------|--|
| Cabinet               | the Executive Council including the Premier of the Province and other Ministers of the Crown   |
| goal                  | a general statement of desired results   |
| Government            | comprised of Cabinet and government departments, Crown corporations, funds, boards and commissions who are responsible to Ministers of the Crown                               |
| objective             | a specific statement of results to be achieved over a time; it answers both “what” and “when” quantitatively   |
| outcome               | the result or consequences of activities, often from the perspective of the client   |
| performance indicator | a factor chosen to monitor success in achieving objectives   |
| performance report    | report comparing results of an organization’s activities with its plans including financial information (e.g., financial statements) and actual outcomes (e.g., annual report) |
| performance target    | a set level of performance to achieve as described in an objective   |

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## Chapter 2 Government Plans and Performance Reports

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# Chapter 3

## Understanding the Finances of the Government

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## Chapter 3

# Understanding the Finances of the Government

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### Introduction

**.01** In Chapter 2, we recommend Cabinet publish performance reports for the entire Government. We recommend these performance reports show both the financial and operational results of Cabinet's planned objectives for the entire Government.

**.02** In this Chapter, we include several financial and economic measures Cabinet could use to explain the state of the Government's finances. We also explain how these indicators can be used to assess the Government's financial condition using the concepts of sustainability, flexibility, and vulnerability.

**.03** We think these financial and economic measures will help Members of the Legislative Assembly (MLAs) and citizens better understand the finances of their Government. MLAs and citizens would then be better able to assess and debate Cabinet's revenue raising, spending, borrowing, and investing proposals.

### Use the Government's statements

**.04** The Government publishes summary financial statements (*Public Accounts 1996-97, Volume 1*). Appendix I contains the Government's 1997 audited statements.

**.05** As we state in Chapter 2, the Government's statements, i.e., the Government's summary financial statements, represent the financial part of a performance report for the entire Government. The financial indicators provided in this Chapter are derived from the Government's statements (Table 1).

**.06** *Public Accounts 1996-97, Volume 1* also includes the General Revenue Fund's (GRF) financial statements. Unfortunately, the Government focuses its analysis of financial condition on the GRF's statements. One reason the Government focuses on the GRF's results is because the Government's financial plan (the *Estimates*) is for the GRF.

**.07** In previous Reports, we explain that the GRF's statements cannot be used to understand the finances of the entire Government because:

- the GRF reports only part of the Government's total activity; and

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## Chapter 3 Understanding the Finances of the Government

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- to some extent, the Government controls and decides the GRF's results by transfers to and from other government funds and agencies.

**.08** The GRF is one of many funds the Government uses to finance its activities. About 40% of the Government's financial activity is outside the GRF. Therefore, the GRF's statements do not provide a complete accounting of all government activities.

**.09** The Government controls and decides the financial results of the GRF. Transfers from other government agencies affect the reported results of the GRF, but do not create resources for the Government as a whole. The Government decides the amount, timing, and nature of these transfers.

**.10** For example, in 1996, the Government sold Cameco shares through Crown Investments Corporation (CIC). The share sale resulted in a gain of \$516 million. The Government only records this transaction in the GRF if it transfers this money to the GRF. In 1997, CIC transferred \$366 million of the Cameco sale proceeds to the GRF. The Government recorded the \$366 million as revenue of the GRF in 1997. The transfer from CIC to the GRF did not create resources for the Government.

**.11** The Government also decides the nature or how it records these transfers to the GRF. The Government has two choices. First, the Government can record the transfer as the GRF's revenue. Second, the Government can record the transfer as a liability of the GRF.

**.12** For example, the Government transferred \$253 million from the Liquor and Gaming Authority to the GRF in 1997. The Government chose to record this transfer as a liability of the GRF to the Authority. The Government's *1997 Estimates* for the GRF anticipated \$231 million of this transfer would be recorded as revenue in the GRF. However, the Government exceeded its planned surplus for the GRF of \$358 million without recording the Authority's transfer as revenue.

**.13** As stated previously, these transfers do not create resources for the Government as a whole. The earnings of the Liquor and Gaming Authority are available for use by the

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## Chapter 3 Understanding the Finances of the Government

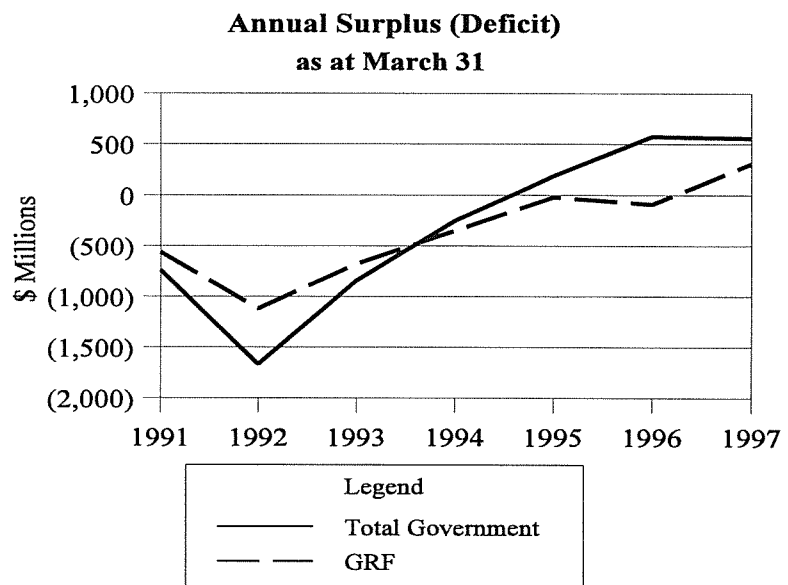
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Government whether or not the Government records a transfer as revenue of the GRF.

.14 On the other hand, the Government's summary financial statements report the financial results of all organizations the Government uses to provide goods and services to the public. The organizations include departments, agencies, Crown corporations, commissions and funds. Also, the Government cannot control and decide the results shown in these statements by transfers between other government funds and agencies.

.15 The following graph shows the annual deficit or surplus reported in the GRF is significantly different than that reported in the Government's statements. For example, for the year ended March 31, 1997, the GRF had a surplus of \$305 million (adjusted for unrecorded pension related costs of \$102 million). However, the Government's statements show a surplus of \$557 million.



.16 For these reasons, the financial indicators provided in this Chapter are derived from the Government's summary financial statements (Table 1).

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Government  
performance reports

.17 An important part of a good government performance report is a financial summary and analyses. This financial summary and analyses should provide information to help MLAs and citizens understand and assess the Government's financial condition. To understand and assess a Government's

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## Chapter 3 Understanding the Finances of the Government

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performance, the Government should compare its results to its overall plans.

.18 Recently, The Canadian Institute of Chartered Accountants issued the Research Report, *Indicators of Government Financial Condition*. This Report defines the financial condition of a government as its financial health measured by sustainability, flexibility, and vulnerability in the context of the overall economic and financial environment.

**Sustainability** is the ability of a government to meet existing program commitments and its creditor requirements without increasing its accumulated deficit.

**Flexibility** is the degree to which a government can increase its financial resources to respond to rising commitments either by expanding its revenues or increasing its accumulated deficit.

**Vulnerability** is the degree to which a government becomes dependent and, thus, vulnerable to sources of funding outside of its control or influence.

.19 The following financial and economic measures could help MLAs and citizens understand and assess sustainability, flexibility, and vulnerability:

- the Province's gross domestic product (GDP),
- the Government's accumulated deficit,
- the Government's annual surplus (deficit),
- accumulated deficit as a percentage of GDP,
- debt costs as a percentage of total revenues, and
- Federal government transfers as a percentage of the Government's total revenues.

.20 Each of these financial and economic measures provides important signals about the Government's financial condition. Each measure can and should be analysed in more detail, combined with other information, and monitored over time.

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## Chapter 3 Understanding the Finances of the Government

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Information about  
the Government's  
financial condition

.21 To assess performance, actual results must be compared to plans. Because the Government does not publish its overall plans, these financial and economic measures do not provide all the information needed to assess the Government's performance.

.22 In the following paragraphs, we set out information about the state of the Government's finances. This information is derived from that provided in the Government's financial statements and by the Saskatchewan Bureau of Statistics.

.23 The Government's financial statements are first class. They are very useful for the purpose of identifying, analysing and monitoring trends in the Government's financial condition. For this purpose, we show the total revenues and expenses of the Government's general programs together with the totals for the Government's enterprises.

.24 The general programs of the Government are carried out through government departments (e.g., education, health) and through organizations funded by government departments (e.g., regional colleges, district health boards). These programs are financed primarily by general revenues.

.25 The Government's enterprises include Crown corporations such as SaskPower, SaskEnergy, SaskTel and the Liquor and Gaming Authority. These enterprises raise revenue through direct charges for goods and services.

.26 Table 1, at the end of this Chapter, shows how we derived some of the information in this Chapter from the Government's statements. Table 2 shows several key financial and economic measures.

.27 First, we present information for assessing the Government's financial condition in the context of sustainability, flexibility, and vulnerability. Then, we present information which is useful for understanding and assessing the Government's revenues, expenses, and debts in more depth.

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## Chapter 3 Understanding the Finances of the Government

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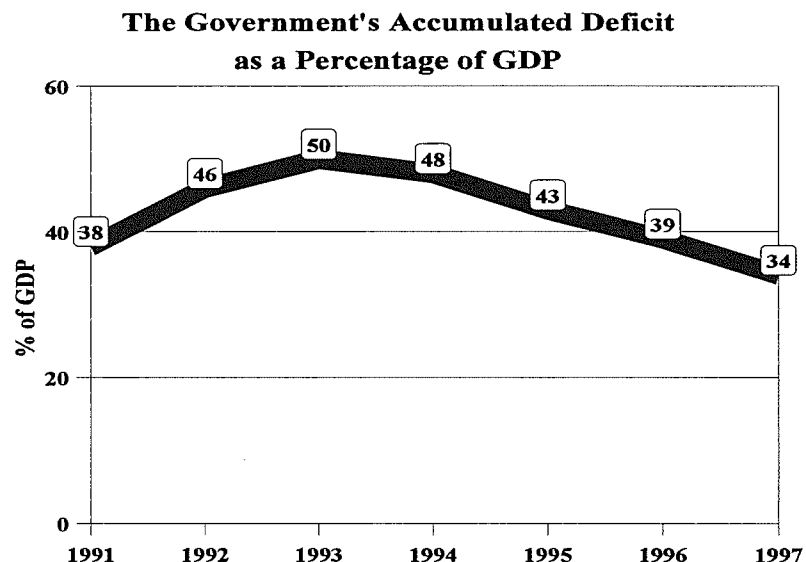
### The Government's financial condition

**.28 Sustainability** is important when assessing a government's financial condition. The trend in the accumulated deficit as a percentage of the gross domestic product (GDP) is key to assessing sustainability.

**.29** The GDP is the value of the goods and services produced in the Province in one year. When viewed together with other financial statement amounts, the size of the Government's financial requirements and activities can be better understood and assessed.

**.30** The accumulated deficit is the amount governments have spent in excess of the revenues that governments have raised. This deficit is the sum of all annual deficits or surpluses, and is the amount future generations of taxpayers and ratepayers are required to pay or finance.

**.31** The following graph shows the trend in the Government's accumulated deficit as a percentage of GDP from 1991 to 1997. The upward trend from 1991 to 1993 suggests the Government's fiscal policies (i.e., policies relating to revenue raising, spending, and borrowing) would not be sustainable in the long run. Ultimately, the Government would not be able to borrow because the provincial economy could not support the debt repayment. Since 1993, the accumulated deficit as a percentage of GDP decreased. This happened because the economy grew and the accumulated deficit decreased. The downward trend suggests the economy will be better able to sustain the Government's fiscal policies.





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## Chapter 3 Understanding the Finances of the Government

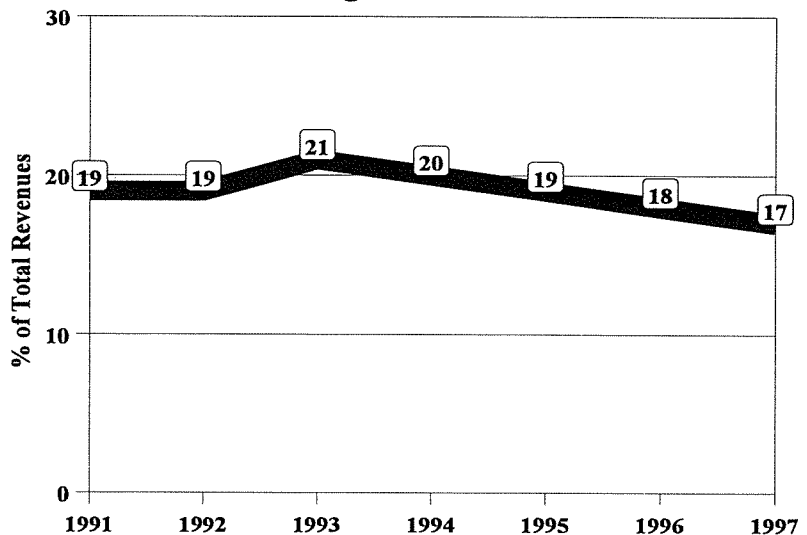
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.32 **Flexibility** is useful information when assessing a government's financial condition. Governments respond to rising commitments by expanding their revenues or increasing their accumulated deficits. The trend in debt costs as a percentage of total revenues, sometimes called the "Interest Bite", is one indicator of flexibility.

.33 The following graph shows the trend in debt costs as a percentage of total revenues from 1991 to 1997. The upward trend from 1991 to 1993 means the Government used more of its revenues to pay interest and had less revenues available for providing goods and services. Since 1993, debt costs as a percentage of total revenues decreased. The trend is encouraging because the Government now has more of its revenues available for providing goods and services. Although debt costs as a percentage of total revenues decreased, they remain a significant expense. In 1997, debt costs were \$1.54 billion as compared to health costs of \$1.68 billion and energy (SaskPower & SaskEnergy) non-debt costs of \$886 million.

**The Government's Debt Costs  
as a Percentage of Total Revenues**



.34 **Vulnerability** is helpful when assessing financial condition. The trend in Federal government transfers as a percentage of total revenues provides insights into vulnerability.

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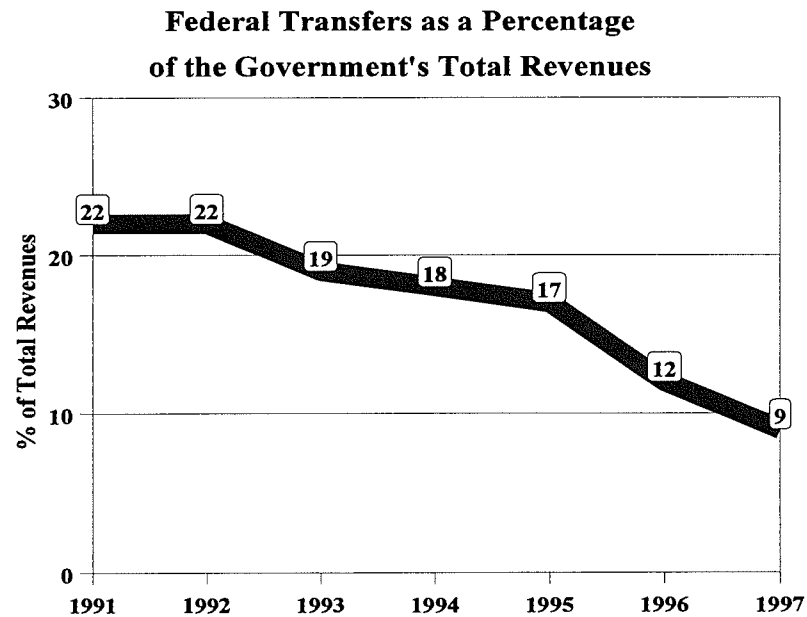
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## Chapter 3 Understanding the Finances of the Government

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.35 The following graph shows the trend in Federal government transfers as a percentage of total revenues from 1991 to 1997. The downward trend shows the Government is becoming less dependent on, or less vulnerable to, sources of funding outside of its control.



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Conclusions on the  
Government's  
financial condition

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.36 Since 1993, the trends in sustainability, flexibility, and vulnerability have improved. This shows the financial condition of the Government has improved. However, the financial condition of the Government is still fragile. An accumulated deficit of over \$9 billion or 34% of the Province's gross domestic product is the most obvious indicator of this fragility.

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Other trends

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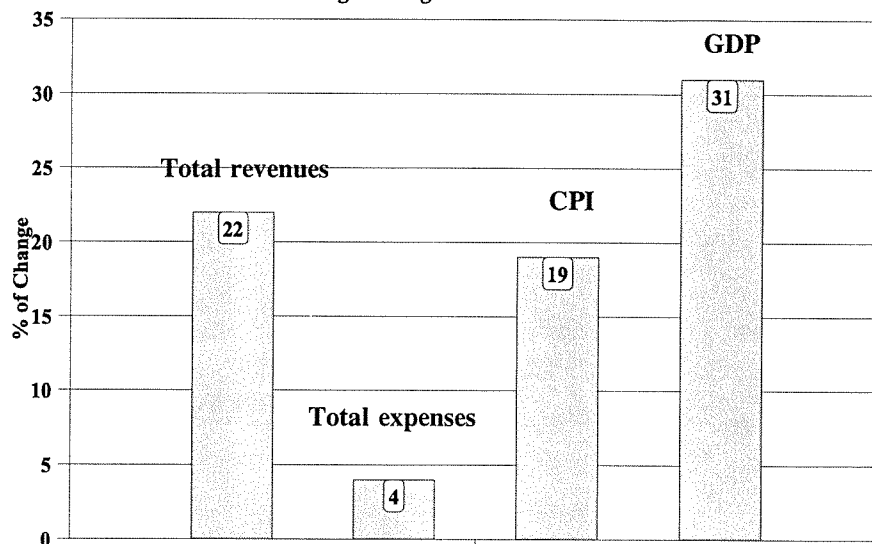
.37 Information about revenue and expense trends also helps MLAs and citizens understand and assess the Government's finances. First, we compare changes in total government revenues, total government expenses, the consumer price index (CPI) and the Province's gross domestic product (GDP) from 1991 to 1997. Then, we compare changes in the revenues and expenses of the two components of Government, i.e., general programs and enterprises.

.38 The following graph shows total revenues grew faster than the CPI. However, total revenues grew slower than the Province's GDP. This means the Government increased its

revenues at a slower rate than the rate at which our provincial economy grew. It also means the Government's ability to meet program commitments and creditor requirements strengthened.

### Total Revenues and Expenses Compared to CPI and GDP

Percentage Change from 1991 to 1997



.39 The difference between revenue and expense is the annual deficit or surplus. During the period, the Government's total revenues increased at a rate significantly greater than its total expenses. As a result, the annual deficit of \$740 million in 1991 changed to an annual surplus of \$557 million in 1997.

.40 Next, we present the Government's revenues and expenses in terms of two components - general programs and enterprises. As explained in paragraphs .24 and .25, the general programs of the Government are carried out through government departments or agencies funded by departments. The Government's enterprises are usually Crown corporations.

.41 The following graph shows the changes in the components of total revenues and total expenses during the period. General programs represent approximately 60% of the Government's total financial activity. For enterprises, an increase in expenses is related to an increase in revenues because, to some extent, expenses are incurred to pay for the cost of the goods and services sold.

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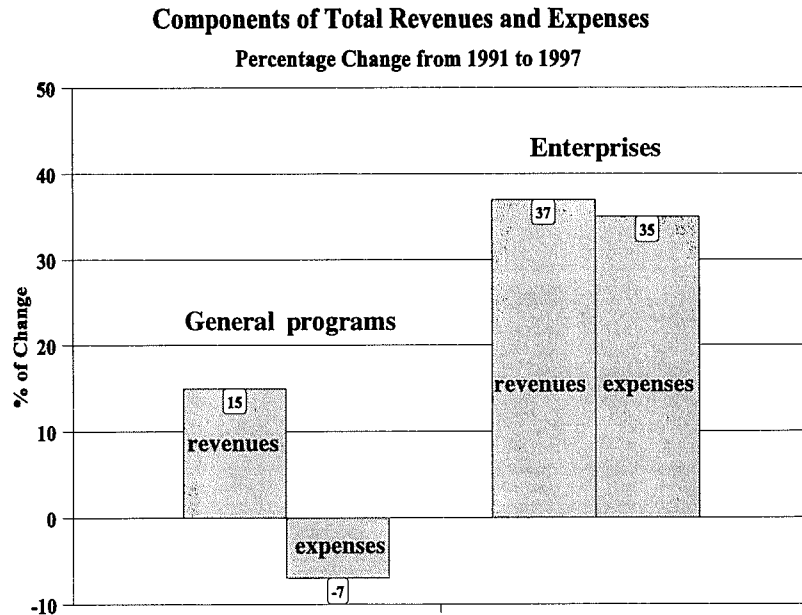
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## Chapter 3 Understanding the Finances of the Government

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.42 From 1991 to 1997, general program revenues (e.g., income taxes, sales taxes, and transfers from the Federal government) did not increase as much as enterprise revenues (e.g., energy and telephone utility fees, insurance premiums, and liquor & gaming receipts). Also, total general program expenses decreased during the period, primarily due to decreases in agriculture expenses.



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The components of the Government's liabilities (the debt)

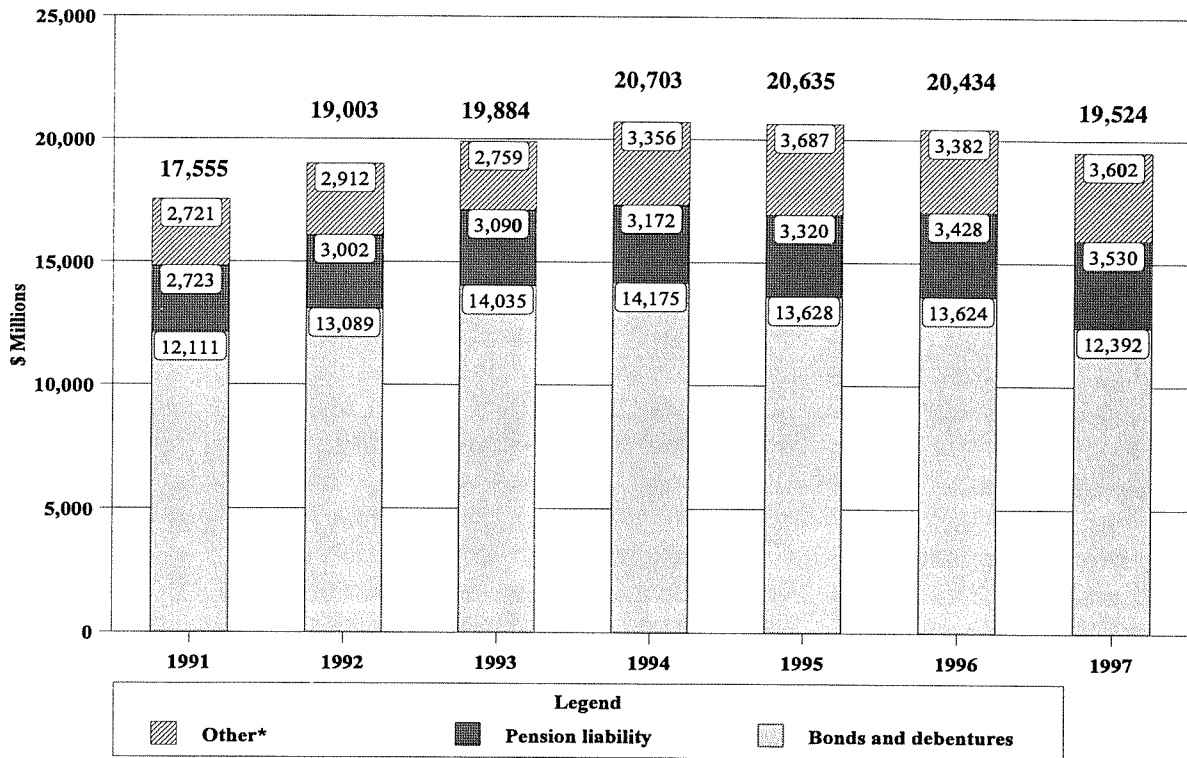
.43 The three general components of government debt are bonds and debentures, unfunded pensions, and other.

- Bonds and debentures are the funds the Government borrows from external markets.
- The pension liability is the unfunded portion of the Government's pension obligation to its current and past employees.
- Other liabilities include trade accounts payable; accrued interest; and unpaid claims of Saskatchewan Government Insurance, Saskatchewan Auto Fund, and the Workers' Compensation Board.

## Chapter 3 Understanding the Finances of the Government

.44 The following graph shows that the Government's total debt decreased in 1995 for the first time since 1991 and continued to decrease in 1997. Also, it shows that pension liabilities and other liabilities are becoming more significant components of the Government's total debt.

**The Government's Liabilities (Debt)  
as at March 31**



\*Excludes amounts owed by the GRF to the Liquor and Gaming Authority since they are not owed to non-government agencies (1997 - \$451 million, 1996 - \$197 million, 1995 - \$241 million, 1994 - \$140 million, 1993 - \$116 million, 1992 - \$118 million, 1991 - \$70 million)

The Government's finances in more detail

.45 Table 1 shows an analysis of revenues and expenses in more detail. The information is derived from the Government's summary financial statements. Appendix I at the end of this Report contains the Government's 1997 audited statements. The unaudited information for 1991 is derived from an accounting prepared by the Government for the Financial Management Review Commission.

.46 Table 2 on page 38 shows a summary of key financial and economic measures we present in this Chapter.

## Chapter 3 Understanding the Finances of the Government

Table 1

Analysis of Revenues and Expenses (in more detail)  
(derived from the Government's summary financial statements)  
(in millions)

|   | 1991         |                | 1992         |                | 1993         |                 |
|---|--------------|----------------|--------------|----------------|--------------|-----------------|
|   | Revenues     | Expenses       | Revenues     | Expenses       | Revenues     | Expenses        |
|   | (unaudited)  |                |              |                |              |                 |
| <b>General programs</b>                         |              |                |              |                |              |                 |
| Taxes   | \$ 1,988     |                | 2,163        |                | 2,276        |                 |
| Federal government transfers                    | 1,603        |                | 1,706        |                | 1,447        |                 |
| Natural resources                               | 437          |                | 337          |                | 406          |                 |
| Other   | <u>918</u>   |                | <u>938</u>   |                | <u>935</u>   |                 |
|   | <u>4,946</u> |                | <u>5,144</u> |                | <u>5,064</u> |                 |
| Agriculture                                     |              | 827            |              | 1,183          |              | 950             |
| Community development                           |              | 143            |              | 107            |              | 104             |
| Debt charges (interest costs)                   |              | 1,053          |              | 1,147          |              | 1,299           |
| Economic development                            |              | 86             |              | 125            |              | 81              |
| Education                                       |              | 847            |              | 871            |              | 883             |
| Environment and natural resources               |              | 184            |              | 20             |              | 87              |
| Health  |              | 1,659          |              | 1,641          |              | 1,614           |
| Protection of persons and property              |              | 262            |              | 274            |              | 248             |
| Social services and assistance                  |              | 446            |              | 507            |              | 547             |
| Transportation                                  |              | 283            |              | 242            |              | 201             |
| Other   |              | <u>270</u>     |              | <u>969</u>     |              | <u>199</u>      |
|   |              | <u>6,060</u>   |              | <u>7,086</u>   |              | <u>6,213</u>    |
| <b>Enterprises</b>                              |              |                |              |                |              |                 |
| Energy (SaskPower & SaskEnergy)                 | 1,010        | 866            | 1,016        | 871            | 1,066        | 908             |
| Insurance*                                      | 536          | 480            | 556          | 545            | 574          | 586             |
| Liquor and Gaming                               | 297          | 189            | 293          | 183            | 291          | 178             |
| Telecommunications (SaskTel)                    | 574          | 527            | 569          | 518            | 629          | 549             |
| Other   | <u>48</u>    | <u>29</u>      | <u>89</u>    | <u>134</u>     | <u>88</u>    | <u>124</u>      |
|   | <u>2,465</u> | <u>2,091**</u> | <u>2,523</u> | <u>2,251**</u> | <u>2,648</u> | <u>2,345**</u>  |
| <b>Total revenues and expenses</b>              | <u>7,411</u> | <u>8,151</u>   | <u>7,667</u> | <u>9,337</u>   | <u>7,712</u> | <u>8,558</u>    |
| <b>Annual surplus (deficit)</b>                 |              | <u>(740)</u>   |              | <u>(1,670)</u> |              | <u>(846)</u>    |
| <b>Accumulated (deficit), beginning of year</b> |              | <u>(7,145)</u> |              | <u>(7,885)</u> |              | <u>(9,555)</u>  |
| <b>Accumulated (deficit), end of year</b>       |              | <u>(7,885)</u> |              | <u>(9,555)</u> |              | <u>(10,401)</u> |

\* Enterprises carrying out insurance programs include Saskatchewan Government Insurance, Saskatchewan Auto Fund and the Workers' Compensation Board.

\*\* Total enterprises' expenses include interest costs of \$319 million for 1996-97, \$345 million for 1995-96, \$338 million for 1994-95, \$363 million for 1993-94, \$344 million for 1992-93, \$326 million for 1991-92 and \$344 million for 1990-91.

## Chapter 3 Understanding the Finances of the Government

Analysis of Revenues and Expenses (in more detail)  
(derived from the Government's summary financial statements)  
(in millions)

Table 1  
(continued)

| 1994         |                 | 1995         |                 | 1996         |                | 1997         |                |
|--------------|-----------------|--------------|-----------------|--------------|----------------|--------------|----------------|
| Revenues     | Expenses        | Revenues     | Expenses        | Revenues     | Expenses       | Revenues     | Expenses       |
| 2,536        |                 | 2,643        |                 | 2,854        |                | 3,125        |                |
| 1,488        |                 | 1,512        |                 | 1,046        |                | 853          |                |
| 469          |                 | 733          |                 | 692          |                | 927          |                |
| <u>759</u>   |                 | <u>884</u>   |                 | <u>1,241</u> |                | <u>776</u>   |                |
| <u>5,252</u> |                 | <u>5,772</u> |                 | <u>5,833</u> |                | <u>5,681</u> |                |
|              | 693             |              | 554             |              | 375            |              | 284            |
|              | 145             |              | 160             |              | 158            |              | 148            |
|              | 1,285           |              | 1,338           |              | 1,305          |              | 1,224          |
|              | 79              |              | 79              |              | 108            |              | 118            |
|              | 849             |              | 874             |              | 828            |              | 853            |
|              | 151             |              | 116             |              | 192            |              | 142            |
|              | 1,553           |              | 1,622           |              | 1,623          |              | 1,682          |
|              | 178             |              | 187             |              | 195            |              | 190            |
|              | 550             |              | 584             |              | 588            |              | 586            |
|              | 212             |              | 228             |              | 236            |              | 248            |
|              | <u>148</u>      |              | <u>202</u>      |              | <u>212</u>     |              | <u>191</u>     |
|              | <u>5,843</u>    |              | <u>5,944</u>    |              | <u>5,820</u>   |              | <u>5,666</u>   |
| 1,164        | 1,015           | 1,225        | 1,075           | 1,240        | 1,102          | 1,365        | 1,152          |
| 625          | 618             | 657          | 744             | 713          | 708            | 785          | 782            |
| 327          | 186             | 431          | 207             | 473          | 230            | 511          | 261            |
| 630          | 544             | 629          | 531             | 775          | 583            | 700          | 616            |
| <u>88</u>    | <u>133</u>      | <u>95</u>    | <u>124</u>      | <u>33</u>    | <u>50</u>      | <u>13</u>    | <u>21</u>      |
| <u>2,834</u> | <u>2,496**</u>  | <u>3,037</u> | <u>2,681**</u>  | <u>3,234</u> | <u>2,673**</u> | <u>3,374</u> | <u>2,832**</u> |
| <u>8,086</u> | <u>8,339</u>    | <u>8,809</u> | <u>8,625</u>    | <u>9,067</u> | <u>8,493</u>   | <u>9,055</u> | <u>8,498</u>   |
|              | (253)           |              | 184             |              | 574            |              | 557            |
|              | (10,401)        |              | (10,654)        |              | (10,470)       |              | (9,896)        |
|              | <u>(10,654)</u> |              | <u>(10,470)</u> |              | <u>(9,896)</u> |              | <u>(9,339)</u> |

## Chapter 3 Understanding the Finances of the Government

Table 2

**Summary of Key Financial and Economic Measures**  
(derived from the Government's summary financial statements)  
(in millions)

|   | 1991      | 1992    | 1993   | 1994   | 1995   | 1996   | 1997   |
|---|-----------|---------|--------|--------|--------|--------|--------|
| Gross Domestic Product (GDP) *                        | \$ 20,896 | 20,839  | 20,977 | 22,399 | 24,396 | 25,236 | 27,358 |
| Accumulated Deficit                                   | \$ 7,885  | 9,555   | 10,401 | 10,654 | 10,470 | 9,896  | 9,339  |
| Annual Surplus (Deficit)                              | \$ (740)  | (1,670) | (846)  | (253)  | 184    | 574    | 557    |
| Accumulated Deficit as a % of GDP                     | 38%       | 46%     | 50%    | 48%    | 43%    | 39%    | 34%    |
| Debt Costs as a % of Total Revenues                   | 19%       | 19%     | 21%    | 20%    | 19%    | 18%    | 17%    |
| Federal Government Transfers as a % of Total Revenues | 22%       | 22%     | 19%    | 18%    | 17%    | 12%    | 9%     |

\* GDP was obtained from the Saskatchewan Bureau of Statistics for the years ending December 31.



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## Appendix I

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### **The Government's 1996-97 Summary Financial Statements**

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## Appendix I

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### Government of Saskatchewan Responsibility for Summary Financial Statements

The Government is responsible for the Summary Financial Statements. The Government maintains a system of accounting and administrative controls to ensure that accurate and reliable financial statements are prepared and to get reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are maintained.

The Provincial Comptroller prepares these statements following the Government's stated accounting policies and using the Government's best estimates and judgement when appropriate. He uses information from the accounts of the General Revenue Fund, Crown corporations, agencies, and other funds to prepare these statements.

The Provincial Auditor expresses an independent opinion on these statements. His report states the scope of his audit and opinion and appears on the following page.

Treasury Board approves the Summary Financial Statements. The Minister of Finance tables the statements in the Legislative Assembly as part of the Public Accounts. The Legislative Assembly refers the Public Accounts to the Standing Committee on Public Accounts for review.

On behalf of the Government of the Province of Saskatchewan.



Eric Cline  
Minister of Finance



W. Davern Jones  
Deputy Minister of Finance



Terry Paton  
Provincial Comptroller

Regina, Saskatchewan  
August, 1997

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## Appendix I

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### Auditor's Report

To the Members of the Legislative Assembly  
of Saskatchewan

I have audited the summary statement of assets, liabilities, and accumulated deficit of the Government of Saskatchewan as at March 31, 1997 and the summary statements of revenue, expenses, and accumulated deficit and operating, investing and financing activities for the year then ended. These financial statements are the responsibility of Treasury Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion these summary financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for governments recommended by The Canadian Institute of Chartered Accountants.

Regina, Saskatchewan  
July 4, 1997



Wayne Streliaff, CA  
Provincial Auditor

## Appendix I

### Government of Saskatchewan Summary Statement of Assets, Liabilities, and Accumulated Deficit

As at March 31, 1997

| Schedule  | (thousands of dollars) |                       |
|---|------------------------|-----------------------|
|   | 1997                   | 1996<br>(Restated)    |
| <b>Assets</b>                                   |                        |                       |
| Cash and temporary investments (note 3).....    | \$ 514,796             | \$ 356,379            |
| Prepaid expenses.....                           | 24,133                 | 23,283                |
| 1 Accounts receivable.....                      | 547,650                | 949,644               |
| Inventories held for resale.....                | 17,516                 | 15,439                |
| Land held for resale (note 4).....              | 124,743                | 127,473               |
| Deferred charges.....                           | 69,341                 | 78,538                |
| Deferred foreign exchange loss.....             | 110,696                | 83,024                |
| 2 Loans receivable.....                         | 395,652                | 496,093               |
| 3 Investment in government enterprises.....     | 2,400,266              | 2,035,956             |
| 4 Other investments.....                        | 1,177,198              | 1,237,158             |
| <b>Total Assets</b>                             | <b>\$ 5,381,991</b>    | <b>\$ 5,402,987</b>   |
| <b>Liabilities</b>                              |                        |                       |
| 5 Accounts payable and accrued liabilities..... | \$ 1,343,603           | \$ 1,378,460          |
| 6 Other liabilities.....                        | 484,985                | 227,036               |
| Unearned revenue.....                           | 97,117                 | 86,618                |
| 7,8&9 Public debt.....                          | 9,265,517              | 10,179,501            |
| Pension liabilities (note 6).....               | 3,530,209              | 3,427,620             |
| <b>Total Liabilities</b>                        | <b>\$ 14,721,431</b>   | <b>\$ 15,299,235</b>  |
| <b>Accumulated Deficit</b>                      | <b>\$ (9,339,440)</b>  | <b>\$ (9,896,248)</b> |

(See accompanying notes)

- Capital property (note 5)
- 10 Guaranteed debt (note 10)
- Contingencies and commitments (notes 10 and 11)

## Appendix I

### Government of Saskatchewan Summary Statement of Revenue, Expenses, and Accumulated Deficit

For the Year Ended March 31, 1997

(thousands of dollars)

| Schedule   | 1997                  | 1996<br>(Restated)    |
|--|-----------------------|-----------------------|
| <b>Revenue</b>   |                       |                       |
| 11 Taxation.....   | \$ 3,125,368          | \$ 2,853,887          |
| 11 Transfers from the federal government.....                      | 852,635               | 1,045,693             |
| 11 Non-renewable resources.....                                    | 927,114               | 691,850               |
| 11 Gain on sale of Cameco shares.....                              | 25,259                | 490,222               |
| 11 Other.....  | 751,035               | 750,462               |
| <b>Total Revenue</b>   | <b>5,681,411</b>      | <b>5,832,114</b>      |
| <b>Expenses</b>  |                       |                       |
| Agriculture.....   | 283,578               | 375,197               |
| Community development.....   | 147,666               | 157,514               |
| Debt charges.....  | 1,223,957             | 1,304,453             |
| Economic development.....  | 117,990               | 108,573               |
| Education.....   | 852,957               | 828,132               |
| Environment and natural resources .....                            | 141,494               | 191,586               |
| Health.....  | 1,682,100             | 1,622,874             |
| Protection of persons and property.....                            | 190,515               | 194,845               |
| Social services and assistance.....                                | 586,406               | 587,877               |
| Transportation.....  | 248,453               | 235,516               |
| Other.....   | 191,110               | 212,436               |
| <b>Total Expenses (note 8)</b>                                     | <b>5,666,226</b>      | <b>5,819,003</b>      |
| Surplus from government service organizations.....                 | 15,185                | 13,111                |
| 3 Income from government enterprises.....                          | 541,623               | 559,960               |
| <b>Surplus for the Year</b>  | <b>556,808</b>        | <b>573,071</b>        |
| Accumulated deficit, beginning of year, as restated (note 14)..... | (9,896,248)           | (10,469,319)          |
| <b>Accumulated Deficit, End of Year</b>                            | <b>\$ (9,339,440)</b> | <b>\$ (9,896,248)</b> |

(See accompanying notes)

## Appendix I

### Government of Saskatchewan Summary Statement of Operating, Investing, and Financing Activities

For the Year Ended March 31, 1997

| Schedule  | (thousands of dollars) |                     |
|---|------------------------|---------------------|
|   | 1997                   | 1996<br>(Restated)  |
| <b>Operating Activities</b>   |                        |                     |
| Surplus for the year.....   | \$ 556,808             | \$ 573,071          |
| Add (deduct) non-cash items   |                        |                     |
| Income from government enterprises.....                               | (541,623)              | (559,960)           |
| Reclassification of government enterprises.....                       | 2,305                  | -                   |
| Amortization of foreign exchange gains and losses .....               | (6,044)                | (7,196)             |
| 12 Gain on loans and investments.....                                 | (59,422)               | (501,365)           |
| 13 Net change in non-cash operating activities.....                   | 484,347                | (568,265)           |
| <b>Cash Provided by (Used for) Operating Activities</b>               | <b>436,371</b>         | <b>(1,063,715)</b>  |
| <b>Investing Activities</b>   |                        |                     |
| Disposal of land held for resale .....                                | 2,730                  | 4,099               |
| Acquisition of other investments.....                                 | (23,928)               | (257,069)           |
| Disposition of other investments.....                                 | 143,310                | 778,242             |
| Decrease in equity advances to government enterprises.....            | -                      | 40,200              |
| <b>Cash Provided by Investing Activities</b>                          | <b>122,112</b>         | <b>565,472</b>      |
| <b>Cash Provided by (Used for) Operating and Investing Activities</b> | <b>\$ 558,483</b>      | <b>\$ (498,243)</b> |
| <b>Financing Activities</b>   |                        |                     |
| Proceeds from public debt.....  | \$ 298,141             | \$ 756,805          |
| Repayment of public debt.....   | (1,233,753)            | (630,640)           |
| <b>Proceeds from (Repayment of) Public Debt</b>                       | <b>(935,612)</b>       | <b>126,165</b>      |
| Dividends from government enterprises.....                            | 175,008                | 451,800             |
| Increase in pension and other liabilities.....                        | 360,538                | 68,585              |
| (Increase) in cash and temporary investments.....                     | (158,417)              | (148,307)           |
| <b>Total Financing</b>  | <b>\$ (558,483)</b>    | <b>\$ 498,243</b>   |
| <b>Cash and Temporary Investments</b>                                 |                        |                     |
| Cash and temporary investments, beginning of year.....                | \$ 356,379             | \$ 208,072          |
| Increase in cash and temporary investments .....                      | 158,417                | 148,307             |
| <b>Cash and Temporary Investments, End of Year</b>                    | <b>\$ 514,796</b>      | <b>\$ 356,379</b>   |

(See accompanying notes)

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# Appendix I

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## Government of Saskatchewan Notes to the Summary Financial Statements

For the Year Ended March 31, 1997

### 1. Significant Accounting Policies

These Summary Financial Statements are prepared using accounting principles appropriate for government and reflect the following significant accounting policies:

#### a) Reporting entity

These financial statements report the financial activities of organizations which are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislative Assembly and which are owned or controlled by the Government.

Trusts administered by the Government are excluded from the reporting entity.

A listing of organizations included in the reporting entity is provided in schedule 14.

#### b) Method of consolidation

The accounts of all government organizations, except those designated as government enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described in note 1(c). These organizations are referred to as government service organizations. Significant inter-organization accounts and transactions are eliminated.

Government enterprises are defined as self-sufficient organizations that have the financial and operating authority to sell goods and services to individuals and non-government organizations as their principal activity.

Government enterprises are recorded using the modified equity method. The Government's investment, which is initially recorded at cost, is adjusted annually to include the net earnings/losses and other net equity changes of the enterprise without adjusting them to conform with the accounting policies described below. Inter-organization accounts and transactions are not eliminated.

Financial results of government organizations whose fiscal year-ends are not March 31 are not adjusted unless the effect of such an adjustment would be significant to the consolidated operating results.

#### c) Basis of accounting

The accrual basis of accounting is used and specifically expressed as follows:

##### Revenue

Revenue is recorded on the accrual basis except for payments from the federal government for corporate and personal income taxes, which are recorded on the cash basis.

##### Expenses

Expenses are recorded on the accrual basis and include the cost of capital property and inventories of supplies received during the year.

##### Assets

Reported assets are those assets on hand at the end of an accounting period which could provide resources to discharge existing liabilities or finance future operations.

*Temporary investments* are recorded at the lower of cost and market.

*Inventories held for resale* are recorded at the lower of cost and net realizable value. *Inventories of supplies* are expensed.

*Land held for resale* is valued at the lower of cost or net realizable value, on an aggregate basis.

*Deferred charges* include issue costs and net discounts or premiums incurred on the issue of long-term debt. They are recorded at cost and amortized on a straight line basis over the remaining life of the debt issue.

*Deferred foreign exchange loss* includes net unrealized foreign exchange gains and losses resulting from the conversion of debentures due in a foreign currency to the Canadian dollar equivalent at the exchange rate in effect at March 31. Realized foreign exchange gains and losses are included in the surplus or deficit for the year. Unrealized foreign exchange gains and losses are amortized on a straight line basis over the remaining life of the debt issue.

*Loans receivable* are recorded at the lower of cost and net realizable value.

*Other investments* in bonds, debentures and mortgages are recorded at amortized cost. Other investments in shares of private and

## Government of Saskatchewan Notes to the Summary Financial Statements

public companies are recorded at cost and dividends from these shares are recorded as income when receivable. When the Government has investments in shares and exercises significant influence but has less than a controlling interest, the investments are accounted for by the equity method. Using this method, the carrying value of the investment is adjusted for the Government's share of the investee's net earnings or losses and reduced by dividends received from these shares. Other investments are written down to their net realizable value when there is evidence of a permanent decline in their value.

*Capital property* held by government service organizations is expensed in the period acquired. Capital property held by government enterprises, as disclosed on schedule 3, is generally recorded at cost and amortized on a straight line basis over the estimated productive life of each asset.

### Liabilities

Reported liabilities include financial obligations to outside organizations and individuals as a result of transactions and events occurring prior to year end. They are the result of contracts, agreements and legislative provisions which require the Government to repay borrowings or to pay for goods and services acquired or provided prior to year end.

*Public debt* consists of promissory notes, debentures and annuities of government service organizations which are recorded net of amounts reimbursable from government enterprises. Public debt is recorded at par. Premiums, discounts and issue costs are recorded as deferred charges and amortized on a straight line basis over the remaining life of the debt issue.

Certain debenture issues require contributions to a sinking fund. These obligations are recorded at principal less sinking fund balances where applicable. Premiums and discounts on long term investments within the sinking fund are amortized by the type of security on a constant yield basis.

Where borrowing is used to finance loans to government enterprises, all expenses are charged directly to government enterprises.

*Pension liabilities* are calculated using the projected benefit method prorated on services. Pension fund assets are valued at market related values. Changes in the pension liabilities as a result of estimation adjustments due to experience gains and losses and changes in actuarial assumptions are amortized on a straight line basis over the expected average remaining service life of the related employee group. Gains or losses as a result of plan amendments are recognized in the period of the plan amendment.

*Guaranteed debt* includes guarantees of the Government made through specific agreements or legislation. Loss provisions on guaranteed debt are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries. The loss provision is recorded as a liability and an expense in the year determined and is adjusted as necessary to ensure it equals the expected payout of the guarantee.

## 2. Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in financial statements. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount.

Measurement uncertainty exists in these financial statements in the accrual of pension obligations, royalties on non-renewable resources, and equalization, health and social transfers from the federal government. The amounts accrued are based on a number of assumptions. Management considers that it is reasonably possible that changes in future conditions in the near term could require a material change in the amounts recognized. Near term is defined as a period of time not to exceed one year from the date of the financial statement.

## 3. Cash and Temporary Investments

Temporary investments include investments in securities of other governments of \$0 million (1996 - \$30.8 million).

## 4. Land Held for Resale

The estimated net realizable value of the Government's land held for resale at March 31, 1997 is \$223.6 million (1996 - \$216.1 million).

## 5. Capital Property

The Government has a significant investment in capital property that has a useful life of greater than one year. For government service organizations, capital property is expensed in the period acquired. In the current year, government service organizations acquired capital property costing \$133.3 million (1996 - \$90.4 million). The following table includes the capital property held by government service organizations.



# Appendix I

## Government of Saskatchewan Notes to the Summary Financial Statements

| Capital Property              | (thousands of dollars) |                             |                    |                     |
|-------------------------------|------------------------|-----------------------------|--------------------|---------------------|
|                               | 1997                   |                             |                    | 1996<br>(Restated)  |
|                               | Cost                   | Accumulated<br>Amortization | Net Book<br>Value  | Net Book<br>Value   |
| Land .....                    | \$ 69,660              | \$ -                        | \$ 69,660          | \$ 67,451           |
| Buildings .....               | 1,380,362              | 359,053                     | 1,021,309          | 1,054,799           |
| Vehicles .....                | 71,620                 | 41,511                      | 30,109             | 24,796              |
| Machinery and equipment ..... | 503,847                | 321,771                     | 182,076            | 178,302             |
| Aircraft .....                | 4,589                  | 1,395                       | 3,194              | 1,292               |
| Furniture .....               | 11,647                 | 7,705                       | 3,942              | 4,503               |
| Capital leases .....          | 69,377                 | 35,339                      | 34,038             | 37,291              |
| Other .....                   | 162,477                | 22,169                      | 140,308            | 74,478              |
| <b>Total</b>                  | <b>\$ 2,273,579</b>    | <b>\$788,943</b>            | <b>\$1,484,636</b> | <b>\$ 1,442,912</b> |

Reporting policies are currently being developed, and information gathered, for other capital property. This includes infrastructure such as highways, bridges and dams and land acquired for public use such as parks and recreation sites.

### 6. Pension Liabilities

The Government of Saskatchewan sponsors several defined benefit and defined contribution pension plans for a significant number of its employees and for members of the Legislative Assembly. The defined benefit pension plans, except for the Judges of the Provincial Court Superannuation Plan (Judges), are closed membership pension plans. Defined benefit pension plans provide pensions based on length of service and pensionable earnings. Defined contribution plans provide pensions based on accumulated contributions and investment earnings.

#### a) Contributory defined benefit pension plans

A typical defined benefit pension plan provides pensions equal to 2 per cent of a member's average five years highest salary, multiplied by the years of service to a maximum of 35 years. Pensions and contribution rates are integrated with the Canada Pension Plan. The Teachers' Superannuation Plan (TSP) provides for inflation protection equal to 80 per cent of the annual increase in the Consumer Price Index. Most of the other plans provide inflation indexing at the discretion of the Lieutenant Governor in Council.

#### Government service organizations

The two main defined benefit pension plans of government service organizations are the Teachers' Superannuation Plan (TSP) and the Public Service Superannuation Plan (PSSP). Other pension plans include Members of the Legislative Assembly Superannuation Plan, Judges, Saskatchewan Transportation Company Employees Superannuation Plan, Anti-TB League Employees Superannuation Plan and the Public Employees (Government Contributory) Annuity Fund, an annuity underwriting operation.

The membership data of these defined benefit pension plans are as follows:

|  |        |
|--|--------|
| Number of active members                             | 10,903 |
| Average age of active members                        | 47.3   |
| Former members entitled to deferred pension benefits | 19,018 |
| Number of superannuates and surviving spouses        | 14,369 |

For the year ended March 31, 1997, total benefit payments were \$253.9 million (1996 - \$250.3 million).

Plan members make contributions at the following rates:

- Teachers' Superannuation Plan - 7.85 per cent of their salary;
- Public Service Superannuation Plan - 7 per cent, 8 per cent or 9 per cent of their salary, depending on their age; and,
- Other plans - 5 per cent to 9 per cent of their salary.

The Government is required to match member contributions in respect of current year's service for all plans, except for the PSSP and Judges. For the year ended March 31, 1997, government and member contributions for current year's service were \$147.4 million (1996 - \$147.9 million).

A separate pension fund is not maintained for PSSP. The Government uses member contributions to finance its operations in return for the promise to meet all pension obligations arising from PSSP. Separate pension funds are maintained for the other plans.

Contributions are deposited into separate funds and benefits to plan members are payable from them. Pension fund assets are invested primarily in bonds and equities.

Based on the latest actuarial valuations extrapolated to March 31, 1997, the present value of accrued pension benefits and the market related value of pension fund assets of defined benefit pension plans of government service organizations are shown in the table below.

## Appendix I

### Government of Saskatchewan Notes to the Summary Financial Statements

| (thousands of dollars)                       |                                |                                  |                           |                     |  |                        |                        |
|--|--------------------------------|----------------------------------|---------------------------|---------------------|--|------------------------|------------------------|
| Plan Name                                    | Actuarial<br>Valuation<br>Date | 1997                             |                           |                     |  | 1996                   |                        |
|  |                                | Accrued<br>Benefit<br>Obligation | Pension<br>Fund<br>Assets | Net<br>Obligation   | Unamortized<br>Estimation<br>Adjustments | Pension<br>Liabilities | Pension<br>Liabilities |
| Teachers' Superannuation Plan . . . . .      | Jun. 30/95                     | \$ 3,408,000                     | \$ 1,237,000              | \$ 2,171,000        | \$ 130,639                               | \$ 2,301,639           | \$ 2,212,707           |
| Public Service Superannuation Plan . . . . . | Dec. 31/96                     | 1,255,720                        | -                         | 1,255,720           | (81,030)                                 | 1,174,690              | 1,161,605              |
| Others . . . . .                             | Various                        | 135,440                          | 77,110                    | 58,330              | (4,450)                                  | 53,880                 | 53,308                 |
| <b>Total</b>                                 |                                | <b>\$ 4,799,160</b>              | <b>\$ 1,314,110</b>       | <b>\$ 3,485,050</b> | <b>\$ 45,159</b>                         | <b>\$ 3,530,209</b>    | <b>\$ 3,427,620</b>    |

At March 31, 1997, a liability of \$60 million (1996 restated - \$60 million), that relates to the TSP disability provision, is included in the TSP liability.

Actuarial valuations are performed at least triennially. These valuations are extrapolated by an actuary when a valuation is not performed in the current fiscal year. Actuarial valuations are based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The assumptions reflect estimates of expected long-term rates and short-term forecasts. The long-term inflation rate is estimated at 4.0 per cent.

The value of pension fund assets is based on actual market values averaged over a five year period. In the periods between valuations, the value of pension fund assets is determined using expected long-term rates of return.

#### **Government enterprises**

The two main defined benefit pension plans of government enterprises are the Power Corporation Superannuation Plan and the Saskatchewan Telecommunications Superannuation Plan. There are 2,114 active members and 2,983 superannuates in these plans.

Members of these plans make contributions at a rate of 7 per cent, 8 per cent or 9 per cent of their salary depending on their age and date of commencement of employment.

The Government contributes the amount necessary to fund the payment of pension benefits. For the year ended March 31, 1997, government and member contributions for current year's service were \$7.7 million (1996 - \$10.4 million). Pension fund assets are invested primarily in bonds and equities.

Based on the latest actuarial valuations extrapolated to December 31, 1996, the present value of accrued pension benefits and the market related value of pension fund assets in the defined benefit pension plans of government enterprises are shown in the following table.

| (thousands of dollars)  |                                |                                |                           |                                   |                                   |
|---|--------------------------------|--------------------------------|---------------------------|-----------------------------------|-----------------------------------|
| Plan Name   | Actuarial<br>Valuation<br>Date | 1997                           |                           |                                   | 1996                              |
|   |                                | Accrued<br>Pension<br>Benefits | Pension<br>Fund<br>Assets | Pension<br>(Surplus)<br>Liability | Pension<br>(Surplus)<br>Liability |
| Power Corporation Superannuation Plan . . . . .               | September 30/96                | \$ 528,738                     | \$ 553,405                | \$ (24,667)                       | \$ (3,523)                        |
| Saskatchewan Telecommunications Superannuation Plan . . . . . | December 31/95                 | 547,470                        | 605,578                   | (58,108)                          | (63,863)                          |
| Others . . . . .  | Various                        | 98,212                         | 73,779                    | 24,433                            | 27,457                            |
| <b>Total</b>  |                                | <b>\$ 1,174,420</b>            | <b>\$ 1,232,762</b>       | <b>\$ (58,342)</b>                | <b>\$ (39,929)</b>                |

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## Appendix I

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### Government of Saskatchewan Notes to the Summary Financial Statements

#### b) Contributory defined contribution pension plans

The two main plans are the Public Employees (Government Contributory) Superannuation Plan (PESP) and the Capital Pension Plan (Capital). PESP and Capital are multi-employer defined contribution pension plans. There are 20,895 employees currently contributing to PESP and Capital. Of these, 13,509 are employees of government service organizations and 7,386 are employees of government enterprises.

Members of PESP and Capital make contributions at rates of 5 per cent and 5.5 per cent of their salary, respectively. Employers are required to match member contributions in respect of current year's service. The Government has fully funded its share of contributions to these plans. For government service organizations, government and member contributions for the year ended March 31, 1997 were \$46.7 million (1996 - \$45.9 million). For government enterprises, government and member contributions for the year ended March 31, 1997 were \$29.0 million (1996 - \$28.3 million).

The market related value of pension fund assets in PESP and Capital, at March 31, 1997 is approximately \$2.0 billion (1996 - \$1.7 billion). These assets are invested primarily in bonds and equities.

The Government also contributed \$15.1 million (1996 - \$14.2 million) to the Saskatchewan Teachers' Retirement Plan for the year ended March 31, 1997. This pension plan is sponsored by the Saskatchewan Teachers' Federation.

#### c) Pension expense

The total pension related expense of government service organizations includes the following components:

|  | (thousands of dollars) |                   |
|--|------------------------|-------------------|
|  | 1997                   | 1996              |
| <b>Defined benefit pension plans</b>                                     |                        |                   |
| Current period benefit cost  | \$ 85,667              | \$ 64,622         |
| Plan amendments  | -                      | 32,206            |
| Amortization of estimation adjustments                                   | (17,449)               | (26,760)          |
|  | 68,218                 | 70,068            |
| Less: Employee contributions   | (32,061)               | (34,625)          |
| Pension expense  | 36,157                 | 35,443            |
| Cost of financing unfunded pension obligation (pension interest expense) | 258,247                | 261,088           |
| Pension expense of defined benefit plans                                 | 294,404                | 296,531           |
| <b>Defined contribution pension plans</b>                                |                        |                   |
| Pension expense of defined contribution plans                            | 38,379                 | 34,311            |
| <b>Total pension expense</b>   | <b>\$ 332,783</b>      | <b>\$ 330,842</b> |

Pension expense is reported in the Summary Statement of Revenue, Expenses, and Accumulated Deficit in both education expense and other expense. Pension interest expense is reported in debt charges.

#### 7. Reserves

The accumulated deficit of \$9,339.4 million consists of an unallocated deficit component of \$9,351.3 million and the Environmental Protection Reserve of \$11.9 million. The Environmental Protection Reserve was created to provide contingency funding to mitigate unforeseen environmental problems related to uranium milling. The reserve is maintained at its March 31, 1992 balance.

# Appendix I

## Government of Saskatchewan Notes to the Summary Financial Statements

### 8. Expenses by Object

Expenses by object are reported as follows:

|                                     | (thousands of dollars) |                     |
|-------------------------------------|------------------------|---------------------|
|                                     | 1997                   | 1996<br>(Restated)  |
| Transfers .....                     | \$ 2,231,030           | \$ 2,160,363        |
| Debt charges .....                  | 1,223,957              | 1,304,453           |
| Salaries and benefits .....         | 1,121,837              | 1,175,040           |
| Operating costs .....               | 764,317                | 855,415             |
| Capital property acquisitions ..... | 133,303                | 90,322              |
| Other .....                         | 191,782                | 233,410             |
| <b>Total Expenses</b>               | <b>\$ 5,666,226</b>    | <b>\$ 5,819,003</b> |

### 9. Comparison of Planned to Actual Results

A comparison of planned to actual surplus is as follows:

|  | (thousands of dollars) |                   |                      |
|--|------------------------|-------------------|----------------------|
|  | 1997                   |                   | 1996                 |
|  | Planned                | Actual            | (Restated)<br>Actual |
| General Revenue Fund surplus for the year .....                                | <u>\$ 357,798</u>      | \$ 406,950        | \$ 18,448            |
| Government enterprises income for the year .....                               |                        | 541,623           | 559,960              |
| Other government service organizations surplus for the year .....              |                        | 817,594           | 93,275               |
| Dividends received from government organizations .....                         |                        | (590,707)         | (501,800)            |
| Adjustments to conform to the basis of accounting described in note 1(c) ..... |                        | (618,652)         | 403,188              |
| <b>Surplus for the Year</b>  |                        | <b>\$ 556,808</b> | <b>\$ 573,071</b>    |

The planned and actual figures are before elimination of inter-organization transactions.

### 10. Contingencies

#### a) Guaranteed debt

At March 31, 1997, \$791.7 million (1996 - \$932.4 million) in loans were guaranteed by the Government. Schedule 10 provides a listing of guaranteed debt.

#### b) Lawsuits

Up to \$46.5 million may be paid depending on the outcome of lawsuits in progress.

#### c) Indian and Northern Affairs Canada

The Government pays for certain social services provided to status Indians and submits claims to the federal government for the cost of these services. The Government believes these costs are the responsibility of the federal government and believes they are fully reimbursable. However, the federal government denies responsibility for a portion of these costs.

The Government is unable to determine whether or not the outstanding amounts will be reimbursed. The Government will account for any recovery resulting from the resolution of this contingency at the time of settlement. No provision for such a recovery has been made in these financial statements.

#### d) Gross Revenue Insurance Plan (GRIP)

Legal actions have commenced against the Government for breach of contract with respect to the change from the 1991 GRIP program to the 1992 revenue insurance program.

The institution of *The Farm Income Legislation Amendment Act 1992* effectively extinguished any cause of action; consequently, the plaintiffs are challenging the constitutional validity of the legislation.

# Appendix I

## Government of Saskatchewan Notes to the Summary Financial Statements

### e) Other

IPSCO Inc. has the option to purchase leased equipment. In the event that IPSCO Inc. does not purchase the equipment by the end of the lease term which expires in 2007, the Government is obligated to purchase the equipment for \$13.0 million.

Other contingencies of \$1.6 million may be paid depending on the outcome of future events.

### 11. Commitments

Major financial commitments include:

- forward purchase commitments of \$1,887.0 million for coal contracted for future minimum deliveries valued at current prices;
- treaty land entitlement agreement commitments valued at approximately \$179.9 million;
- other commitments including capital expenditure commitments valued at approximately \$545.8 million; and,
- capital and operating lease obligations as follows:

|                                    | (thousands of dollars) |                  |
|------------------------------------|------------------------|------------------|
|                                    | Operating              | Capital          |
| Future minimum lease payments      |                        |                  |
| 1997-98                            | \$ 49,621              | \$ 12,699        |
| 1998-99                            | 43,438                 | 12,721           |
| 1999-2000                          | 37,566                 | 12,645           |
| 2000-01                            | 29,016                 | 12,107           |
| 2001-02                            | 24,565                 | 11,856           |
| Thereafter                         | 34,839                 | 84,347           |
|                                    | 219,045                | 146,375          |
| Less: Interest and executory costs | -                      | (89,040)         |
| <b>Total Lease Obligations</b>     | <b>\$ 219,045</b>      | <b>\$ 57,335</b> |

Total operating lease obligations include \$118.4 million for government service organizations and \$100.6 million for government enterprises.

Total capital lease obligations relate entirely to government service organizations (schedule 5).

### 12. Trust Funds

Fund balances held and administered by the Government at March 31, 1997, were as follows:

|   | (thousands of dollars) |                     |
|---|------------------------|---------------------|
|   | 1997                   | 1996                |
| Superannuation funds and pension plans* | \$ 5,556,031           | \$ 4,756,778        |
| Public Trustee's Trust Account          | 115,661                | 104,189             |
| Other trusts                            | 36,768                 | 30,984              |
| <b>Total Trust Funds</b>                | <b>\$ 5,708,460</b>    | <b>\$ 4,891,951</b> |

\*Reflects the latest audited financial statements of the funds and plans closest to March 31, 1997.

### 13. Subsequent Events

#### a) Wascana Energy Inc. (Wascana)

Subsequent to March 31, 1997, the Government agreed to tender its 5,842,910 common shares in Wascana to Canadian Occidental Petroleum Ltd. at \$20.50 per share. Total proceeds on the sale were \$119.8 million, resulting in an estimated gain of \$56.3 million.

#### b) IPSCO Inc. (IPSCO)

Subsequent to March 31, 1996, IPSCO exercised their option to purchase leased equipment which released the Government from an unconditional guarantee of the indebtedness incurred by IPSCO under an operating lease which expires in 2007. The Government's total obligation at March 31, 1997 consisted of the fair value of the guarantee of \$48.4 million and a contingency of \$13.0 million to purchase equipment at the expiration of the lease.

# Appendix I

## Government of Saskatchewan Notes to the Summary Financial Statements

### 14. Comparative Figures

Certain of the 1996 comparative figures have been reclassified to conform with the current year's presentation. In addition, certain comparative figures for the previous year have been restated as follows:

#### a) Change in accounting policy

During the year, the Saskatoon District Health Board (Saskatoon DHB) reviewed its relationship with its affiliates and reassessed the basis of presentation of its financial statements for the year ended March 31, 1997. The financial results of the Saskatoon DHB's affiliates, which were included in previous years, are no longer included in the Saskatoon DHB financial statements. The Government has retroactively restated comparative figures to record this change in accounting policy.

The net effect of this restatement is as follows:

|                                       | Accumulated<br>Deficit<br>March 31, 1995 | (thousands of dollars)<br>increase (decrease) |             |              |
|---------------------------------------|--|---|-------------|--------------|
|                                       |  | March 31, 1996                                |             |              |
|                                       |  | Surplus for<br>the Year                       | Assets      | Liabilities  |
| Changes in accounting policy          |  |   |             |              |
| Saskatoon District Health Board ..... | (20,315)                                 | 1,243   | (5,452)     | (27,010)     |
| As previously reported .....          | 10,489,634                               | 571,828                                       | 5,408,439   | 15,326,245   |
| As Restated                           | \$10,469,319                             | \$573,071                                     | \$5,402,987 | \$15,299,235 |

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

For the Year Ended March 31, 1997

#### Schedule 1 - Accounts Receivable

|  | (thousands of dollars) |                   |
|--|------------------------|-------------------|
|  | 1997                   | 1996              |
| Cameco share proceeds.....                             | \$ -                   | \$ 358,600        |
| Taxes.....   | 139,842                | 140,237           |
| Trade.....   | 172,978                | 164,529           |
| Non-renewable resources.....                           | 134,159                | 138,120           |
| Transfers from the federal government.....             | 58,616                 | 66,824            |
| Accrued interest.....                                  | 7,253                  | 33,426            |
| Leases and farm loans.....                             | 19,446                 | 32,808            |
| Insurance premiums due from agriculture producers..... | 15,356                 | 15,100            |
| <b>Total Accounts Receivable</b>                       | <b>\$ 547,650</b>      | <b>\$ 949,644</b> |

#### Schedule 2 - Loans Receivable

|   | (thousands of dollars) |                   |
|---|------------------------|-------------------|
|   | 1997                   | 1996              |
| <b>Agricultural loans</b>                           |                        |                   |
| Capital loan program.....                           | \$ 176,205             | \$ 231,848        |
| Crop Sector Companion Program.....                  | 106,245                | 75,745            |
| Production loan program.....                        | 28,908                 | 77,127            |
| Livestock cash advance program.....                 | 24,547                 | 41,121            |
| Investment loan program.....                        | 16,339                 | 12,070            |
| Counselling and Assistance for Farmers program..... | 6,941                  | 18,190            |
| Spring seeding loan program.....                    | 810                    | 2,134             |
| Other.....  | 7                      | 22                |
|   | 360,002                | 458,257           |
| Provision for losses.....                           | (56,846)               | (92,353)          |
|   | 303,156                | 365,904           |
| <b>Student loans</b> .....                          | 77,950                 | 132,826           |
| Provision for losses.....                           | (25,845)               | (44,889)          |
|   | 52,105                 | 87,937            |
| <b>Housing mortgages and loans</b> .....            | 17,354                 | 18,999            |
| <b>Other</b> .....                                  | 23,037                 | 23,253            |
| <b>Total Loans Receivable</b>                       | <b>\$ 395,652</b>      | <b>\$ 496,093</b> |

(See accompanying notes)

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## Appendix I

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 2 (continued) - Loans Receivable

##### Capital loan program

Loans are repayable, with interest, over terms not exceeding twenty-five years. The loans bear interest at rates between 6 per cent and 13 3/4 per cent. Security on individual loans varies and may include mortgages on real property, security agreements and guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Crop Sector Companion Program

The program is a farm safety net package created as a result of a federal-provincial agreement signed in September of 1995. The program was introduced as a transitional safety net feature and provides coverage for the 1995 and 1996 calendar years. It is administered by the federal government with costs of the program shared between the federal government and the Province.

The federal and Provincial governments make contributions into the program fund. These contributions bear interest at 90 per cent of the average of the weekly three-month treasury bill tender rate. Payments are made from the program fund to producers.

##### Production loan program

Production loans were disbursed in 1986 bearing interest at 6 per cent repayable in equal principal instalments over a term of three years. Amounts in arrears are at prime plus 2 per cent. Program amendments allowed borrowers to reschedule their outstanding loans at 9 3/4 per cent to mature in 1997. The loans are secured by promissory notes and, where applicable, guarantees and general security agreements. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Livestock cash advance program

Effective August 1, 1993, clients with livestock cash advances began repaying their loans, bearing interest at prime plus 2 per cent, over a maximum five year period. The loans are secured by promissory notes and, where applicable, by guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Investment loan program

Investment loans bear interest at rates between 8 1/2 per cent and 10 1/2 per cent and are repayable over terms not exceeding twenty-five years. Security on the loans varies and may include mortgages on real property, security agreements and guarantees. The program operates under *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Counselling and Assistance for Farmers program

Effective August 1, 1992, the Government no longer issued new guarantees under this program. Existing guarantees were renewed until March 31, 1995 when the program was terminated. The majority of loans are in default, have judgements obtained on them and bear interest at 5 per cent. The loans are secured by way of an assignment of security from the original lender.

##### Spring seeding loan program

During the 1992 fiscal year, the Government paid out \$48.6 million to honour guarantees on loans granted by financial institutions under this program. The loans assumed by the Government bear interest at prime plus 2 per cent and are secured by promissory notes and, where applicable, by guarantees and general security agreements. The loans are assumed pursuant to *The Agricultural Credit Corporation of Saskatchewan Act*.

##### Student loans

The program operates under the authority of *The Student Assistance and Student Aid Fund Act, 1985*. Loans are interest free for a six-month period following discontinuance of studies or graduation. Interest relief grants, which extend the interest-free period for up to 18 months, are provided to qualified applicants. Interest rates are prescribed by the Minister of Post-Secondary Education and Skills Training. Special incentive loan remission and/or loan forgiveness is granted to all students who meet specific criteria.

A Risk Sharing Student Loans Agreement between the Government and the Royal Bank of Canada was signed March 12, 1996. This Agreement covers loans approved between August 1, 1996 and July 31, 2001. The Government retains responsibility for loan approval. Loans approved are lender-financed, disbursed, managed and collected by the Royal Bank. The Government pays a risk premium of 5% to the Royal Bank when loans become repayable.

##### Housing mortgages and loans

Housing mortgages and loans were provided pursuant to provisions of Section 15 of *The Saskatchewan Housing Corporation Act*. The loans and mortgages are repayable, at various interest rates, over terms not exceeding thirty-five years. Security on the loans and mortgages may include promissory notes or charges against residential property.



# Appendix I

## Government of Saskatchewan Schedules to the Summary Financial Statements

### Schedule 3 - Investment in Government Enterprises

|  | SaskEnergy<br>Incorporated<br>Dec. 31, 1996 | Saskatchewan<br>Power<br>Corporation<br>Dec. 31, 1996 | Saskatchewan<br>Telecom-<br>munications<br>Holding<br>Corporation<br>Dec. 31, 1996 | Saskatchewan<br>Liquor<br>and Gaming<br>Authority<br>Mar. 31, 1997 | Saskatchewan<br>Gaming<br>Corporation<br>Mar. 31, 1997 |
|--|---|---|--|--|--|
| <b>Assets</b>                                      |   |   |  |  |  |
| Cash and temporary investments                     |   |   |  |  |  |
| Due from government organizations.....             | \$  | 47,501  |  | 450,509  |  |
| Other.....   | 1,502                                       | 30,713  | 6,861  | 431  | 4,537  |
| Accounts receivable                                |   |   |  |  |  |
| Due from government organizations.....             |   |   |  | 7,045  | 2,142  |
| Other.....   | 96,454                                      | 125,240   | 100,097  |  |  |
| Inventories.....                                   |   | 1,890   | 5,781  | 11,679   | 52   |
| Prepaid expenses.....                              | 3,970                                       | 83,870  | 30,643   | 1,030  | 154  |
| Long-term investments                              |   |   |  |  |  |
| In the Province .....                              |   | 56,920  | 1,187  |  |  |
| Other.....   |   | 10,927  | 14,095   |  |  |
| Capital property.....                              | 964,804                                     | 2,822,205   | 970,269  | 38,558   | 34,720   |
| Other assets                                       |   |   |  |  |  |
| Due from government organizations.....             |   |   |  | 1,285  | 1,730  |
| Other.....   | 67,028                                      | 152,813   | 34,810   |  |  |
| <b>Total Assets</b>                                | <b>1,133,758</b>                            | <b>3,332,079</b>                                      | <b>1,163,743</b>   | <b>510,537</b>   | <b>43,335</b>  |
| <b>Liabilities</b>                                 |   |   |  |  |  |
| Accounts payable and accrued liabilities           |   |   |  |  |  |
| Due to government organizations.....               | 22,361                                      | 66,249  | 6,778  |  | 5,451  |
| Other.....   | 54,247                                      | 114,473   | 109,912  | 12,038   | 3,714  |
| Dividends payable to government organizations..... | 40,340                                      | 76,587  | 46,200   |  |  |
| Debt   |   |   |  |  |  |
| Owing to government organizations.....             | 719,401                                     | 1,831,758   | 337,243  |  |  |
| Other.....   | 4,816                                       | 279   | 45,482   |  | 34,170   |
| Unearned revenue                                   |   |   |  |  |  |
| Received from government organizations.....        |   |   |  |  |  |
| Other.....   | 55,352                                      | 225,430   | 19,939   |  |  |
| Unpaid insurance claims.....                       |   |   |  |  |  |
| Other liabilities.....                             |   |   | 4,015  | 16,426   |  |
| <b>Total Liabilities</b>                           | <b>896,517</b>                              | <b>2,314,776</b>                                      | <b>569,569</b>   | <b>28,464</b>  | <b>43,335</b>  |
| <b>Net Assets (Liabilities)</b>                    | <b>\$ 237,241</b>                           | <b>1,017,303</b>                                      | <b>594,174</b>   | <b>482,073</b>   | <b>-</b>   |
| <b>Revenue</b>                                     |   |   |  |  |  |
| Revenue from operations.....                       | \$ 383,425                                  | 957,101   | 647,673  | 473,458  | 35,173   |
| Transfers from government organizations.....       | 6,881                                       | 17,652  | 52,568   | 2,500  |  |
| <b>Total Revenue</b>                               | <b>390,306</b>                              | <b>974,753</b>  | <b>700,241</b>   | <b>475,958</b>   | <b>35,173</b>  |
| <b>Expenses</b>                                    |   |   |  |  |  |
| Expenses from operations.....                      | 223,423                                     | 575,383   | 554,349  | 226,928  | 28,909   |
| Transfers to government organizations.....         | 93,541                                      | 260,121   | 60,059   |  | 5,451  |
| <b>Total Expenses</b>                              | <b>316,964</b>                              | <b>835,504</b>  | <b>614,408</b>   | <b>226,928</b>   | <b>34,360</b>  |
| Income (loss) before non-recurring items.....      | 73,342                                      | 139,249   | 85,833   | 249,030  | 813  |
| Non-recurring items.....                           |   |   | (1,833)  |  |  |
| <b>Net Income (Loss) for the Year</b>              | <b>73,342</b>                               | <b>139,249</b>  | <b>84,000</b>  | <b>249,030</b>   | <b>813</b>   |
| Net assets (deficiency) -                          |   |   |  |  |  |
| beginning, as previously reported.....             | 142,082                                     | 294,648   | 306,374  | 233,043  | (755)  |
| Restatement of prior years.....                    | (9,374)                                     |   |  |  | (58)   |
| Dividends to government organizations.....         | (40,340)                                    | (76,587)  | (46,200)   |  |  |
| Reclassification.....                              |   |   |  |  |  |
| Equity advances/share capital.....                 | 71,531                                      | 659,993   | 250,000  |  |  |
| <b>Net Assets (Deficiency) - End of Year</b>       | <b>\$ 237,241</b>                           | <b>1,017,303</b>                                      | <b>594,174</b>   | <b>482,073</b>   | <b>-</b>   |

(See accompanying notes)

\* Adjustments include:

- reclassifying dividends paid by March 31, 1997;
- reversing the write-off of deferred financing costs reported by Saskatchewan Power Corporation;
- reclassifying a prior period adjustment reported by SaskEnergy Incorporated, Saskatchewan Gaming Corporation and Workers' Compensation Board (Saskatchewan);
- removing the net assets of the Saskatchewan Transportation Company and the Saskatchewan Centre of the Arts Fund which have been reclassified as government service organizations; and,
- removing the South Saskatchewan River Irrigation District No. 1 which has been removed from the reporting entity due to legislative changes.

# Appendix I

(thousands of dollars)

| Municipal<br>Financing<br>Corporation of<br>Saskatchewan<br>Dec. 31, 1996 | Saskatchewan<br>Government<br>Insurance<br>Dec. 31, 1996 | Saskatchewan<br>Auto<br>Fund<br>Dec. 31, 1996 | Workers'<br>Compensation<br>Board<br>(Saskatchewan)**<br>Dec. 31, 1996 | Other<br>Government<br>Enterprises | Adjustments *    | Total<br>1997        | Total<br>1996        |
|---|--|---|--|------------------------------------|------------------|----------------------|----------------------|
| 51,381  | 31,395   | 31,164  | 67,171   | 242                                | (175,008)        | \$ 498,010<br>50,389 | \$ 209,426<br>60,230 |
| 3,733   | 31,018   | 16,454  | 20,364   | 323                                |                  | -                    | 4,249                |
|   | 30,449   | 10,366  |  | 35                                 |                  | 402,870<br>19,402    | 371,430<br>22,143    |
|   | 8,367  | 19,261  | 24,488   |                                    |                  | 160,517              | 162,592              |
| 63,430  | 211,377<br>21,172  | 427,267<br>32,716                             | 502,052<br>32,567  | 4<br>206                           |                  | 110,223              | 164,343              |
|   |  |   |  |                                    |                  | 1,229,152            | 1,154,013            |
|   |  |   |  |                                    |                  | 4,917,217            | 4,894,238            |
|   |  |   |  |                                    | 8,478            | -                    | 9,380                |
|   |  |   |  |                                    |                  | 266,144              | 316,912              |
| <b>118,544</b>  | <b>333,778</b>   | <b>537,228</b>                                | <b>646,642</b>   | <b>810</b>                         | <b>(166,530)</b> | <b>7,653,924</b>     | <b>7,368,956</b>     |
| 1,527   | 6,094  | 12,744  | 4,278  |                                    |                  | 125,482              | 117,063              |
| 54  | 12,463<br>11,881   | 8,344   | 17,994   | 1,050                              |                  | 334,289              | 302,472              |
|   |  |   |  |                                    | (175,008)        | -                    | -                    |
| 81,667  |  |   |  |                                    |                  | 2,970,069            | 3,199,651            |
| 6,000   |  |   |  |                                    |                  | 90,747               | 84,306               |
|   |  |   |  |                                    |                  | -                    | 2,585                |
|   | 82,238   | 138,073                                       |  |                                    |                  | 521,032              | 490,522              |
|   | 111,440  | 490,709                                       | 541,630  |                                    |                  | 1,143,779            | 1,075,938            |
|   | 3,559  |   | 44,260   |                                    |                  | 68,260               | 60,463               |
| <b>89,248</b>   | <b>227,675</b>   | <b>649,870</b>                                | <b>608,162</b>   | <b>1,050</b>                       | <b>(175,008)</b> | <b>5,253,658</b>     | <b>5,333,000</b>     |
| <b>29,296</b>   | <b>106,103</b>   | <b>(112,642)</b>                              | <b>38,480</b>  | <b>(240)</b>                       | <b>8,478</b>     | <b>\$ 2,400,266</b>  | <b>\$ 2,035,956</b>  |
| 10,410  | 173,110  | 405,361                                       | 190,061  | 1,834                              |                  | \$ 3,277,606         | \$ 3,192,986         |
|   | 1,185  | 2,825   | 12,295   |                                    |                  | 95,906               | 40,219               |
| <b>10,410</b>   | <b>174,295</b>   | <b>408,186</b>                                | <b>202,356</b>   | <b>1,834</b>                       | <b>-</b>         | <b>3,373,512</b>     | <b>3,233,205</b>     |
| 1,146   | 146,728  | 398,917                                       | 140,484  | 1,808                              | 9,633            | 2,307,708            | 2,215,055            |
| 7,997   | 5,966  | 16,511  | 4,278  |                                    |                  | 453,924              | 460,137              |
| <b>9,143</b>  | <b>152,694</b>   | <b>415,428</b>                                | <b>144,762</b>   | <b>1,808</b>                       | <b>9,633</b>     | <b>2,761,632</b>     | <b>2,675,192</b>     |
| 1,267   | 21,601   | (7,242)                                       | 57,594   | 26                                 | (9,633)          | 611,880              | 558,013              |
|   |  |   | (68,732)   | 308                                |                  | (70,257)             | 1,947                |
| <b>1,267</b>  | <b>21,601</b>  | <b>(7,242)</b>                                | <b>(11,138)</b>  | <b>334</b>                         | <b>(9,633)</b>   | <b>541,623</b>       | <b>559,960</b>       |
| 28,029  | 41,383   | (105,400)                                     | 46,870   | (575)                              | (41,760)         | 943,939              | 835,779              |
|   |  |   | 2,748  |                                    | 6,684            | -                    | -                    |
|   | (11,881)   |   |  |                                    |                  | (175,008)            | (451,800)            |
|   |  |   |  |                                    |                  | 53,180               | -                    |
|   | 55,000   |   |  | 1                                  | 7                | 1,036,532            | 1,092,017            |
| <b>29,296</b>   | <b>106,103</b>   | <b>(112,642)</b>                              | <b>38,480</b>  | <b>(240)</b>                       | <b>8,478</b>     | <b>\$ 2,400,266</b>  | <b>\$ 2,035,956</b>  |

\*\* Net assets are restricted as disclosed in the narrative portion of this schedule on the pages following.

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# Appendix I

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## Government of Saskatchewan Schedules to the Summary Financial Statements

### Schedule 3 (continued) - Investment in Government Enterprises

#### SaskEnergy Incorporated (SaskEnergy)

SaskEnergy's mandate is to promote, transport, store and distribute natural gas.

#### Saskatchewan Power Corporation (SaskPower)

SaskPower's main functions include the generation, purchase, transmission, distribution and sale of electrical energy.

#### Saskatchewan Telecommunications Holding Corporation (SaskTel)

SaskTel markets and supplies a range of voice, data, Internet, text and messaging products, systems and services throughout Saskatchewan. As a member of Stentor, an alliance of Canada's major telecommunications companies, SaskTel is part of the national and global communications network.

#### Saskatchewan Liquor and Gaming Authority (SLGA)

SLGA's main functions are to control the manufacturing and distribution of beverage alcohol throughout the Province, to oversee the licensing of all establishments selling alcohol in the Province, and to maintain the integrity of all licensed gaming while ensuring maximum benefit to Saskatchewan charities.

#### Saskatchewan Gaming Corporation (SGC)

SGC's mandate is to operate and manage casinos in Saskatchewan.

#### Municipal Financing Corporation of Saskatchewan (MFC)

MFC assists municipalities in financing their capital requirements.

#### Saskatchewan Government Insurance (SGI) & Saskatchewan Auto Fund (Auto Fund)

SGI's competitive general insurance business, known as SGI CANADA, offers a comprehensive line of home, tenant, farm, automobile extension, and commercial coverage.

The Auto Fund, the Province's compulsory automobile insurance program, is administered by SGI CANADA on behalf of the Government. Any net assets of the Auto Fund are for the future benefit of Saskatchewan's motoring public and are not used for the payment of dividends to the General Revenue Fund.

#### Workers' Compensation Board (Saskatchewan) (WCB)

WCB's primary function is to provide workers' compensation insurance to Saskatchewan workers and employers. Any net assets of the WCB cannot be used for the payment of dividends to the General Revenue Fund.

#### Other Government Enterprises

Other government enterprises includes the following:

- **Saskatchewan Government Growth Fund Management Corporation (SGGFMC)**  
SGGFMC manages venture capital funds under the federal government's Immigrant Investor Program. The venture capital funds act as a vehicle for foreign investors to invest in Saskatchewan businesses and to facilitate the investor's qualification as a permanent Canadian resident.
- **Saskatchewan Forest Products Corporation (SFPC)**  
SFPC ceased to have active business operations April of 1995, upon the execution of a sales agreement which facilitated the formation of Saskfor MacMillan Limited Partnership, a partnership between the Government and MacMillan Bloedel Limited.

#### Reclassified Government Enterprises

The Saskatchewan Transportation Company and the Saskatchewan Centre of the Arts Fund have been reclassified to government service organizations. The South Saskatchewan River Irrigation District No. 1 has been removed from the Government reporting entity. The prior year's comparative figures have not been restated to conform with the current year's presentation. These reclassifications do not materially affect the financial statements.

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 - Other Investments

|   | Voting<br>Percentages | (thousands of dollars) |                     |
|---|-----------------------|------------------------|---------------------|
|   |                       | 1997                   | 1996                |
| <b>Investments</b>  |                       |                        |                     |
| Bi-Provincial Upgrader, Lloydminster, Saskatchewan*<br>joint venture interest.....                  | 50.0%                 | \$ 200,193             | \$ 204,366          |
| Cameco Corporation*<br>5,423,123 (1996 - 6,043,623) common shares.....                              | 10.3%                 | 114,898                | 126,721             |
| Saskferco Products Inc. *<br>68,449,080 (1996 - 68,449,080) class B common shares.....              | 49.0%                 | 90,361                 | 87,946              |
| HARO Financial Corporation*<br>68,000,000 (1996 - 68,000,000) class B non-voting common shares..... | -                     | 68,000                 | 68,000              |
| Saskfor MacMillan Limited Partnership*<br>partnership interest.....                                 | 50.0%                 | 49,877                 | 43,075              |
| Wascana Energy Inc.*<br>5,842,910 (1996 - 5,842,910) common shares.....                             | 7.4%                  | 47,044                 | 47,044              |
| Meadow Lake Pulp Limited Partnership<br>partnership interest.....                                   | 49.0%                 | (26,775)               | (5,382)             |
| NewGrade Energy Inc.*<br>common shares and debentures.....  | 50.0%                 | (65,903)               | (77,698)            |
| Other share investments - equity basis.....   |                       | 12,788                 | 14,180              |
| Other share investments - cost basis.....   |                       | 6,339                  | 5,752               |
|   |                       | <b>496,822</b>         | <b>514,004</b>      |
| <b>Bonds and Debentures</b>   |                       |                        |                     |
| HARO Financial Corporation*.....  |                       | 353,246                | 352,506             |
| Meadow Lake Pulp Limited Partnership*<br>participating debentures.....                              |                       | 159,107                | 188,431             |
| Other bonds and debentures.....   |                       | 14,739                 | 25,105              |
|   |                       | <b>527,092</b>         | <b>566,042</b>      |
| <b>Loans, Notes and Mortgages Receivable</b>  |                       |                        |                     |
| Cadillac Fairview Corporation Limited.....  |                       | 38,974                 | 39,546              |
| Other loans, notes and mortgages receivable.....  |                       | 44,138                 | 57,175              |
|   |                       | <b>83,112</b>          | <b>96,721</b>       |
| <b>Property Holdings</b>  |                       |                        |                     |
|   |                       | 70,172                 | 60,391              |
| <b>Total Other Investments</b>  |                       | <b>\$ 1,177,198</b>    | <b>\$ 1,237,158</b> |

\*(See accompanying notes)

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## Appendix I

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 (continued) - Other Investments

##### Bi-Provincial Upgrader Joint Venture (Bi-Provincial)

The Government owned a 17.5 per cent equity interest in Bi-Provincial to February 6, 1995, at a cost of \$252.4 million.

On February 7, 1995, the Government purchased 58 per cent of each of the joint venture interests of the Governments of Canada and Alberta in Bi-Provincial for \$43.1 million representing \$14.8 million in equity and \$28.3 million for operating loans outstanding to Canada and Alberta. As a result of this purchase, the Government holds a 50 (1995 - 50) per cent equity interest in the joint venture. In addition, the Government paid \$10.7 million to Husky Oil Operations Ltd. representing its share of operating shortfalls. This investment is accounted for using the equity method.

As at December 31, 1996, the Government's carrying value of Bi-Provincial was \$140.7 million plus \$59.5 million in advances receivable for operating cash shortfall support loans.

##### Cameco Corporation (Cameco)

As at March 31, 1996, the Government owned 6,043,623 voting common shares of Cameco representing an 11.4 per cent interest.

During the year, the Government sold 620,500 shares of its investment in Cameco for net proceeds of \$42.0 million. The government recorded a gain on sale of \$25.3 million.

As at December 31, 1996, the Government owned 5,423,123 voting common shares of Cameco representing a 10.3 per cent interest. These shares are accounted for using the cost method. The Government also holds one Class B share which allows it to exercise special voting rights with respect to the location of Cameco's head office.

##### Saskferco Products Inc. (Saskferco)

The Government owns all of the outstanding Class B common shares of Saskferco representing a 49 (1995 - 49) per cent voting interest. These shares are accounted for using the equity method. The Government has fully funded its obligation to provide initial equity to Saskferco of \$66.4 million. The Government has also advanced \$2.0 million (1995 - \$2.0 million) to fund construction cost overruns through the purchase of Class B shares.

##### HARO Financial Corporation (HARO)

- (i) On December 15, 1992, the Government entered into various agreements with HARO to provide a loan to HARO up to a maximum initial principal amount of \$275.0 million. HARO used the funds to repay a previous loan used to finance the acquisition of an ownership interest in Crown Life Insurance Company (Crown Life). The loan is for an initial five-year term commencing on December 15, 1992, with a maximum of four five-year renewal terms at the option of HARO. Provision is made whereby, under certain conditions, the initial principal amount of the loan may be increased after the first five-year term if no replacement refinancing is secured by HARO. The Government has advanced \$271.7 million to December 31, 1996 (1995 - \$271.0 million).

Payment of principal and interest is subject to available cash flow. Due to the uncertainty of the timing of future cash payments, interest income earned is recorded when payments are received. There were no interest payments made during the year. Total interest owing to the Government at December 31, 1996 was \$81.3 million (1995 - \$64.7 million).

All amounts of principal and interest outstanding are due and payable on December 15, 2017. On that date, any balance of principal and interest outstanding will be converted into a maximum of 94 per cent of HARO equity shares. The Government has a unilateral right, prior to December 31, 2017, to convert no less than 25 per cent of the loan to either HARO non-voting, HARO voting or Crown Life shares. The number of Crown Life shares acquired by the Government may not exceed 94 per cent of the Crown Life shares owned by HARO. Any conversion may be subject to regulatory approval. Security for the loan is 100 per cent of the assets of HARO.

On February 10, 1995, HARO converted all of its 1,250,000 Crown Life third preferred shares for 2,227,381 Crown Life common shares representing a 64.5 per cent ownership of Crown Life.

On October 24, 1995, the Government exercised its right to convert \$68.0 million of the loan into 68,000,000 non-voting, fully participating equity shares of HARO. The Government has a unilateral right to exchange these for common equity shares or 94 per cent of the assets of HARO. Both exchange rights may be subject to regulatory approval. The Government's right to dividends and property of HARO on liquidation is limited to 94 per cent regardless of the number or class of shares owned of HARO. These shares are accounted for using the cost method.

- (ii) On March 22, 1995, the government entered into an irrevocable commitment to lend HARO up to \$150.0 million to purchase

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## Appendix I

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 (continued) - Other Investments

convertible debentures issued by Crown Life. On June 15, 1995, the Government entered into an Additional Loan Agreement with HARO and \$149.5 million was advanced to HARO on July 31, 1995. HARO purchased convertible debentures of Crown Life. The loan is for an initial term commencing July 31, 1995 and ending December 15, 1997 with a maximum of four five-year renewal terms at the option of HARO.

Interest is payable each January 31 and July 31 throughout the term of the Additional Loan and is calculated for each interest period at the average of the 90 day Bankers' Acceptance rate based on the Canadian Interbank Bid Rate plus 1.05 per cent.

Payment of principal and interest is based on 100 per cent of the cash flow received by HARO from Crown Life Debentures. There were no principal payments made during the year. Accrued interest recorded to December 31, 1996 was paid in full on January 31, 1997.

The Government has a unilateral right to exchange the balance owing on the Additional Loan for the Debentures of Crown Life owned by HARO. The security for the Additional Loan consists of all Crown Life Debentures owned by HARO. In the event of a conversion, any securities acquired by HARO become security for the Additional Loan.

#### Wascana Energy Inc.

As at December 31, 1996, the Government owned 5,842,910 (1995 - 5,842,910) voting common shares of Wascana Energy Inc. representing a 7.4 (1995 - 7.4) per cent voting interest. These shares are accounted for using the cost method.

#### Saskfor MacMillan Limited Partnership (SMLP)

The partnership was entered into on April 30, 1995 by CIC Forest Products Limited (CIC FPL) and MacMillan Bloedel Limited. The Government, through CIC FPL, a wholly owned share capital subsidiary of the Government, transferred assets equal to \$40.2 million in exchange for a 50 per cent interest in the partnership.

SMLP was formed to operate an existing plywood mill at Hudson Bay and an existing sawmill at Carrot River. As well, SMLP will design, construct and operate a new oriented strand board mill adjacent to the plywood mill at Hudson Bay. SMLP is accounted for using the equity method.

#### Meadow Lake Pulp Limited Partnership (MLPLP)

The Government has an equity interest in MLPLP and has also entered into various agreements with MLPLP and its agent, Millar Western Pulp (Meadow Lake) Ltd., to assist in the construction of a chemi-thermomechanical pulp mill located near Meadow Lake, Saskatchewan. The total loan commitment is comprised of three distinct loans.

- The Participating Debenture bearing interest at 11.15 per cent calculated on October 31 of each year.
- The Term Loan bearing interest at the Canadian Imperial Bank of Commerce (CIBC) prime rate plus 1/4 per cent, paid monthly.
- The Contingency Loan has an original principal balance of \$7.3 million and bears interest at the CIBC prime interest rate plus 1%, calculated annually. Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

Contemporaneously with the interest calculation on the Participating Debenture, the Government records an equal amount as a separate loan (Interest Loan) to MLPLP. Interest on the Interest Loan, at 11.15%, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and subsequently forming part of the Interest Loan is recorded as deferred interest income due to the uncertainty of the timing of future cash payments. The deferred interest income will be recorded as income when payments are received under the cash availability formula.

Any payments to be made respecting the Participating Debenture, the Contingency Loan and the Interest Loan are subject to MLPLP achieving certain cash flows as specifically defined in the loan agreements. Any payments due to the Government are applied firstly to repay interest and principal outstanding under the Contingency Loan then to the Interest Loan and then to amounts outstanding under the Participating Debenture. Payments towards principal outstanding on the Term Loan are due in two equal payments after MLPLP has fully repaid an external bank loan. The Contingency Loan, Participating Debenture and Term Loan mature in the year 2014. Any Interest Loan balance outstanding on October 31, 2014 shall bear interest at the rate equal to the cost of borrowing for the Province of Saskatchewan on that date until paid in full.

Due to the uncertainty of cash flows from MLPLP, the Government's debentures are shown net of a provision for loan losses of \$30.0 million (1995 - nil).

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## Appendix I

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 4 (continued) - Other Investments

##### **NewGrade Energy Inc. (NewGrade)**

As at December 31, 1996, the Government owned 50 (1995 - 50) per cent of the outstanding voting participating shares of NewGrade and also holds certain promissory notes due from NewGrade. These shares are accounted for using the equity method.

In addition, should there be any operating shortfall at the end of any year, the Government will loan NewGrade up to \$2.0 million, escalated by inflation, in the form of a Subordinated Operations Fee Amount after Consumers Co-operative Refinery Ltd. (CCRL) has provided its \$2.0 million Subordinated Operations Fee Amount. If these loans do not cover all cash shortfalls then the Government will loan NewGrade up to \$4.0 million as a Cash Flow Deficiency Loan on a pro-rata basis with CCRL. If this facility is exhausted, the Government will loan NewGrade the remainder to cover any other operating shortfalls. These loans, if any, will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed \$40 million outstanding at any time.

##### **Market Values**

The market values of the Government's publicly traded investments at March 31, 1997 were as follows (millions of dollars):

|                          |    |       |
|--------------------------|----|-------|
| Cameco .....             | \$ | 287.7 |
| Wascana Energy Inc. .... |    | 118.3 |

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 5 - Accounts Payable and Accrued Liabilities

|   | (thousands of dollars) |                     |
|---|------------------------|---------------------|
|   | 1997                   | 1996<br>(Restated)  |
| Transfers.....  | \$ 375,584             | \$ 362,407          |
| Accrued interest.....                                 | 299,344                | 307,257             |
| Transfers to the federal government.....              | 182,162                | 257,657             |
| Trade.....  | 158,997                | 143,080             |
| Accrued employee benefits.....                        | 124,619                | 110,379             |
| Capital lease obligations (note 11).....              | 57,335                 | 59,585              |
| Public employee benefit plans claims payable.....     | 55,608                 | 48,639              |
| Other.....  | 89,954                 | 89,456              |
| <b>Total Accounts Payable and Accrued Liabilities</b> | <b>\$ 1,343,603</b>    | <b>\$ 1,378,460</b> |

#### Schedule 6 - Other Liabilities

|  | (thousands of dollars) |                   |
|--|------------------------|-------------------|
|  | 1997                   | 1996              |
| <b>Funds held on behalf of government enterprises and others</b> |                        |                   |
| Saskatchewan Liquor and Gaming Authority.....                    | \$ 450,509             | \$ 197,428        |
| Queen's Bench Court Account.....                                 | 6,348                  | 7,296             |
| Public Trustee's Trust Account.....                              | 2,466                  | 3,780             |
| Public Employees' Superannuation Fund.....                       | 2,247                  | 993               |
| Land Titles Registers' Account.....                              | 2,233                  | 1,789             |
| Beef Development Plan.....                                       | 1,848                  | 2,130             |
| Others.....  | 16,495                 | 7,239             |
| Miscellaneous.....   | 2,839                  | 6,381             |
| <b>Total Other Liabilities</b>                                   | <b>\$ 484,985</b>      | <b>\$ 227,036</b> |



## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 7 - Public Debt

|   | (thousands of dollars)  |                          |                      |                      |
|---|-------------------------|--------------------------|----------------------|----------------------|
|   | 1997                    |                          |                      | 1996<br>(Restated)   |
|   | Gross<br>Public<br>Debt | Less<br>Sinking<br>Funds | Public<br>Debt       | Public<br>Debt       |
| <b>Government Service Organizations</b>                               |                         |                          |                      |                      |
| General Revenue Fund *  | \$ 8,294,500            | \$ 197,115               | \$ 8,097,385         | \$ 8,565,554         |
| Crown Investments Corporation of Saskatchewan<br>(non-consolidated)** | 735,034                 | 188,129                  | 546,905              | 779,634              |
| Saskatchewan Housing Corporation                                      | 266,485                 | -                        | 266,485              | 287,304              |
| Agricultural Credit Corporation of Saskatchewan                       | 270,208                 | 59,744                   | 210,464              | 292,756              |
| Saskatchewan Opportunities Corporation                                | 71,766                  | -                        | 71,766               | 57,726               |
| Saskatchewan Water Corporation  | 42,830                  | 1,839                    | 40,991               | 21,348               |
| Saskatchewan Transportation Company                                   | 23,400                  | -                        | 23,400               | -                    |
| Prince Albert District Health Board                                   | 5,475                   | -                        | 5,475                | 5,679                |
| Saskatchewan Development Fund Corporation                             | 1,654                   | -                        | 1,654                | 3,802                |
| Saskatoon District Health Board                                       | 992                     | -                        | 992                  | 1,042                |
| Saskatchewan Crop Insurance Corporation                               | -                       | -                        | -                    | 164,656              |
| <b>Debt of Government Service Organizations***</b>                    | <b>9,712,344</b>        | <b>446,827</b>           | <b>9,265,517</b>     | <b>10,179,501</b>    |
| <b>Government Enterprises</b>   |                         |                          |                      |                      |
| Saskatchewan Power Corporation  | 2,061,440               | 229,403                  | 1,832,037            | 1,952,093            |
| SaskEnergy Incorporated   | 748,465                 | 24,248                   | 724,217              | 747,633              |
| Saskatchewan Telecommunications Holding Corporation                   | 485,696                 | 102,971                  | 382,725              | 445,014              |
| Municipal Financing Corporation of Saskatchewan                       | 87,667                  | -                        | 87,667               | 89,667               |
| Saskatchewan Gaming Corporation                                       | 34,170                  | -                        | 34,170               | 37,000               |
| Saskatchewan Transportation Company                                   | -                       | -                        | -                    | 12,400               |
| Other   | -                       | -                        | -                    | 150                  |
|   | <b>3,417,438</b>        | <b>356,622</b>           | <b>3,060,816</b>     | <b>3,283,957</b>     |
| Net increase to March 31  | 32,446                  | (33,267)                 | 65,713               | 160,595              |
| <b>Debt of Government Enterprises****</b>                             | <b>3,449,884</b>        | <b>323,355</b>           | <b>3,126,529</b>     | <b>3,444,552</b>     |
| <b>Total Public Debt</b>  | <b>\$ 13,162,228</b>    | <b>\$ 770,182</b>        | <b>\$ 12,392,046</b> | <b>\$ 13,624,053</b> |

Debt repayable in foreign currency has been restated in Canadian dollar equivalents.

\* General Revenue Fund debt is shown net of \$3,034.5 million (1996 - \$3,344.4 million) reimbursable from government enterprises and \$1,154.0 million (1996 - \$1,613.2 million) reimbursable from government service organizations.

\*\* Crown Investments Corporation of Saskatchewan (non-consolidated) is shown net of \$0 (1996 - \$13.8 million) reimbursable from government enterprises and \$23.4 million (1996 - \$0) reimbursable from government service organizations.

\*\*\* This amount includes Canada Pension Plan debentures of \$801.9 million (1996 - \$867.1 million) at a weighted average interest rate of 11.71%, ranging from 8.77% to 17.51%. Of this amount, \$69.3 million is payable within one year. These debentures are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada.

\*\*\*\* The debt of government enterprises is as presented in their audited financial statements closest to March 31, 1997. The balance is adjusted for the net change to March 31, 1997. This amount includes Canada Pension Plan debentures of \$720.2 million (1996 - \$720.2 million) at a weighted average interest rate of 10.78%, ranging from 9.04% to 14.06%. These debentures are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada.

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 8 - Sinking Funds

|   | (thousands of dollars) |                   |                  |                     |                   |
|---|------------------------|-------------------|------------------|---------------------|-------------------|
|   | 1996                   | 1997              |                  |                     | Sinking<br>Funds  |
|   | Sinking<br>Funds       | Contributions     | Earnings         | Less<br>Redemptions |                   |
| <b>Government Service Organizations</b>                     |                        |                   |                  |                     |                   |
| General Revenue Fund.....                                   | \$ 141,807             | \$ 40,364         | \$ 14,944        | \$ -                | \$ 197,115        |
| Agricultural Credit Corporation of Saskatchewan.....        | -                      | 59,400            | 344              | -                   | 59,744            |
| Crown Investments Corporation of Saskatchewan.....          | -                      | 187,960           | 169              | -                   | 188,129           |
| Saskatchewan Water Corporation.....                         | 1,482                  | 218               | 139              | -                   | 1,839             |
| <b>Sinking Funds of Government Service Organizations</b>    | <b>143,289</b>         | <b>287,942</b>    | <b>15,596</b>    | <b>-</b>            | <b>446,827</b>    |
| <b>Government Enterprises</b>                               |                        |                   |                  |                     |                   |
| Saskatchewan Power Corporation.....                         | 229,214                | 12,577            | 20,530           | 32,918              | 229,403           |
| SaskEnergy Incorporated.....                                | 18,516                 | 3,729             | 2,003            | -                   | 24,248            |
| Saskatchewan Telecommunications Holding<br>Corporation..... | 106,617                | 3,589             | 9,224            | 16,459              | 102,971           |
|   | 354,347                | 19,895            | 31,757           | 49,377              | 356,622           |
| Increase to March 31.....                                   | 17,701                 | (12)              | (1,214)          | 49,742              | (33,267)          |
| <b>Sinking Funds of Government Enterprises</b>              | <b>372,048</b>         | <b>19,883</b>     | <b>30,543</b>    | <b>99,119</b>       | <b>323,355</b>    |
| <b>Total Sinking Funds</b>                                  | <b>\$ 515,337</b>      | <b>\$ 307,825</b> | <b>\$ 46,139</b> | <b>\$ 99,119</b>    | <b>\$ 770,182</b> |

The market value of sinking funds is \$814.1 million (1996 - \$553.3 million).

At March 31, 1997, Province of Saskatchewan debentures with a carrying value of \$408.6 million (1996 - \$340.8 million) were held by sinking funds.

Sinking fund investments also include securities issued or guaranteed by banks, municipalities, other provincial governments and the governments of Canada and the United States.

The aggregate amount of contributions estimated to be required in each of the next five fiscal years to meet sinking fund requirements are:

| (thousands of dollars) |                   |
|------------------------|-------------------|
| 1997-98.....           | \$ 59,975         |
| 1998-99.....           | 59,253            |
| 1999-2000.....         | 59,253            |
| 2000-01.....           | 59,253            |
| 2001-02.....           | 59,253            |
|                        | <b>\$ 296,987</b> |

# Appendix I

## Government of Saskatchewan Schedules to the Summary Financial Statements

### Schedule 9 - Public Debt by Maturity

(thousands of dollars)

| Year of Maturity                                  | 1997                 |                           |                      | Average Interest Rate | 1996<br>(Restated)   |                       |
|---|----------------------|---------------------------|----------------------|-----------------------|----------------------|-----------------------|
|   | Canadian Dollar Debt | U.S. Dollar Debt (CDN \$) | Total (CDN \$)       |                       | Total (CDN\$)        | Average Interest Rate |
| <b>Government Service Organizations</b>           |                      |                           |                      |                       |                      |                       |
| Short term promissory notes.....                  | \$ 85,600            | \$ -                      | \$ 85,600            | 3.08%                 | \$ 127,586           | 5.27%                 |
| 1996-97.....                                      | -                    | -                         | -                    |                       | 1,071,349            | 8.92%                 |
| 1997-98.....                                      | 673,004              | -                         | 673,004              | 8.79%                 | 675,709              | 8.76%                 |
| 1998-99.....                                      | 1,073,834            | -                         | 1,073,834            | 9.23%                 | 1,048,519            | 9.33%                 |
| 1999-2000.....                                    | 1,235,088            | -                         | 1,235,087            | 8.43%                 | 1,245,961            | 8.43%                 |
| 2000-01.....                                      | 1,303,697            | -                         | 1,303,697            | 10.43%                | 1,302,769            | 10.43%                |
| 2001-02.....                                      | 940,406              | -                         | 940,406              | 8.40%                 | -                    |                       |
| <b>1-5 years</b>                                  | <b>5,311,629</b>     | <b>-</b>                  | <b>5,311,628</b>     |                       | <b>5,471,893</b>     |                       |
| 6-10 years.....                                   | 1,827,220            | -                         | 1,827,220            | 9.14%                 | 2,308,931            | 9.39%                 |
| 11-15 years.....                                  | 472,289              | -                         | 472,289              | 10.14%                | 415,623              | 10.15%                |
| 16-20 years.....                                  | 667,167              | 865,188                   | 1,532,355            | 8.79%                 | 1,566,063            | 8.85%                 |
| 21-25 years.....                                  | 15,132               | 415,290                   | 430,422              | 9.22%                 | 408,960              | 9.21%                 |
| Thereafter.....                                   | -                    | 138,430                   | 138,430              | 8.50%                 | 151,320              | 8.61%                 |
|   | <b>\$ 8,293,437</b>  | <b>\$ 1,418,908</b>       | <b>9,712,344</b>     |                       | <b>10,322,790</b>    |                       |
| Less: Sinking funds                               |                      |                           | (446,827)            |                       | (143,289)            |                       |
| <b>Debt of Government Service Organizations *</b> |                      |                           | <b>9,265,517</b>     |                       | <b>10,179,501</b>    |                       |
| <b>Government Enterprises</b>                     |                      |                           |                      |                       |                      |                       |
| Short term promissory notes.....                  | \$ 74,400            | \$ -                      | \$ 74,400            | 3.08%                 | \$ 128,100           | 5.27%                 |
| 1996-97.....                                      | -                    | -                         | -                    |                       | 190,979              | 11.37%                |
| 1997-98.....                                      | 10,289               | -                         | 10,289               | 6.68%                 | 3,500                | 11.00%                |
| 1998-99.....                                      | 86,461               | -                         | 86,461               | 8.67%                 | 84,424               | 8.65%                 |
| 1999-2000.....                                    | 54,651               | -                         | 54,651               | 9.81%                 | 51,000               | 9.92%                 |
| 2000-01.....                                      | 127,118              | -                         | 127,118              | 11.35%                | 125,653              | 11.48%                |
| 2001-02.....                                      | 12,016               | -                         | 12,016               | 3.66%                 | -                    |                       |
| <b>1-5 years</b>                                  | <b>364,935</b>       | <b>-</b>                  | <b>364,935</b>       |                       | <b>583,656</b>       |                       |
| 6-10 years.....                                   | 1,290,298            | 69,215                    | 1,359,513            | 11.00%                | 1,390,250            | 10.96%                |
| 11-15 years.....                                  | 355,681              | 282,397                   | 638,078              | 8.58%                 | 721,286              | 8.72%                 |
| 16-20 years.....                                  | -                    | 103,823                   | 103,822              | 7.38%                 | 151,128              | 8.06%                 |
| 21-25 years.....                                  | 250,000              | 276,860                   | 526,860              | 9.48%                 | 272,640              | 9.38%                 |
| Thereafter.....                                   | 179,816              | 276,860                   | 456,676              | 8.65%                 | 697,640              | 8.96%                 |
|   | <b>\$ 2,440,730</b>  | <b>\$ 1,009,155</b>       | <b>3,449,884</b>     |                       | <b>3,816,600</b>     |                       |
| Less: Sinking funds                               |                      |                           | (323,355)            |                       | (372,048)            |                       |
| <b>Debt of Government Enterprises *</b>           |                      |                           | <b>3,126,529</b>     |                       | <b>3,444,552</b>     |                       |
| <b>Total Public Debt</b>                          |                      |                           | <b>\$ 12,392,046</b> |                       | <b>\$ 13,624,053</b> |                       |

U.S. dollar debentures have been converted to Canadian (Cdn) dollars at the exchange rate in effect at March 31, 1997.

\* The debt of government service organizations includes Canada Pension Plan debentures of \$801.9 million (1996 - \$867.1 million) at a weighted average interest rate of 11.71%, ranging from 8.77% to 17.51%. Of this amount, \$69.3 million is payable within one year.

The debt of government enterprises includes Canada Pension Plan debentures of \$720.2 million (1996 - \$720.2 million) at a weighted average interest rate of 10.78%, ranging from 9.04% to 14.06%. These debentures are redeemable in whole or in part before maturity, on six months prior notice, at the option of the Minister of Finance of Canada.

Debt includes debentures of \$1,298.0 million (1996 - \$1,129.8 million) redeemable annually at the option of the holder or anytime on the death of the holder. \$124.0 million of this amount is payable within one year.

Included in total public debt are the following amounts:

- debentures totalling 27.5 billion yen (1996 - 22.5 billion) fully hedged to \$305.0 million Cdn (1996 - \$241.3 million).
- debentures totalling 550.0 million U.S. dollars (1996 - 550.0 million) fully hedged to \$744.9 million Cdn (1996 - \$744.9 million).
- debentures totalling 900.0 million Deutschmarks (1996 - 900.0 million) fully hedged to \$616.6 million Cdn (1996 - \$616.6 million).
- debentures totalling 650.0 million Swiss francs (1996 - 650.0 million) fully hedged to \$478.9 million Cdn (1996 - \$478.9 million).

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 10 - Guaranteed Debt

|  | (thousands of dollars) |                   |
|--|------------------------|-------------------|
|  | 1997                   | 1996              |
| The Industry and Commerce Development Act                        |                        |                   |
| Saskferco Products Inc. *.....                                   | \$ 236,662             | \$ 292,543        |
| The NewGrade Energy Inc. Act                                     |                        |                   |
| NewGrade Energy Inc. *.....                                      | 196,867                | 212,287           |
| Crown Investments Corporation of Saskatchewan (non-consolidated) |                        |                   |
| NewGrade Energy Inc. *.....                                      | 150,383                | 164,543           |
| IPSCO Inc. *.....  | 48,423                 | 52,100            |
| The Saskatchewan Housing Corporation Act                         |                        |                   |
| Home improvement loan program *.....                             | 35,912                 | 71,598            |
| Mortgage guarantee program *.....                                | 14,956                 | 17,635            |
| The Power Corporation Act  |                        |                   |
| Manalta Coal *.....  | 32,685                 | 34,202            |
| National Trust Company *.....                                    | 18,626                 | 19,983            |
| The Farm Financial Stability Act                                 |                        |                   |
| The Breeder associations loan guarantees.....                    | 21,002                 | 19,126            |
| The Feeder associations loan guarantees.....                     | 18,941                 | 26,841            |
| Other *.....   | 17,241                 | 21,575            |
| <b>Total Guaranteed Debt</b>                                     | <b>\$ 791,698</b>      | <b>\$ 932,433</b> |

Total guaranteed debt is net of a loss provision of \$4.6 million (1996 - \$6.1 million).

In addition to the amount shown, there is a contingent liability for interest accrued on these items.

\* (see accompanying notes)

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## Appendix I

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### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 10 (continued) - Guaranteed Debt

##### Saskferco Products Inc.

The Government has guaranteed certain medium term notes issued by Saskferco to finance the construction of a nitrogen based fertilizer plant located near Belle Plain.

This guarantee pertains to debt denominated in U.S. dollars. Thus, the amount of the guarantee is influenced by changes in the value of the U.S. dollar relative to the Canadian dollar.

##### NewGrade Energy Inc. (NewGrade)

The Government has indemnified the Government of Canada for its guarantee of NewGrade's long term debt, to a maximum of \$275 million. At March 31, 1997, the Government's guarantee is \$150.4 million (1996 - \$164.5 million).

The Government has also guaranteed certain long term debt of NewGrade to a maximum of \$360 million. A significant portion of this guarantee relates to U.S. denominated debt. Thus, the amount of the guarantee is influenced by changes in the value of the U.S. dollar relative to the Canadian dollar. At March 31, 1997, the Government's guarantee is \$196.9 million (1996 - \$212.3 million).

##### IPSCO Inc. (IPSCO)

The Government has unconditionally guaranteed payment of indebtedness incurred by IPSCO under the terms of an operating lease which expires in 2007. The Government's liability under the guarantee is limited to \$65.0 million.

##### Home Improvement Loan Program

From 1986 to 1990, the Government provided loan guarantees to lenders pursuant to the Home Improvement Loan Program. Loans are guaranteed to a maximum of \$10 thousand and are amortized over periods not exceeding ten years.

Losses on individual loan guarantees are provided for on the basis of claims submitted by lenders to the Government. Subsequent cash recoveries from borrowers are recorded as other revenue.

##### Saskatchewan Mortgage Guarantee Program

During 1986 and 1987, the Government provided mortgage guarantees to lenders financing certain new housing construction.

Losses on individual mortgage guarantees are provided for on the basis of claims received and mortgage arrears as reported to the Government by lenders.

##### Manalta Coal

The Government has guaranteed a \$45 million promissory note issued by Manalta to finance the purchase of a dragline from Saskatchewan Power Corporation. The note is due in 2003. The amount recorded is net of \$12.3 million (1996 - \$10.8 million) for Manalta's equity in a sinking fund administered by the Minister of Finance.

##### National Trust Company

The Government is contingently liable for payments on certain leased mining equipment, which was assumed by the purchaser of a mining operation. The lease expires in 2004.

##### Other

Other includes guarantees under \$10 million.

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 11 - Revenue

|  | (thousands of dollars) |                     |
|--|------------------------|---------------------|
|  | 1997                   | 1996<br>(Restated)  |
| <b>Taxation</b>                              |                        |                     |
| Corporation capital.....                     | \$ 242,304             | \$ 221,169          |
| Corporation income.....                      | 231,620                | 237,830             |
| Fuel.....                                    | 365,452                | 340,729             |
| Individual income.....                       | 1,277,191              | 1,111,444           |
| Sales.....                                   | 840,962                | 778,970             |
| Tobacco.....                                 | 116,869                | 114,181             |
| Other.....                                   | 50,970                 | 49,564              |
|  | <b>3,125,368</b>       | <b>2,853,887</b>    |
| <b>Transfers from the federal government</b> |                        |                     |
| Canada Health and Social Transfer*.....      | 485,860                | -                   |
| Canada Assistance Plan*.....                 | -                      | 249,463             |
| Crop insurance premium contributions.....    | 48,765                 | 44,994              |
| Equalization.....                            | 175,915                | 215,469             |
| Established Programs Financing*.....         | -                      | 380,704             |
| Housing subsidy.....                         | 20,229                 | 11,492              |
| Other.....                                   | 121,866                | 143,571             |
|  | <b>852,635</b>         | <b>1,045,693</b>    |
| <b>Non-renewable resources</b>               |                        |                     |
| Coal.....                                    | 15,088                 | 15,170              |
| Natural gas.....                             | 53,017                 | 41,337              |
| Oil.....                                     | 690,720                | 447,343             |
| Potash.....                                  | 87,617                 | 122,282             |
| Uranium.....                                 | 57,946                 | 44,717              |
| Water.....                                   | 19,470                 | 18,516              |
| Other.....                                   | 3,256                  | 2,485               |
|  | <b>927,114</b>         | <b>691,850</b>      |
| <b>Gain on sale of Cameco shares</b>         |                        |                     |
|  | <b>25,259</b>          | <b>490,222</b>      |
| <b>Other</b>                                 |                        |                     |
| Equity investments.....                      | 34,163                 | 11,143              |
| Other interest and investments.....          | 105,304                | 137,954             |
| Fees/permits/licences.....                   | 314,980                | 294,850             |
| Insurance.....                               | 120,538                | 105,767             |
| Miscellaneous.....                           | 176,050                | 200,748             |
|  | <b>751,035</b>         | <b>750,462</b>      |
| <b>Total Revenue</b>                         | <b>\$ 5,681,411</b>    | <b>\$ 5,832,114</b> |

\* The Federal Government replaced the Canada Assistance Plan and the Established Programs Financing with the Canada Health and Social Transfer in 1996-97.

## Appendix I

### Government of Saskatchewan Schedules to the Summary Financial Statements

#### Schedule 12 - Gains and Losses on Loans and Investments

|  | (thousands of dollars) |                   |
|--|------------------------|-------------------|
|  | 1997                   | 1996              |
| Gain on sale of Cameco shares.....         | \$ 25,259              | \$ 490,222        |
| Earnings (losses) from equity investments  |                        |                   |
| Saskferco Products Inc.....                | 31,209                 | 22,939            |
| NewGrade Energy Inc.....                   | 11,795                 | (56,363)          |
| Saskfor MacMillan Limited Partnership..... | 8,312                  | 2,875             |
| Cameco.....                                | 4,900                  | 30,141            |
| Bi-Provincial Upgrader.....                | 1,978                  | (18,846)          |
| Meadow Lake Pulp Limited Partnership.....  | (22,801)               | 29,624            |
| Other.....                                 | (1,230)                | 773               |
| <b>Net Gain on Loans and Investments</b>   | <b>\$ 59,422</b>       | <b>\$ 501,365</b> |

#### Schedule 13 - Net Change in Non-cash Operating Activities

|  | (thousands of dollars) |                     |
|--|------------------------|---------------------|
|  | 1997                   | 1996                |
| Decrease (increase) in prepaid expenses.....                         | \$ (850)               | \$ 8,322            |
| Decrease (increase) in accounts receivable.....                      | 401,994                | (99,235)            |
| Decrease (increase) in inventories held for resale.....              | (2,077)                | (2,858)             |
| Decrease (increase) in deferred charges.....                         | 9,197                  | 8,288               |
| Decrease (increase) in loans receivable.....                         | 100,441                | (3,747)             |
| Increase (decrease) in accounts payable and accrued liabilities..... | (34,857)               | (478,250)           |
| Increase (decrease) in unearned revenue.....                         | 10,499                 | (785)               |
| <b>Net Change in Non-cash Operating Activities</b>                   | <b>\$ 484,347</b>      | <b>\$ (568,265)</b> |

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# Appendix I

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## Government of Saskatchewan Schedules to the Summary Financial Statements

### Schedule 14 - Reporting Entity

#### Government Service Organizations (Consolidated)

|   |  |
|---|--|
| Agricultural Credit Corporation of Saskatchewan                     | Resource Protection and Development Revolving Fund                     |
| Agricultural Implements Board                                       | Saskatchewan Archives Board  |
| Agri-Food Innovation Fund   | Saskatchewan Arts Board  |
| Associated Entities Fund  | Saskatchewan Cancer Foundation   |
| Board of Governors, Uranium City Hospital                           | Saskatchewan Centre of the Arts Fund                                   |
| Carlton Trail Regional College                                      | Saskatchewan Communications Network Corporation                        |
| Cattle Marketing Deductions Fund                                    | Saskatchewan Crop Insurance Corporation                                |
| CIC Industrial Interests Inc.                                       | Saskatchewan Development Fund Corporation                              |
| CIC Mineral Interests Corporation                                   | Saskatchewan Energy Conservation and Development Authority             |
| Commercial Revolving Fund   | Saskatchewan Grain Car Corporation                                     |
| Conservation and Development Revolving Fund                         | Saskatchewan Heritage Foundation                                       |
| Correctional Facilities Industries Revolving Fund                   | Saskatchewan Housing Corporation                                       |
| Correspondence School Revolving Fund                                | Saskatchewan Indian Regional College                                   |
| Crop Reinsurance Fund of Saskatchewan                               | Saskatchewan Institute of Applied Science and Technology               |
| Crown Investments Corporation of Saskatchewan<br>(non-consolidated) | Saskatchewan Legal Aid Commission                                      |
| Cumberland Regional College   | Saskatchewan Lotteries Trust Fund For Sport, Culture and<br>Recreation |
| Cypress Hills Regional College                                      | Saskatchewan Opportunities Corporation                                 |
| Extended Health Care Plan   | Saskatchewan Property Management Corporation                           |
| Extended Health Care Plan for Certain Other Employees               | Saskatchewan Research Council  |
| Fish and Wildlife Development Fund                                  | Saskatchewan Student Aid Fund  |
| General Revenue Fund  | Saskatchewan Transportation Company                                    |
| Health Services Utilization and Research Commission                 | Saskatchewan Water Corporation   |
| Highways Revolving Fund   | Saskatchewan Western Development Museum                                |
| Impounded Cattle Fund   | Saskatchewan Wetland Conservation Corporation                          |
| La Ronge Hospital Board   | Saskatoon District Health Board  |
| Law Reform Commission of Saskatchewan                               | Southeast Regional College   |
| Learning Resources Distribution Centre Revolving Fund               | St. Louis Alcoholism Rehabilitation Centre                             |
| Livestock Services Revolving Fund                                   | Transportation Partnerships Corporation                                |
| Milk Control Board  | Victims' Fund  |
| New Careers Corporation   | Water Appeal Board   |
| North West Regional College   |  |
| Northern Revenue Sharing Trust Account                              | <b>Government Enterprises (Modified Equity Method)</b>                 |
| Northlands College  | Municipal Financing Corporation of Saskatchewan                        |
| Oil and Gas Environmental Fund                                      | Saskatchewan Auto Fund   |
| Parkland Regional College   | SaskEnergy Incorporated  |
| Prairie Agricultural Machinery Institute                            | Saskatchewan Forest Products Corporation                               |
| Prairie West Regional College                                       | Saskatchewan Gaming Corporation  |
| Prince Albert District Health Board                                 | Saskatchewan Government Growth Fund Management<br>Corporation          |
| Public Employees Benefits Agency Revolving Fund                     | Saskatchewan Government Insurance                                      |
| Public Employees Dental Fund  | Saskatchewan Liquor and Gaming Authority                               |
| Public Employees Disability Income Fund                             | Saskatchewan Power Corporation   |
| Public Employees Group Life Insurance Fund                          | Saskatchewan Telecommunications Holding Corporation                    |
| Queen's Printer Revolving Fund                                      | Workers' Compensation Board (Saskatchewan)                             |
| Regina District Health Board  |  |