



SASKATCHEWAN

# Provincial Auditor Saskatchewan

*Understanding the Finances of the Government*

**1998 Fall Report  
Volume 1**





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### **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.

### **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.



SASKATCHEWAN

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September 23, 1998

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

Dear Sir:

I have the honour of submitting my *1998 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

/dd

## Foreword

I am pleased to present my *1998 Fall Report - Volume 1* to the Legislative Assembly. This Report focuses on 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 March 31, 1998.

Regina, Saskatchewan  
September 23, 1998

*Wayne Streliaff*

Wayne Streliaff, CA  
Provincial Auditor

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## Executive summary

As the Provincial Auditor of Saskatchewan, I am often asked whether the Government's finances are gaining strength or are weakening, and why. In this Report, I set out some of the financial and economic information I think will help legislators, government officials and the public answer this question.

I think the Government's finances are improving because the economy of Saskatchewan has grown and because, during each of the past four years, the Government has spent less than it raised in revenues.

However, I also think the Government's finances are still fragile because its accumulated deficit and revenue demands are large when compared to the size of Saskatchewan's economy, and because the economy of Saskatchewan is particularly vulnerable to changes in such factors as commodity prices, interest rates, foreign exchange rates, and the weather.

Today, there is considerable discussion taking place about the vulnerability of Saskatchewan to economic changes occurring throughout the world. Such discussion would benefit significantly from a clear understanding of the Government's finances, its plans and its performance.

Currently, the Government does not publish overall planning or performance information for the entire government. I recommend that the Government do so. The issues faced by Saskatchewan are far too important and complex to be considered in the context of incomplete planning and performance information. Our decision makers and the public require the best and most complete information.

## Glossary

**Annual surplus or deficit** - is the difference between a government's revenues and expenditures. This measure shows the extent to which revenues raised in the year were sufficient to meet expenditures in that year.

**Accumulated deficit** – is the total of all annual government surpluses and deficits. This deficit is equal to the difference between a government's total debt and its total financial assets.

**Debt** – is the amount owed by a government. A government's debt include bonds and debentures, pension obligations, and a variety of other payables and claims.

**Gross domestic product** – is a measure of the value of the goods and services produced in a jurisdiction in one year.

**Own source revenues** – are those revenues raised by a provincial government from sources within the province and, thus, exclude revenues transferred to a provincial government from the federal government.

## Key financial and economic indicators for Saskatchewan

(in \$millions)

	1991	1992	1993	1994	1995	1996	1997	1998
Annual Surplus (Deficit)	(740)	(1,670)	(846)	(253)	184	574	557	367
Accumulated Deficit	7,885	9,555	10,401	10,654	10,470	9,896	9,339	8,972
Gross Domestic Product (GDP)	20,802	20,956	21,333	22,774	24,623	25,758	28,057	28,496

(in percentages)

	1991	1992	1993	1994	1995	1996	1997	1998
Accumulated Deficit as a % of GDP	38%	46%	49%	47%	43%	38%	33%	31%
Debt Costs as a % of Total Revenues	19%	19%	21%	20%	19%	18%	17%	16%
Federal Government Transfers as a % of own source revenues	28%	29%	23%	23%	21%	13%	10%	8%
Own source revenue as a % of GDP	28%	28%	29%	29%	30%	31%	29%	29%



## Introduction

As the Provincial Auditor of Saskatchewan, I am often asked about the state of the Saskatchewan Government's finances. Legislators, government officials and the public want to know whether the Government's finances are gaining strength or weakening, and why. Also, many want to know where they can obtain the information required to help them make their own assessment.

Today, a sound understanding of the Government's finances is particularly important because of the changes taking place in economies outside Saskatchewan and Canada. Those changes, for example, decreasing commodity prices, affect the Saskatchewan economy and, thus, the state of finances of the Saskatchewan Government.

In this Report, I set out some of the financial and economic information that should help Saskatchewan people understand and assess the state of the Government's finances. Once again, I continue to encourage the Government to publish better planning and performance information.

A sound understanding of the Government's finances is an important ingredient to an informed debate about the issues faced by the Government. Those issues pertain to the affordability of programs and services, the best sources of revenue, and the maintenance of Saskatchewan's infrastructure of roads, dams, buildings, energy and telecommunication systems.

The information in this Report is derived from the Government's statistical reports and from its summary financial statements contained in Volume 1 of the 1997-98 Public Accounts (a copy of those statements is set out in Appendix 3 to this Report). The information is not adjusted for inflation.

In this Report, I focus on the status of several financial and economic indicators for the years 1991 to 1998. Prior to 1991, such information was not available because the Government did not publish its summary financial statements.

## The Government's finances

The Government's finances continue to improve but remain fragile. The Government's finances continue to improve because the economy of Saskatchewan has grown and because, during each of the past four years, the Government has spent less than it raised in revenues.

The Government's finances remain fragile because the Government's accumulated deficit and revenue demands are large when compared to the size of Saskatchewan's economy, and because Saskatchewan's economy is particularly vulnerable to changes in such factors as commodity prices, interest rates, foreign exchange rates, and the weather.

At the date of this Report, there is considerable discussion taking place about the vulnerability of Saskatchewan's economy to changes occurring throughout the world. Such discussion would benefit significantly from a clear understanding of the Government's finances, its plans and its performance.

## Planning and performance information

Currently, the Government does not publish complete financial planning or performance information. I think it should.

The financial planning and performance information now published by the Government focuses on an incomplete picture of its finances as set out in one government fund called the General Revenue Fund. That picture is not complete because about 40% of government activity takes place outside that Fund. Moreover, the information that is presented in that Fund can be changed by arbitrary decisions about which revenues or expenditures to record in the Fund and in which year.

For several years, I have recommended that the Government base its financial plans and performance reports on a complete financial framework. The issues and decisions faced by Saskatchewan are far too important and complex to be considered in the context of incomplete planning and performance information. The Government should not focus its planning, management and reporting on an incomplete picture of its finances.

## Key indicators of the state of a government's finances

Governments should publish financial and economic information to help people assess:

- ◆ The ability of a government to meet its existing program commitments and creditor requirements without increasing its accumulated deficit – **sustainability**
- ◆ The degree to which a government can increase financial resources to respond to rising commitments either by expanding its revenues or by increasing its accumulated deficit – **flexibility**
- ◆ The degree to which a government becomes dependent and, thus, vulnerable to sources of funding outside of its control or influence – **vulnerability**

There are several financial and economic indicators that can help people make these assessments. The trends in these indicators provide insight into the state of a government's finances (the Research Report, *Indicators of Government Financial Condition*, published by The Canadian Institute of Chartered Accountants describes these indicators).

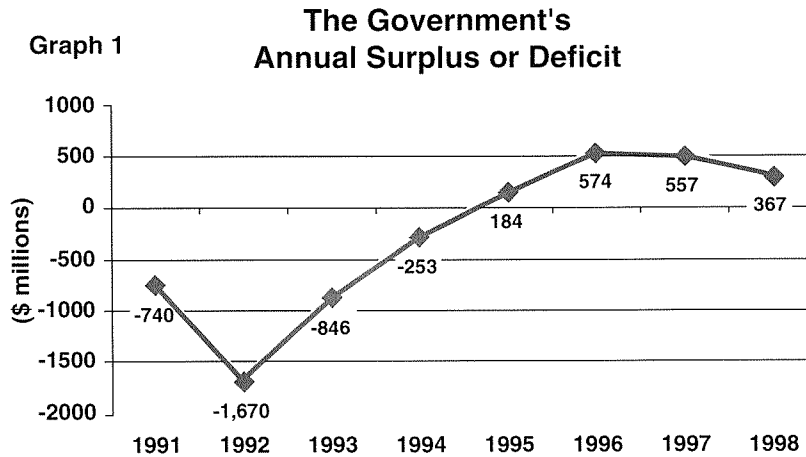
In the next few pages, I set out these indicators in the Saskatchewan context. Each indicator can and should be analysed in detail, combined with other information, and monitored over time. The Government should include such an analysis in an annual performance report. Publishing an annual performance report also provides the Government with the opportunity to set out its thinking on the underlying issues, the status of its key performance indicators, and its plans for the future.

## The Government's deficit and Saskatchewan's gross domestic product

A government's annual surplus or deficit, its accumulated deficit and a province's gross domestic product (GDP) are important indicators of the state of a government's finances. Each of these indicators provides useful insights into the **sustainability** of a government's revenue raising and spending practices.

Understanding the Finances of the Government

The annual surplus or deficit shows the extent to which a government spends more than what it raises in revenues in one fiscal year. During the past eight years, the size of the Saskatchewan Government's annual deficit or surplus has changed significantly. For example, in 1992, the Government spent nearly \$1.7 billion **more than** its revenues. On the other hand, in 1996, the Government spent over \$500 million **less than** its revenues – a swing of \$2.2 billion in four years (see Graph 1).



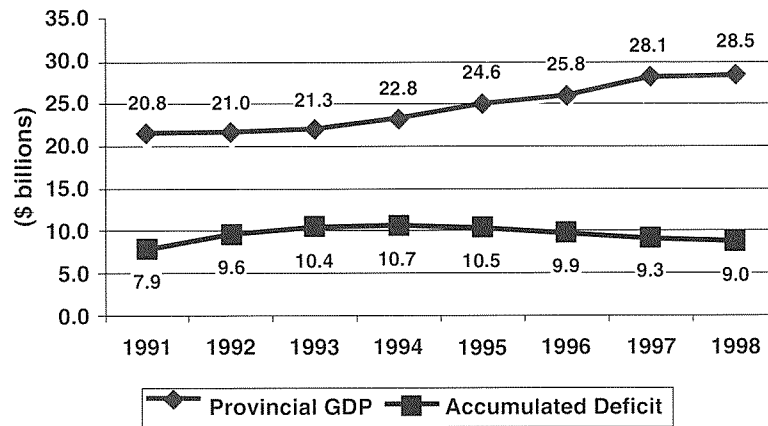
The accumulated deficit is the sum of all annual deficits and surpluses. The Saskatchewan Government's accumulated deficit is the amount that current and past generations of Saskatchewan citizens are leaving to future generations of citizens to pay or finance.

At March 31, 1998, the accumulated deficit was nearly \$9 billion (see Graph 2).

The Province's gross domestic product (GDP) is a measure of the value of the goods and services produced in Saskatchewan in one year. The GDP reflects the size of the Provincial economy. Each government must manage its revenue raising and spending practices in the context of the economy of Saskatchewan.

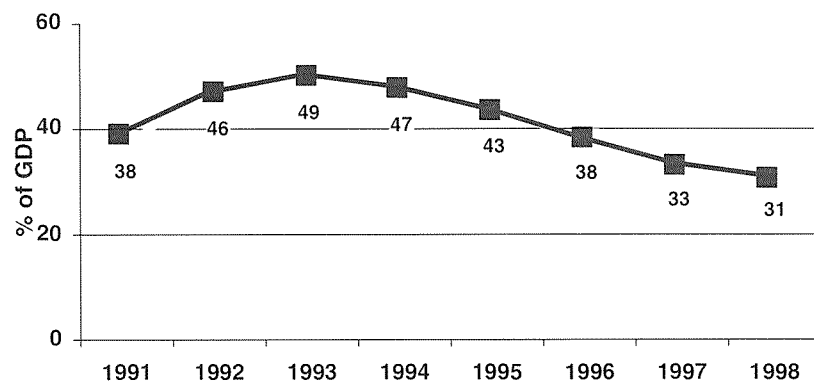
In 1998, the GDP of Saskatchewan was \$28.5 billion (see Graph 2).

Graph 2 The Government's Accumulated Deficit and the Province's GDP



By comparing the Government's accumulated deficit to the Province's GDP, the financial demands placed on the economy by the Government's spending and revenue raising practices can be assessed (see Graph 3).

Graph 3 The Government's Accumulated Deficit as a % of GDP



In Saskatchewan, this comparison shows that from 1991 to 1993 the trend in the Government's spending and revenue raising practices was **not sustainable**. If that upward trend had continued, the Saskatchewan economy would not have been able to meet the financing needs of a growing accumulated deficit. During these years, the credit rating of the Government was lowered. The Government had access to fewer sources of borrowings, paid high interest costs, and received large equalization payments from the rest of Canada through the Federal Government.

Since 1995, the Province's economy has grown and the Government began to spend less than it raised in revenues. As a result, the accumulated deficit as a percentage of GDP decreased. This downward trend suggests the economy is better able to sustain the demands placed on it by the Government. Since 1995, the credit rating of the Government has been raised. The Government now has more sources of borrowing, pays lower interest costs, and receives smaller equalization payments.

### The Government's debt and interest costs

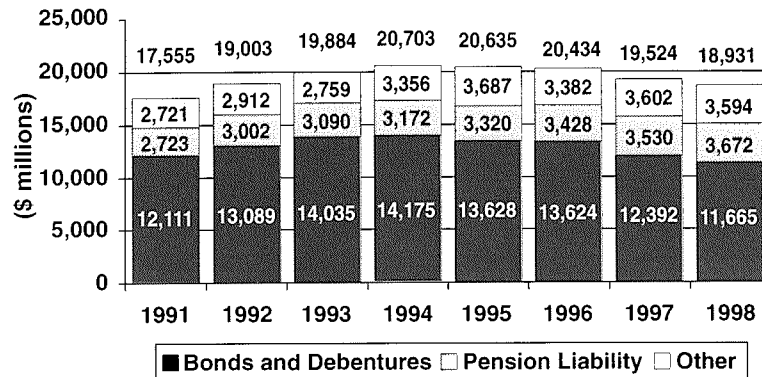
A government's total debt and its interest costs are also important indicators of the state of its finances. These indicators provide insight into a government's flexibility in responding to rising commitments. When a government has large debts and interest costs, it has fewer resources to allocate to programs and services.

Government debt is largely made up of bonds and debentures and unfunded pensions, together with a variety of other liabilities.

- ◆ Bonds and debentures are funds borrowed primarily from external markets
- ◆ Pension liabilities are obligations owed to current and past employees and teachers, for which money has not been set aside
- ◆ Other liabilities include trade accounts payable, accrued interest, and unpaid claims for government insurance and workers' compensation programs

Since 1995, the Government's total debt has decreased. However, this decrease has consisted of two key components. While bonds and debentures **decreased** \$2.5 billion from (\$14.2 billion to \$11.7 billion), pension liabilities **increased** nearly \$500 million (from \$3.2 billion to \$3.7 billion) - see Graph 4.

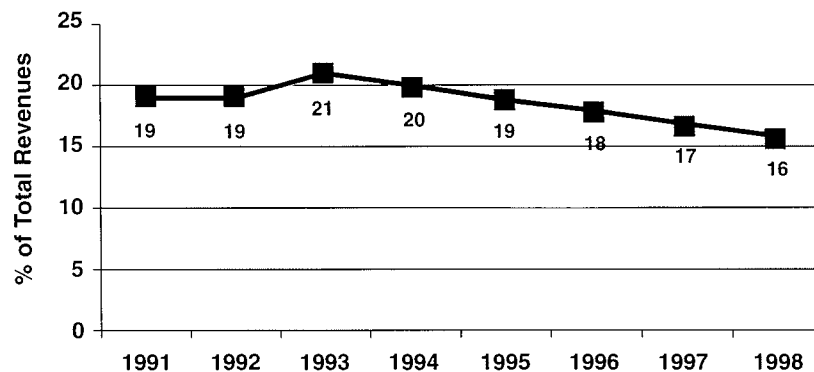
**Graph 4 The Government's Liabilities (Debt) as at March 31**



The Government incurs interest costs on its debt. The money to pay interest costs is raised by levying general taxes or by charging directly for services, e.g., utility rates. In 1998, the Government's interest costs were nearly \$1.5 billion. To put that \$1.5 billion in perspective, in the same year the Government spent \$1.8 billion on health programs and services.

The trend in interest costs as a percentage of total revenues, sometimes called the "interest bite", is an important indicator of the state of a government's finances. This indicator shows the extent to which government revenue must be used to pay interest costs rather than to pay for programs and services. In 1998, sixteen cents of every dollar of revenue was needed to pay for the costs of debt (see Graph 5).

**Graph 5 The Government's Debt Costs as a % of Total Revenue**



Because the Government's finances have improved since 1995, it can now use more of its revenues to pay for programs and services, and use less of its revenues to pay for the interest costs of debt.

## Transfers from the Federal Government

The Saskatchewan Government raises revenue from two general sources. The first revenue source is from within the Province. This source is called "own source revenue". The second source of revenue is transfers from the Federal Government.

A significant portion of the Saskatchewan Government's revenue consists of transfers from the Federal Government. These revenue transfers are intended to help pay for the costs of such programs as health, education, social services and agriculture. In addition, the Saskatchewan Government receives equalization transfers from the Federal Government to the extent the Saskatchewan economy performs at a rate less than the average economy of other provinces.

An important indicator of the state of the Saskatchewan Government's finances is the extent to which it raises its own revenue from within the Province (own source revenues) as compared to the extent to which it receives revenue transfers from the Federal Government. This indicator provides a valuable insight into the Saskatchewan Government's vulnerability to sources of funding outside of its control.

During the 1990's, revenue transfers from the Federal Government have decreased significantly as a percentage of the revenues raised directly by the Saskatchewan Government from sources within the Province (see Graph 6).

For example, during the 1990's,

- ◆ Federal Government transfers for equalization decreased from over \$650 million to less than \$10 million, and
- ◆ Federal Government transfers for agricultural support programs decreased from nearly \$400 million to just over \$50 million

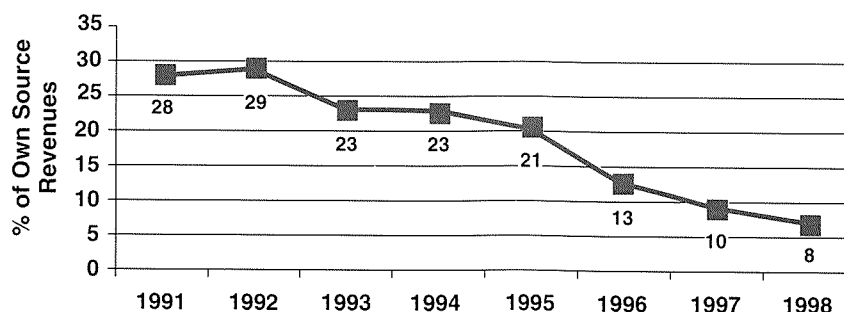
On the other hand, revenues raised directly by the Saskatchewan Government from sources within the Province have increased significantly.



For example, during the 1990's,

- ◆ Taxation revenue has increased from less than \$2 billion to more than \$3 billion,
- ◆ Natural resource revenue has increased from just over \$400 million to over \$800 million, and
- ◆ Revenues raised by the Government's enterprise Crown corporations increased from \$2.5 billion to \$3.4 billion.

Graph 6 **Federal Government Transfers as a % of Saskatchewan Government Own Source Revenues**



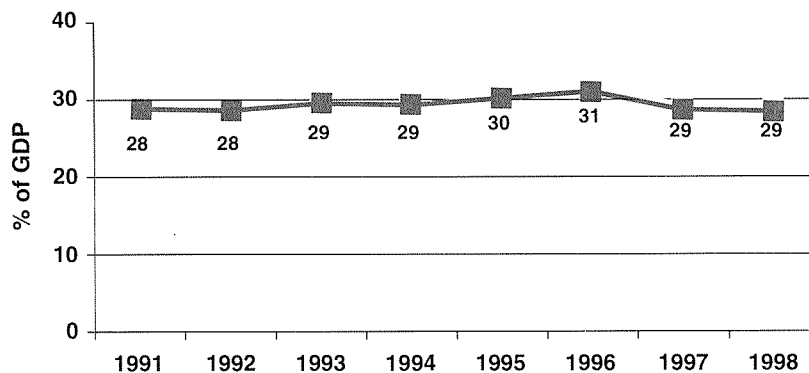
The Saskatchewan Government is becoming less dependent on, or less vulnerable to, sources of funding outside of its control. The Government has increased its revenues from sources within the Province to offset the decrease in revenue transfers from the Federal Government.

More detailed information on trends in the Government's revenues and expenditures is set out in Appendix 2 of this Report.

## The Government's own source revenues

Another important indicator of the state of a government's finances is shown by comparing the change in a government's "own source revenues" to the change in the economy (see Graph 7).

Graph 7 **The Government's Own Source Revenues as a % of GDP**



During the 1990's, the revenues raised by the Saskatchewan Government from sources within the Province have grown slightly faster than the Province's economy. In 1996, the increase in the Government's revenues includes a gain of over \$600 million on the sale of investments. Although the Government has improved its finances, it continues to place significant revenue demands on the Province's economy.

## The Government's performance

In addition to questions about the state of the Government's finances, I am often asked whether the Government is managing our resources in the best possible manner. This is a very difficult question because the answer involves important policy issues related to the role of government and whether individual programs are worthwhile. Such issues are best left to debate among legislators and the public.

However, I do think the Government needs to publish better planning and performance information to help legislators, government officials and the public debate the best use of the public resources available to government.

As I state in this Report, the financial planning and performance information now published by the Government focuses on an incomplete

picture of its finances as set out in one government fund called the General Revenue Fund.

Research suggests that overall plans and performance reports would improve decision making. In particular, such plans and performance reports would encourage development of clear objectives, targets and performance indicators. This could create additional opportunities for various parts of the Government to coordinate their work and resources.

Public plans and reports contribute to informed debate by enabling more widespread understanding of the Government's intentions. Public plans and reports also provide an opportunity for the Government to demonstrate how it has achieved its objectives or, if it has not, to explain what it has achieved and why.

With such information, legislators and the public can then better assess the Government's performance and whether it is managing our resources in the best possible manner.

1. I recommend that Cabinet improve its published overall plan by showing clearly the broad direction of the entire Government from both a financial and operational perspective.
2. I recommend that Cabinet prepare and publish better performance reports for the entire Government that show its progress (both financial and operational) toward achieving the goals set out in its overall plan.

In my previous Reports to the Legislative Assembly, I explain in more detail why I recommend that the Government publish more useful planning and performance information (see Volume 1 of my 1997 Fall Report).

## Appendix 1 - Frequently asked questions

As the Provincial Auditor of Saskatchewan, I am often asked specific questions about the Government's finances. In this Appendix, I set out my responses to several of those questions.

1. Is the Government making the best use of the public's resources?

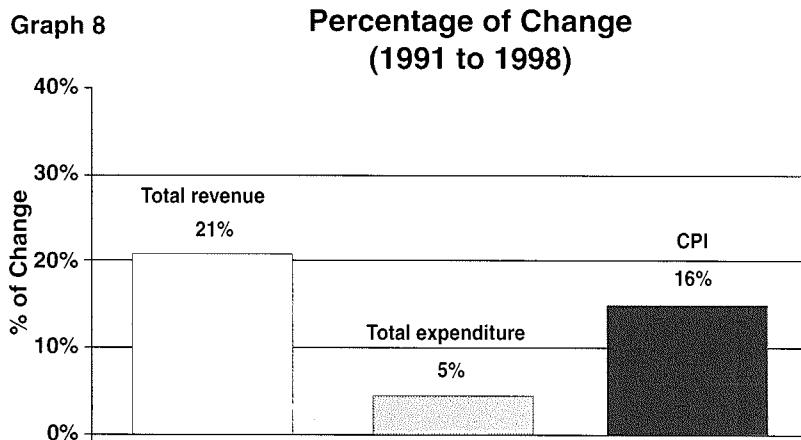
This is a question that involves important policy issues best left to informed legislative – and public – debate. However, the Government could do more to foster that debate by publishing overall planning and performance information for the entire Government, and by publishing a comparison of planned and actual results.

2. How does the state of finances of the Saskatchewan Government compare to other governments?

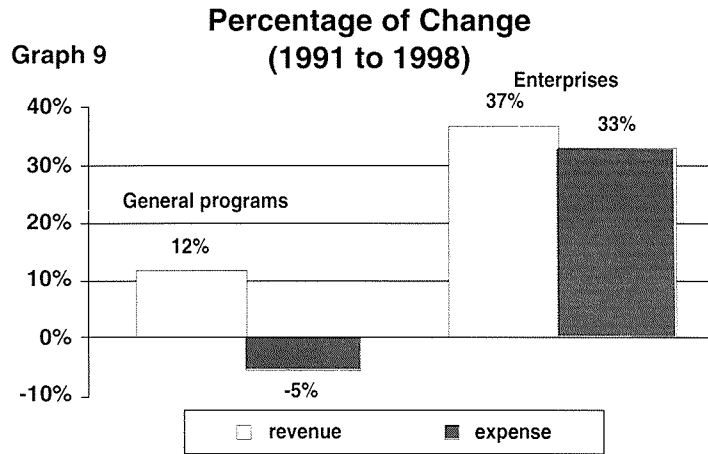
Because of differences in the financial and economic information published by governments, valid multi-year comparisons are still not possible.

3. Is the Government's revenue raising and spending increasing at a rate less than or greater than inflation?

In the following graph, the percentage change in revenues and in expenditures are compared to the change in Saskatchewan's consumer price index (CPI).



4. Is the Government carrying out more activity in its enterprise Crown corporations?



From 1991 to 1998, general tax revenues increased 12% and general program expenditures decreased 5%. In the same period, enterprise revenues and expenses increased 37% and 33% respectively. These amounts are not adjusted for inflation.

For more information about the revenue raising and spending of general programs and enterprises, see Appendix 2, **Other more detailed information.**

5. To what extent is the Government's financial results affected by the sale of its investments?
- In 1991, the Government recorded a \$189 million loss from the sale of shares in Cameco
  - In 1996, the Government recorded a \$615 million gain from the sale of shares of Cameco, LCL Cable and ISM
  - In 1998, the Government recorded a \$175 million gain from the sale of shares in Wascana Energy Inc. and the sale of the Bi-Provincial Upgrader
6. To what extent has the Government delayed spending on maintenance and replacement of Saskatchewan's infrastructures of roads, dams, energy and telecommunication systems?

The Government does not provide an overall report on the state of the public infrastructure. However, the annual reports and strategic plans of some government organizations do provide information. For example, information about the state of the road systems can be found at the Department of Highways and Transportation's website ([www.gov.sk.ca/govt/highways](http://www.gov.sk.ca/govt/highways)).

7. How much of the Government's debt of bonds and debentures owed to external markets is held in enterprise Crown corporations?

At March 31, 1998, the Government's total debt in bonds and debentures owed to external markets was \$11.7 billion. Of this amount, \$2.9 billion or 25% was owed by enterprise Crown corporations. For further information, please see page 51 of Appendix 3 to this Report.

8. How much of the Government's total debt in bonds and debentures is payable in foreign currencies?

At March 31, 1998, the Government's total debt in bonds and debentures was \$11.7 billion. Of this amount, \$2.4 billion or 21% was payable in foreign currencies, i.e., U.S. dollars. For further information, see page 53 of Appendix 3 to this Report.

9. How much debt is guaranteed by the Government?

At March 31, 1998, the Government had guaranteed debt of \$627 million. This guarantee relates to the debt of non-government organizations. For further information, see page 55 of Appendix 3 to this Report.

10. In which areas is the Government increasing or decreasing its revenue raising and spending?

During the 1990's, there have been many changes to the revenue raising and spending practices of the Government. For example,

- Revenues from taxes increased from under \$2 billion to over \$3 billion,

- Revenue transfers from the Federal Government decreased from a high of over \$1.7 billion to under \$700 million,
- Expenditures on agricultural programs decreased from a high of nearly \$1.2 billion to just over \$250 million,
- Debt or interest costs decreased from a high of nearly \$1.7 billion to under \$1.5 billion, and
- Revenue from liquor and gaming increased from a total of under \$300 million to a total of over \$550 million.

In the next Appendix, **Other more detailed information**, the Government's revenue raising and spending are set out in more detail.

## Appendix 2 - Other more detailed information

(derived from the Government's summary financial statements)

	(in millions)					
	1991		1992		1993	
	Revenue	Expense	Revenue	Expense	Revenue	Expense
	(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 and 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 revenue and expense</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>

\* Total enterprises' expenses include interest costs of \$299 million for 1997-98, \$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.

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



(in millions)

1994		1995		1996		1997		1998	
Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense	Revenue	Expense
2,536		2,643		2,854		3,125		3,116	
1,488		1,512		1,046		853		675	
469		733		692		927		802	
<u>759</u>		<u>884</u>		<u>1,241</u>		<u>771</u>		<u>962</u>	
<u>5,252</u>		<u>5,772</u>		<u>5,833</u>		<u>5,676</u>		<u>5,555</u>	
	693		554		375		284		251
	145		160		158		148		152
	1,285		1,338		1,305		1,224		1,175
	79		79		108		118		77
	849		874		828		853		867
	151		116		192		142		119
	1,553		1,622		1,623		1,682		1,761
	178		187		195		190		203
	550		584		588		586		688
	212		228		236		248		273
	<u>148</u>		<u>202</u>		<u>212</u>		<u>191</u>		<u>213</u>
	<u>5,843</u>		<u>5,944</u>		<u>5,820</u>		<u>5,666</u>		<u>5,779</u>
1,164	1,015	1,225	1,075	1,240	1,102	1,365	1,152	1,276	1,104
625	618	657	744	713	708	785	782	835	750
327	186	431	207	473	230	511	256	569	273
630	544	629	531	775	583	700	616	693	653
<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>10</u>	<u>12</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>2,827</u>	<u>3,383</u>	<u>2,792</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>9,050</u>	<u>8,493</u>	<u>8,938</u>	<u>8,571</u>
	<u>(253)</u>		<u>184</u>		<u>574</u>		<u>557</u>		<u>367</u>
	<u>(10,401)</u>		<u>(10,654)</u>		<u>(10,470)</u>		<u>(9,896)</u>		<u>(9,339)</u>
	<u>(10,654)</u>		<u>(10,470)</u>		<u>(9,896)</u>		<u>(9,339)</u>		<u>(8,972)</u>

**Appendix 3**  
**The Government's 1997-98 summary financial**  
**statements**

## Understanding the Finances of the Government

### 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, 1998

## Auditor's Report

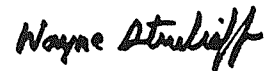
To the Members of the Legislative Assembly  
of Saskatchewan

I have audited the summary statement of financial assets, liabilities, and accumulated deficit of the Government of Saskatchewan as at March 31, 1998 and the summary statements of revenue, expenditure, 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, 1998 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 3, 1998



Wayne Strelloff, CA  
Provincial Auditor

**Government of Saskatchewan**  
**Summary Statement of Financial Assets, Liabilities, and Accumulated Deficit**  
 As at March 31, 1998

	(thousands of dollars)	
Schedule	1998	1997
<b>Financial Assets</b>		
Cash and temporary investments (note 2).....	\$ 593,641	\$ 514,796
Prepaid expenditures.....	23,412	24,133
1 Accounts receivable.....	641,826	547,650
Inventories held for resale.....	18,430	17,516
Land held for resale (note 4).....	123,210	124,743
Deferred charges.....	55,435	69,341
Deferred foreign exchange loss.....	139,849	110,696
2 Loans receivable.....	185,310	395,652
3 Investment in government enterprises.....	2,477,753	2,400,266
4 Other investments.....	956,419	1,177,198
<b>Total Financial Assets</b>	<b>5,215,285</b>	<b>5,381,991</b>
<b>Liabilities</b>		
5 Accounts payable and accrued liabilities.....	1,265,086	1,343,603
6 Other liabilities.....	415,584	484,985
Unearned revenue.....	115,557	97,117
7,8&9 Public debt.....	8,718,446	9,265,517
Pension liabilities (note 6).....	3,672,260	3,530,209
<b>Total Liabilities</b>	<b>14,186,933</b>	<b>14,721,431</b>
<b>Accumulated Deficit</b>	<b>\$ (8,971,648)</b>	<b>\$ (9,339,440)</b>

(See accompanying notes)

- Tangible capital assets (note 5)
- Contingencies and commitments (notes 10 and 11)
- 10 Guaranteed debt

## Understanding the Finances of the Government

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

For the Year Ended March 31, 1998

(thousands of dollars)

Schedule	1998	1997 (Restated)
<b>Revenue</b>		
11 Taxation.....	\$ 3,115,574	\$ 3,125,368
11 Non-renewable resources.....	802,218	927,114
11 Gain on sale of investments.....	174,819	25,259
11 Other own-source revenue.....	786,956	745,584
11 Transfers from the federal government.....	675,425	852,635
<b>Total Revenue</b>	<b>5,554,992</b>	<b>5,675,960</b>
<b>Expenditure</b>		
Agriculture.....	251,218	283,578
Community development.....	151,729	147,666
Debt charges.....	1,174,794	1,223,957
Economic development.....	77,408	117,990
Education.....	867,371	852,957
Environment and natural resources .....	119,413	141,494
Health.....	1,760,453	1,682,100
Protection of persons and property.....	203,210	190,515
Social services and assistance.....	688,003	586,406
Transportation.....	272,699	248,453
Other.....	212,792	191,110
<b>Total Expenditure (note 8)</b>	<b>5,779,090</b>	<b>5,666,226</b>
(Deficit) surplus from government service organizations.....	(224,098)	9,734
3 Income from government enterprises.....	591,890	547,074
<b>Surplus for the Year</b>	<b>367,792</b>	<b>556,808</b>
Accumulated deficit, beginning of year.....	(9,339,440)	(9,896,248)
<b>Accumulated Deficit, End of Year (note 7)</b>	<b>\$ (8,971,648)</b>	<b>\$ (9,339,440)</b>

(See accompanying notes)

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

For the Year Ended March 31, 1998

	(thousands of dollars)	
Schedule	1998	1997 (Restated)
<b>Operating Activities</b>		
Surplus for the year.....	\$ 367,792	\$ 556,808
Add (deduct) non-cash items		
Income from government enterprises.....	(591,890)	(547,074)
Reclassification of government enterprises.....	-	2,305
Amortization of foreign exchange gains and losses .....	3,954	(6,044)
12 Gain on loans and investments.....	(218,790)	(59,422)
13 Net change in non-cash operating activities.....	69,802	484,347
<b>Cash Provided by (Used for) Operating Activities</b>	<b>(369,132)</b>	<b>430,920</b>
<b>Investing Activities</b>		
Disposal of land held for resale .....	1,533	2,730
Acquisition of other investments.....	(37,523)	(23,928)
Disposition of other investments.....	477,092	143,310
<b>Cash Provided by Investing Activities</b>	<b>441,102</b>	<b>122,112</b>
<b>Cash Provided by Operating and Investing Activities</b>	<b>\$ 71,970</b>	<b>\$ 553,032</b>
<b>Financing Activities</b>		
Proceeds from public debt.....	\$ 200,324	\$ 298,141
Repayment of public debt.....	(780,502)	(1,233,753)
<b>Net Repayment of Public Debt.....</b>	<b>(580,178)</b>	<b>(935,612)</b>
Dividends from government enterprises.....	514,403	180,459
Increase in pension and other liabilities.....	72,650	360,538
(Increase) in cash and temporary investments.....	(78,845)	(158,417)
<b>Cash Used for Financing Activities</b>	<b>\$ (71,970)</b>	<b>\$ (553,032)</b>
<b>Cash and Temporary Investments</b>		
Cash and temporary investments, beginning of year.....	\$ 514,796	\$ 356,379
Increase in cash and temporary investments .....	78,845	158,417
<b>Cash and Temporary Investments, End of Year</b>	<b>\$ 593,641</b>	<b>\$ 514,796</b>

(See accompanying notes)

## Government of Saskatchewan Notes to the Summary Financial Statements

For the Year Ended March 31, 1998

### 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

Revenues are 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.

##### Expenditure

Expenditures are recorded on the accrual basis and include the cost of tangible capital assets and inventories of supplies received during the year.

##### Assets

Financial 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 cost which approximates market value.

*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.



## Government of Saskatchewan Notes to the Summary Financial Statements

*Loans receivable* are initially recorded at the cost. Where there has been a loss in value that is other than a temporary decline, the loan is written down to recognize the loss.

*Other investments* in bonds, debentures and mortgages are recorded at amortized cost. Other investments in shares of private and public companies, in which the Government does not exercise significant influence, 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 or when the Government has joint control, the investments are accounted for by the modified 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 fair value when there is evidence of a permanent decline in their value.

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

### Liabilities

Reported liabilities include obligations to outside organizations and individuals as a result of transactions and events occurring prior to year end. They are the result of financial obligations to repay borrowings or to pay for goods and services acquired prior to year end, and of revenue, received or receivable, where goods or services will be delivered in the future.

*Unearned revenue* is revenue that will be earned in a subsequent fiscal year and includes revenue for Crown mineral leases, licence and service fees and restricted funding from other organizations.

*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 to repay promissory notes, bank loans, lines of credit, mortgages and other securities. 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 expenditure in the year determined and is adjusted as necessary to ensure it equals the expected payout of the guarantee.

## 2. Cash and Temporary Investments

Temporary investments are generally for less than 30 days, and have an average effective interest rate of 4.79 per cent.

## 3. Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. 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, non-renewable resources royalties, and the federal government's Equalization and Canada Health and Social Transfer and in the valuation of loans where repayment is contingent upon an organization's cash flows. The uncertainty arises from factors such as the effect on accrued pension obligations of actual experience compared to actuarial estimations and assumptions; the effect on accrued royalties of price and production sensitivities in the royalty structures; the effect on transfers from the federal government of changes in economic and demographic conditions in the Province and the country; and the effect of commodity prices on cash flows. Management considers that it is

## Understanding the Finances of the Government

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

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 statements.

#### 4. Land Held for Resale

The estimated net realizable value of the Government's land held for resale at March 31, 1998 is \$234.0 million (1997 - \$223.6 million).

#### 5. Tangible Capital Assets

The Government has a significant investment in tangible capital assets that have a useful life of greater than one year. For government service organizations, tangible capital assets are recorded as an expenditure in the period acquired and are not included in the Statement of Financial Assets, Liabilities, and Accumulated Deficit. These assets are a key component in the delivery of government programs and provide on-going value to the public.

In the current year, government service organizations acquired tangible capital assets costing \$135.3 million (1997 - \$158.4 million). The following table includes the tangible capital assets held by government service organizations.

	(thousands of dollars)							1997
	1998							(Restated)
	Land	Buildings	Machinery & Equipment	Vehicles	Capital Leases	Other <sup>1</sup>	Total	Total
<i>Estimated useful life</i>	<i>Indefinite</i>	<i>3 - 50 years</i>	<i>2 - 20 years</i>	<i>3 - 15 years</i>	<i>Varies</i>	<i>2 - 20 years</i>		
Opening cost	\$69,695	\$1,481,683	\$416,374	\$143,271	\$69,052	\$98,762	\$2,278,837	\$2,152,927
Additions	957	21,448	35,466	10,355	-	67,082	135,308	158,404
Disposals	(926)	(8,161)	(14,778)	(10,976)	(2,366)	(4,550)	(41,757)	(32,494)
Closing cost of tangible capital assets	69,726	1,494,970	437,062	142,650	66,686	161,294	2,372,388	2,278,837
Opening accumulated amortization	-	379,798	281,023	74,386	35,339	13,736	784,282	710,554
Annual amortization	-	46,689	37,391	8,362	3,223	6,416	102,081	96,279
Write-downs	-	-	140	-	-	367	507	(4,350)
Disposals	-	(3,390)	(12,207)	(8,123)	(4,598)	(2,164)	(30,482)	(18,201)
Closing accumulated amortization	-	423,097	306,347	74,625	33,964	18,355	856,388	784,282
Net Book Value of Tangible Capital Assets	\$69,726	\$1,071,873	\$130,715	\$68,025	\$32,722	\$142,939	\$1,516,000	\$1,494,555

<sup>1</sup> Includes: construction in progress, computer software, furniture, aircraft and other tangible capital assets.

Reporting policies are currently being developed, and information gathered, for other tangible capital assets. This includes infrastructure such as highways and land acquired for public use.

#### 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.

**Defined benefit pension plans** provide benefits based on length of service and pensionable earnings. 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. Members contribute a percentage of salary, which may vary based on age, to their pension plan. Pensions and contribution rates are integrated with the Canada Pension Plan.

Actuarial valuations are performed at least triennially. These valuations are extrapolated by an actuary when a valuation is not done in the current fiscal year. Valuations are based on a number of assumptions about future events, such as inflation rates, interest rates,

## Government of Saskatchewan Notes to the Summary Financial Statements

wage and salary increases and employee turnover and mortality. These assumptions reflect estimates of expected long-term rates and short-term forecasts. The long-term inflation rate is estimated between 3.75 and 4.00 per cent, other estimates vary based on the individual plan.

The accrued benefit obligation is determined using the projected benefit method prorated on services. Pension fund assets are valued at market related values based on actual market values averaged over a five year period. In the periods between valuations, the actuary estimates the market related value of pension fund assets using expected long-term rates of return for the individual plans.

Defined contribution plans provide pensions based on accumulated contributions and investment earnings. Employees contribute a percentage of salary. The Government matches employee current service contributions.

Pension fund assets of government sponsored defined benefit and defined contribution pension plans are invested in fixed income securities, equities, real estate and short-term monetary items. The investment in Government of Saskatchewan securities is insignificant for all plans.

### a) Government Service Organizations

#### Defined benefit pension plans

The two main plans of government service organizations are the Teachers' Superannuation Plan (TSP) and the Public Service Superannuation Plan (PSSP). Other plans include Members of the Legislative Assembly Superannuation Plan (MLA), Judges of the Provincial Court Superannuation Plan (Judges), Saskatchewan Transportation Company Employees Superannuation Plan, Anti-TB League Employees Superannuation Plan and the Public Employees (Government Contributory) Annuity Fund, which continues effective July 1, 1997 as the Saskatchewan Pension Annuity Fund, an annuity underwriting operation.

The TSP provides inflation protection equal to 80.0 per cent of the annual increase in the Consumer Price Index. Other plans provide inflation indexing at the discretion of the Lieutenant Governor in Council.

The Government is required to match member current service contributions for all plans except Judges and the PSSP. Separate pension funds are maintained for all plans except the PSSP. PSSP member contributions are deposited into the General Revenue Fund. All pension obligations arising under the PSSP are paid from the General Revenue Fund.

Information on the defined benefit pension plans of government service organizations follows:

	1998				1997
	TSP	PSSP	All Others	Total	Total
Plan status	closed	closed	closed <sup>1</sup>	n/a	n/a
Member contribution rate, percentage of salary	7.85	7.0 - 9.0 <sup>2</sup>	5.0 - 9.0 <sup>2</sup>	n/a	n/a
Number of active members	8,094	2,490	101	10,685	10,903
Average age of active members, years	46.8	49.5	53.2	47.5	47.3
Former members entitled to deferred pension benefits	18,926	154	12	19,092	19,018
Number of superannuates and surviving spouses	8,105	5,874	1,606	15,585	15,541
Member contributions (thousands of dollars)	\$ 21,361	\$ 6,787	\$ 362	\$ 28,510	\$ 32,272
Government contributions (thousands of dollars)	102,639	-	3,333	105,972	115,168
Benefits paid (thousands of dollars)	178,163	86,913	5,695	270,771	253,886

<sup>1</sup>Judges is open to new membership, all other plans are closed.

<sup>2</sup>Contribution rate varies based on age.

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

Based on the latest actuarial valuation, extrapolated to March 31, 1998, the present value of accrued pension benefits and the market related value of pension fund assets are shown in the table below:

Plan Name	Actuarial Valuation Date	1998				1997	
		Accrued Benefit Obligation	Pension Fund Assets	Net Obligation	Unamortized Estimation Adjustments <sup>1</sup>	Recorded Pension Liabilities	Recorded Pension Liabilities
TSP <sup>2</sup> .....	Jun. 30/95	\$ 3,596,000	\$ 1,286,000	\$ 2,310,000	\$ 107,285	\$ 2,417,285	\$ 2,301,639
PSSP .....	Dec. 31/96	1,266,632	-	1,266,632	(71,636)	1,194,996	1,174,690
Others .....	Various	150,045	87,383	62,662	(2,683)	59,979	53,880
<b>Total</b>		<b>\$ 5,012,677</b>	<b>\$ 1,373,383</b>	<b>\$ 3,639,294</b>	<b>\$ 32,966</b>	<b>\$ 3,672,260</b>	<b>\$ 3,530,209</b>

<sup>1</sup>Amortized to income over 3 - 13 years (1997, 3 - 13 years), the estimated average remaining service life of active plan members at the time the estimation adjustment arises.

<sup>2</sup>The TSP accrued benefit obligation includes a liability of \$60.0 million (1997 - \$60.0 million) relating to the TSP disability provision.

At March 31, 1998 the market value of plan investments was \$1.8 billion (1997 - \$1.5 billion). Of this amount, 48.4 per cent (1997 - 48.3 per cent), was invested in fixed income securities and 47.2 per cent (1997 - 46.5 per cent) in equity investments.

**Defined contribution pension plans**

The two main multi-employer defined contribution pension plans sponsored by the Government are the Public Employees (Government Contributory) Superannuation Plan which continues July 1, 1997 as the Public Employees Pension Plan (PEPP) and the Capital Pension Plan (Capital). The Government matches employee current service contributions to these plans. The Government also contributes to the Saskatchewan Teachers' Retirement Plan (STRP), sponsored by the Saskatchewan Teachers' Federation. The Government has fully funded its share of contributions to the defined contribution plans.

Information on the defined contribution pension plans of government service organizations follows:

	1998			1997	
	Government Sponsored PEPP	Capital	STRP	Total	Total
Plan status .....	open	open	n/a	n/a	n/a
Member contribution rate, percentage of salary .....	5.0	5.5	n/a	n/a	n/a
Number of active government service organization members .....	14,177	604	n/a	14,781	13,509
Number of inactive members .....	4,860	12	n/a	4,872	4,672
Member contributions (thousands of dollars) .....	\$ 20,956	\$ 1,276	n/a	\$ 22,232	\$ 23,341
Government contributions (thousands of dollars) .....	20,123	962	\$ 16,568	37,653	38,379

## Government of Saskatchewan Notes to the Summary Financial Statements

### Pension expenditure

Pension expenditure for government service organizations is reported in the Summary Statement of Revenue, Expenditure, and Accumulated Deficit in both education expenditure and other expenditure. Pension interest expenditure is reported in debt charges. The total pension related expenditure of government service organizations includes the following:

	(thousands of dollars)	
	1998	1997
<b>Defined benefit pension plans:</b>		
Current period benefit cost	\$ 100,019	\$ 85,667
Amortization of estimation adjustments	(14,546)	(17,449)
	85,473	68,218
Employee contributions	(28,510)	(32,061)
Pension expenditure	56,963	36,157
Cost of financing unfunded pension obligation (pension interest expenditure)	271,186	258,247
Total pension related expenditure, defined benefit plans	328,149	294,404
<b>Defined contribution pension plans:</b>		
Total pension related expenditure, defined contribution plans	37,653	38,379
<b>Total pension related expenditure</b>	<b>\$ 365,802</b>	<b>\$ 332,783</b>

### b) Government Enterprises

#### Defined benefit pension plans

The two main defined benefit pension plans of government enterprises are the Power Corporation Superannuation Plan (SaskPower) and the Saskatchewan Telecommunications Superannuation Plan (SaskTel). Other pension plans include Saskatchewan Government Insurance Superannuation Plan, Liquor Board Superannuation Plan, and the Workers' Compensation Board Superannuation Plan.

Effective January 1, 1997, the contribution rate for certain members of SaskPower decreased 1%.

The Government contributes the amount necessary to fund the payment of pension benefits.

At December 31, 1997, the market value of plan investments was \$1.4 billion (1997 - \$1.3 billion). Of this amount, 41.9 per cent (1997 - 46.0 per cent) was invested in fixed income securities and 45.0 per cent (1997 - 42.6 per cent) in equity investments.

Information on the defined benefit pension plans of government enterprises follows:

	1998				1997
	SaskPower	SaskTel	Others	Total	Total
Plan status	closed	closed	closed	n/a	n/a
Member contribution rate, percentage of salary	6.0 - 9.0 <sup>1</sup>	7.0 - 9.0 <sup>2</sup>	7.0 - 9.0 <sup>2</sup>	n/a	n/a
Number of active members	764	1,095	210	2,069	2,330
Number of former members, superannuates and surviving spouses	1,721	1,398	488	3,607	3,473
Member contributions (thousands of dollars)	\$ 1,981	\$ 3,490	\$ 458	\$ 5,929	\$ 6,527
Government contributions (thousands of dollars)	600	46	1,950	2,596	3,729
Benefits paid (thousands of dollars)	36,734	29,197	6,310	72,241	67,862

<sup>1</sup>Contribution rate varies based on age and employee group.

<sup>2</sup>Contribution rate varies based on age.

**Understanding the Finances of the Government**

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

Based on the latest actuarial valuations extrapolated to December 31, 1997, the present value of accrued pension benefits and the market related value of pension fund assets are shown in the table below.

(thousands of dollars)

Plan Name	Actuarial Valuation Date	1998			1997
		Accrued Benefit Obligation	Pension Fund Assets	Pension (Surplus) Liability	Pension (Surplus) Liability
SaskPower .....	September 30, 1997	\$ 573,784	\$ 631,588	\$ (57,804)	\$ (24,667)
SaskTel .....	December 31, 1995	569,098	674,773	( 105,675)	(58,108)
Others .....	Various	105,077	81,514	23,563	24,433
<b>Total</b>		<b>\$ 1,247,959</b>	<b>\$ 1,387,875</b>	<b>\$ (139,916)</b>	<b>\$ (58,342)</b>

**Defined contribution pension plans**

Information on the defined contribution pension plans of government enterprises follows:

	1998			1997
	PEPP	Capital	Total	Total
Plan status .....	open	open	n/a	n/a
Member contribution rate, percentage of salary .....	5.0	5.5	n/a	n/a
Number of active members .....	6,731	1,690	8,421	7,386
Number of inactive members .....	1,498	57	1,555	1,450
Member contributions (thousands of dollars) .....	\$ 12,605	\$ 3,006	\$ 15,611	\$ 14,701
Government contributions (thousands of dollars) .....	13,413	2,983	16,396	14,338

**Pension expense**

Pension expense and pension interest expense for government enterprises are reported in the Summary Statement of Revenue, Expenditure, and Accumulated Deficit as a component of income from government enterprises.

**7. Reserves**

The accumulated deficit of \$8,971.6 million consists of an unallocated deficit component of \$8,983.5 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.

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

**8. Expenditures by Object**

Expenditures by object are reported as follows:

	(thousands of dollars)	
	1998	1997 (Restated)
Transfers .....	\$2,301,865	\$ 2,253,201
Debt charges .....	1,174,794	1,223,957
Salaries and benefits .....	1,176,253	1,121,837
Operating costs .....	852,329	717,045
Tangible capital asset acquisitions .....	135,308	158,404
Other .....	138,541	191,782
<b>Total Expenditures</b>	<b>\$ 5,779,090</b>	<b>\$ 5,666,226</b>

**9. Comparison of Planned to Actual Results**

A comparison of planned to actual surplus is as follows:

	(thousands of dollars)		
	1998		1997
	Planned	Actual	(Restated) Actual
General Revenue Fund surplus for the year .....	<u>\$ 24,133</u>	\$ 35,212	\$ 406,950
Government enterprises' income for the year .....		591,890	547,074
Other government service organizations' surplus for the year .....		394,860	817,594
Dividends received from government organizations included in the surplus figures above .....		(564,403)	(596,158)
Adjustments to conform to the basis of accounting described in note 1(b) .....		(89,767)	(618,652)
<b>Surplus for the Year</b>		<b>\$ 367,792</b>	<b>\$ 556,808</b>

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

**10. Contingencies**

**a) Guaranteed debt**

At March 31, 1998, \$626.6 million (1997 - \$791.7 million) in loans were guaranteed by the Government. Schedule 10 provides a listing of guaranteed debt.

**b) Lawsuits**

Up to \$91.5 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 against the Government for breach of contract with respect to the change from the 1991 GRIP program to the 1992 revenue insurance program were settled in favour of the Government. An appeal to this decision is being made. The institution of *The*

## Understanding the Finances of the Government

# Government of Saskatchewan Notes to the Summary Financial Statements

Farm Income Legislation Amendment Act 1992 effectively extinguished any cause of action.

### e) Other

Other contingencies of \$1.4 million may be paid depending on the outcome of future events.

## 11. Commitments

Major financial commitments include:

- forward purchase commitments of \$1,756.0 million for coal contracted for future minimum deliveries valued at current prices;
- forward purchase commitments of approximately \$2,000.0 million for power over the next 25 years;
- treaty land entitlement agreement commitments valued at approximately \$138.6 million;
- other commitments including capital expenditure commitments valued at approximately \$632.8 million including commitments of \$71.1 million for agriculture capital projects, \$100.0 million for health capital projects, \$79.2 million for transportation capital projects and \$20.7 million for community development capital projects; and,
- capital and operating lease obligations as follows:

	(thousands of dollars)	
	Operating	Capital
Future minimum lease payments		
1998-99 .....	\$ 51,002	\$ 12,722
1999-2000 .....	49,635	12,411
2000-01 .....	43,867	11,723
2001-02 .....	35,454	11,404
2002-03 .....	31,845	11,068
Thereafter .....	31,701	68,952
	243,504	128,280
Less: Interest and executory costs .....	-	(72,970)
<b>Total Lease Obligations</b>	<b>\$ 243,504</b>	<b>\$ 55,310</b>

Total operating lease obligations include \$147.4 million for government service organizations and \$96.1 million for government enterprises.

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

## 12. Trust Funds

Trust funds are property held and administered on behalf of beneficiaries. Trust assets are not owned by the Government and the Government has no equity in the funds. Therefore, trust funds are not included in the reporting entity.

Fund balances held and administered by the Government at March 31, 1998, were as follows:

	(thousands of dollars)	
	1998	1997 (Restated)
Superannuation funds and pension plans <sup>1</sup> .....	\$ 6,452,050	\$ 5,556,031
Public Trustee's Trust Account .....	131,704	115,661
Other trusts .....	53,380	49,083
<b>Total Trust Funds</b>	<b>\$ 6,637,134</b>	<b>\$ 5,720,775</b>

<sup>1</sup> Reflects the latest audited financial statements of the funds and plans closest to March 31, 1998.



## Government of Saskatchewan Notes to the Summary Financial Statements

### 13. Subsequent Events

#### a) HARO Financial Corporation (HARO)

On May 26, 1998, it was announced that Canada Life and Crown Life had signed a memorandum of understanding whereby Canada Life will acquire Crown Life's individual and group insurance operations in Canada. As part of this transaction, the Government will receive repayment of their \$149.5 million convertible debenture from HARO. Repayment of the convertible debenture is expected by December 31, 1998. The balance of the Government's investment in HARO is expected to be recovered over the next five years.

### 14. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The Government may experience the effects of the Year 2000 Issue before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Government's ability to conduct normal business operations.

The Government is working to mitigate any potential effects that may be experienced in critical business systems due to the Year 2000 Issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Government, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. However, any potential costs associated with modifying computer systems for the year 2000 are not expected to have a material adverse affect on the Government's financial condition.

### 15. Comparative Figures

Certain of the 1997 comparative figures have been reclassified to conform with the current year's presentation.

**Understanding the Finances of the Government**

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

For the Year Ended March 31, 1998

**Schedule 1 - Accounts Receivable**

(thousands of dollars)

	1998	1997
Bi-Provincial Upgrader Joint Venture share proceeds.....	\$ 155,000	\$ -
Taxation.....	135,549	139,842
Non-renewable resources.....	70,014	134,159
Transfers from the federal government.....	45,600	58,616
Leases and farm loans.....	14,339	19,446
Insurance premiums due from agriculture producers.....	10,521	15,356
Accrued interest.....	8,560	7,253
Other.....	202,243	172,978
<b>Total Accounts Receivable</b>	<b>\$ 641,826</b>	<b>\$ 547,650</b>

**Schedule 2 - Loans Receivable**

(thousands of dollars)

	1998	1997
<b>Agricultural loans</b>		
Capital loan program.....	\$ 136,567	\$ 176,205
Livestock cash advance program.....	12,219	24,547
Production loan program.....	10,103	28,908
Counselling and Assistance for Farmers program.....	4,163	6,941
Investment loan program.....	4,098	16,339
Spring seeding loan program.....	260	810
Crop Sector Companion Program.....	-	106,245
Other.....	7	7
	167,417	360,002
Provision for losses.....	(46,412)	(56,846)
	121,005	303,156
<b>Student loans</b> .....	57,208	77,950
Provision for losses.....	(22,137)	(25,845)
	35,071	52,105
<b>Housing mortgages and loans</b> .....	9,653	17,354
<b>Other</b> .....	19,581	23,037
<b>Total Loans Receivable</b>	<b>\$ 185,310</b>	<b>\$ 395,652</b>

See page 53 for additional information.

## Government of Saskatchewan Schedules to the Summary Financial Statements

### Schedule 2 (continued) - Loans Receivable

#### Capital loan program

Loans are repayable over terms not exceeding twenty-five years and bear interest at rates between 6 per cent and 13 1/2 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*.

#### Livestock cash advance program

Effective August 1, 1993, clients with livestock cash advances began repaying their loans, bearing interest at the bank prime rate 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*.

#### 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, by guarantees and general security agreements. 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, at which time 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.

#### 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*.

#### 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*.

#### 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.

#### 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 a bank 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 bank. The Government pays a risk premium of 5 per cent to the 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.

## Understanding the Finances of the Government

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

#### Schedule 3 - Investment in Government Enterprises

	SaskEnergy Incorporated Dec. 31, 1997	Saskatchewan Power Corporation Dec. 31, 1997	Saskatchewan Telecom- munications Holding Corporation Dec. 31, 1997	Saskatchewan Liquor and Gaming Authority Mar. 31, 1998	Saskatchewan Gaming Corporation Mar. 31, 1998
<b>Assets</b>					
Cash and temporary investments					
Due from government organizations.....	\$			386,206	
Other.....	(1,289)	79,085	(7,687)	3,390	10,774
Accounts receivable					
Due from government organizations.....			574		
Other.....	72,769	121,914	110,960	9,661	205
Inventories.....		5,017	7,285	12,440	263
Prepaid expenses.....	4,740	83,029	29,442	426	352
Long-term investments					
In the Province.....			974		
Other.....			25,056		
Capital assets.....	972,444	2,804,320	933,050	29,492	32,549
Other assets					
Due from government organizations.....				822	1,279
Other.....	71,805	155,471	47,506		
<b>Total Assets</b>	<b>1,120,469</b>	<b>3,248,836</b>	<b>1,147,160</b>	<b>442,437</b>	<b>45,422</b>
<b>Liabilities</b>					
Accounts payable and accrued liabilities					
Due to government organizations.....	20,961	71,982	5,647		11,595
Other.....	54,843	84,641	101,366	6,402	2,754
Dividends payable to government organizations.....	21,700	72,629	36,571		
Debt					
Owing to government organizations.....	697,284	1,686,873	338,768		
Other.....	4,816	201	42,719		31,073
Unearned revenue					
Received from government organizations.....	2,194				
Other.....	63,686	255,784	23,852		
Unpaid insurance claims.....					
Other liabilities.....				18,571	
<b>Total Liabilities</b>	<b>865,484</b>	<b>2,172,110</b>	<b>548,923</b>	<b>24,973</b>	<b>45,422</b>
<b>Net Assets (Liabilities)</b>	<b>\$ 254,985</b>	<b>1,076,726</b>	<b>598,237</b>	<b>417,464</b>	<b>-</b>
<b>Revenue</b>					
Revenue from operations.....	\$ 345,904	905,798	663,902	522,728	43,091
Transfers from government organizations.....	7,891	16,191	29,222	3,078	
<b>Total Revenue</b>	<b>353,795</b>	<b>921,989</b>	<b>693,124</b>	<b>525,806</b>	<b>43,091</b>
<b>Expenses</b>					
Expenses from operations.....	225,265	574,772	542,301	241,084	31,496
Transfers to government organizations.....	89,086	215,165	54,524		
<b>Total Expenses<sup>1</sup></b>	<b>314,351</b>	<b>789,937</b>	<b>596,825</b>	<b>241,084</b>	<b>31,496</b>
Income (loss) before non-recurring items.....	39,444	132,052	96,299	284,722	11,595
Non-recurring items.....			(55,665)		
<b>Net Income (Loss) for the Year</b>	<b>39,444</b>	<b>132,052</b>	<b>40,634</b>	<b>284,722</b>	<b>11,595</b>
Net assets (deficiency) -					
beginning, as previously reported.....	165,710	357,310	344,174	482,073	-
Restatement of prior years.....				669	
Dividends to government organizations.....	(21,700)	(72,629)	(36,571)	(350,000)	(11,595)
Reclassification.....					
Equity advances/share capital.....	71,531	659,993	250,000		
<b>Net Assets (Deficiency) - End of Year</b>	<b>\$ 254,985</b>	<b>1,076,726</b>	<b>598,237</b>	<b>417,464</b>	<b>-</b>

See page 56 for additional information.

<sup>1</sup> Adjustments include:

- reclassifying dividends paid by March 31, 1998;
- reversing the write-off of deferred financing costs reported by Saskatchewan Power Corporation;

## Understanding the Finances of the Government

(thousands of dollars)

Municipal Financing Corporation of Saskatchewan Dec. 31, 1997	Saskatchewan Government Insurance Dec. 31, 1997	Saskatchewan Auto Fund Dec. 31, 1997	Workers' Compensation Board (Saskatchewan) <sup>2</sup> Dec. 31, 1997	Other Government Enterprises	Adjustments <sup>1</sup>	Total 1998	Total 1997 (Restated)
	3,663	4,565				\$ 394,434	\$ 498,010
68,703	26,983	34,586	62,476	(96)	(152,808)	124,117	50,389
	2,263					2,837	-
1,892	34,655	17,283	22,383	206		391,928	402,870
	33,922	8,766		15		25,005	19,402
	4,268	11,764	20,152			160,692	160,517
43,960	223,814	424,443	611,355	4		37,158	110,223
	21,942	33,899	31,308	245		1,328,632	1,229,152
						4,859,249	4,917,217
						-	-
					7,579	284,462	266,144
114,555	351,510	535,306	747,674	374	(145,229)	7,608,514	7,653,924
1,527	6,371	16,770	4,522			139,375	125,482
27	13,512	14,626	19,817	1,631		299,619	334,289
	21,908				(152,808)	-	-
79,667						2,802,592	2,970,069
4,500						83,309	90,747
						2,194	-
	86,600	144,022				573,944	521,032
	111,124	487,742	556,740			1,155,606	1,143,779
	3,457		52,094			74,122	68,260
85,721	242,972	663,160	633,173	1,631	(152,808)	5,130,761	5,253,658
28,834	108,538	(127,854)	114,501	(1,257)	7,579	\$ 2,477,753	\$ 2,400,266
8,479	179,807	417,291	222,838	1,671		\$ 3,311,509	\$ 3,277,606
		1,103	14,111			71,596	95,906
8,479	179,807	418,394	236,949	1,671	-	3,383,105	3,373,512
944	149,241	412,478	156,406	1,883	230	2,336,100	2,307,708
7,997	6,223	21,128	4,522			398,645	448,473
8,941	155,464	433,606	160,928	1,883	230	2,734,745	2,756,181
(462)	24,343	(15,212)	76,021	(212)	(230)	648,360	617,331
				(805)		(56,470)	(70,257)
(462)	24,343	(15,212)	76,021	(1,017)	(230)	591,890	547,074
29,296	51,103	(112,642)	38,480	(241)	8,471	1,363,734	943,939
	(21,908)				(669)	-	-
						(514,403)	(180,459)
	55,000					-	53,180
				1	7	1,036,532	1,036,532
28,834	108,538	(127,854)	114,501	(1,257)	7,579	\$ 2,477,753	\$ 2,400,266

<sup>2</sup> Net assets are restricted as disclosed in the narrative portion of this schedule on the pages following.

<sup>3</sup> Total expenses include debt charges of \$299.0 million, of which \$269.0 million were paid to government organizations.

## Understanding the Finances of the Government

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

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

##### **SaskEnergy Incorporated (SaskEnergy)**

SaskEnergy promotes, transports, stores and distributes natural gas in Saskatchewan.

##### **Saskatchewan Power Corporation (SaskPower)**

SaskPower generates, purchases, transmits, distributes and sells electricity and related products and services.

##### **Saskatchewan Telecommunications Holding Corporation (SaskTel)**

SaskTel markets and supplies a range of voice, data, Internet, wireless, text and image products, systems and services. Its membership in the Stentor group of companies enables it to extend services throughout Canada and to connect its customers to the rest of the world.

##### **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 home, tenant, farm, automobile extension, and commercial coverages.

The Auto Fund, the Province's compulsory vehicle insurance program, is administered by SGI 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 provides 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 (SGGF)**  
SGGF participates in the federal government's Immigrant Investor Program to acquire lower cost capital for investment in Saskatchewan on commercial terms. Under this program, SGGF manages venture capital funds raised through four subsidiary fund companies.
- **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.

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

**Schedule 4 - Other Investments**

	Voting Percentages	(thousands of dollars)	
		1998	1997
<b>Investments</b>			
Cameco Corporation 5,423,123 (1997 - 5,423,123) common shares.....	9.4%	\$ 114,898	\$ 114,898
Saskferco Products Inc. 68,449,080 (1997 - 68,449,080) class B common shares.....	49.0%	100,087	90,361
HARO Financial Corporation 68,000,000 (1997 - 68,000,000) class B non-voting common shares.....	-	68,000	68,000
Saskfor MacMillan Limited Partnership partnership interest.....	50.0%	51,369	49,877
Bi-Provincial Upgrader, Lloydminster, Saskatchewan joint venture interest.....	-	-	200,193
Wascana Energy Inc. nil (1997 - 5,842,910) common shares.....	-	-	47,044
Meadow Lake Pulp Limited Partnership partnership interest.....	49.0%	(46,690)	(26,775)
NewGrade Energy Inc. common shares and debentures.....	50.0%	(49,836)	(65,903)
Other share investments - equity basis.....		13,982	12,788
Other share investments - cost basis.....		8,062	6,339
		<b>259,872</b>	<b>496,822</b>
<b>Bonds and Debentures</b>			
HARO Financial Corporation .....		353,661	353,246
Meadow Lake Pulp Limited Partnership participating debentures.....		159,743	159,107
Other bonds and debentures.....		23,650	14,739
		<b>537,054</b>	<b>527,092</b>
<b>Loans, Notes and Mortgages Receivable</b>			
Cadillac Fairview Corporation Limited.....		38,346	38,974
Other loans, notes and mortgages receivable.....		30,983	44,138
		<b>69,329</b>	<b>83,112</b>
<b>Property Holdings</b>		<b>90,164</b>	<b>70,172</b>
<b>Total Other Investments</b>		<b>\$ 956,419</b>	<b>\$ 1,177,198</b>

See pages 58-59 for additional information.

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

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

##### **Cameco Corporation (Cameco)**

At December 31, 1997, the Government owned 5,423,123 (1996 - 5,423,123) voting common shares of Cameco representing a 9.4 per cent (1996 - 10.3 per cent) interest. Included in the investment in Cameco is one Class B share which provides the Government with the ability to exercise special voting rights with respect to the location of Cameco's head office. These shares are accounted for using the cost method.

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

The Government holds a 49 per cent (1996 - 49 per cent) voting interest in Saskferco, a nitrogen fertilizer plant located in Belle Plaine, Saskatchewan. These shares are accounted for using the modified equity method.

##### **HARO Financial Corporation (HARO)**

- (i) To December 31, 1997, the Government had advanced \$272.2 million (1996 - \$271.7 million) to HARO to finance HARO's ownership interest in Crown Life Insurance Company (Crown Life). This Term Loan was 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. HARO did not exercise its option to renew on December 15, 1997. Hence the Term Loan is due and payable on demand.

Interest on the Term Loan of 5.89 per cent (1996 - 4.56 per cent) is calculated quarterly. Payment of principal and interest is subject to available cash flow as defined in the loan agreement. Due to the timing uncertainty of cash payments, the Government will record interest income when payments are received. HARO made no interest payments during the year. Total interest owing to the Government is \$94.8 million (1996 - \$81.3 million).

If renewed, all unpaid principal and interest is due on December 15, 2017. On that date, any amounts outstanding will be converted into a maximum of 94 per cent of HARO equity shares. The Government has a unilateral right, prior to December 15, 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.

During 1995, the Government exercised its right to convert \$68.0 million of the Term Loan into 68,000,000 non-voting, fully participating equity shares of HARO. The Government has a unilateral right to exchange these for voting 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) An Additional Loan Agreement (Additional Loan) between the Government and HARO was entered into on June 15, 1995, and \$149.5 million was advanced to HARO on July 31, 1995. HARO used the proceeds of this loan to purchase \$74.8 million of each of Series A and Series B convertible Crown Life debentures.

The Additional Loan's initial term expired December 15, 1997. At that time, HARO had the option to renew for a maximum of four five-year terms. The Government also has the option of extending the repayment term by two five-year terms, with no renewals by HARO or the Government extending beyond December 15, 2017, when all remaining balances of interest and principal become due. HARO did not exercise its option to renew by year end. Hence, the Additional Loan is due and payable on demand.

Interest on the Additional Loan of 4.88 per cent (1996 - 4.99 per cent) is calculated and payable on January 31 and July 31 annually. Payment of principal and interest is based on 100 per cent of the cash flow received by HARO from the Crown Life Debentures. No principal payments were made during the year.

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

Subsequent to March 31, 1998, it was announced that Canada Life will acquire Crown Life's individual and group insurance operations in Canada (note 13).

##### **Saskfor MacMillan Limited Partnership (Saskfor)**

The Government, through its wholly-owned subsidiary CIC Forest Products Limited, holds a 50 per cent (1996 - 50 per cent) interest in Saskfor, a lumber and structural panel operation located in Hudson Bay, Saskatchewan. Saskfor is accounted for using the modified equity method.



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

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

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

As at December 31, 1997, the Government owned a 50 per cent (1996 - 50 per cent) interest in Bi-Provincial. Bi-Provincial is accounted for using the modified equity method.

The Government had a total of \$40.1 million (1996 - \$59.5 million) in advances to Bi-Provincial. Of this, \$3.1 million (1996 - \$22.5 million) bore a return allowance of prime plus 1 per cent which was 7.0 per cent at December 31, 1997 (1996 - 5.75 per cent).

On February 19, 1998, the Government sold its interest in Bi-Provincial to Husky Oil Operations Ltd. for total proceeds of \$310.0 million generating a gain on sale of \$102.2 million. The proceeds are receivable in two equal instalments. The first instalment was received on February 19, 1998 and the second instalment is due January 29, 1999.

**Wascana Energy Inc.**

In April, 1997, the Government sold its 5,842,910 common shares of Wascana Energy Inc. for total proceeds of \$119.8 million generating a gain on sale of \$72.6 million.

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

The Government, through its wholly-owned subsidiary CIC Pulp Ltd., owns a 49 per cent (1996 - 49 per cent) interest in a pulp mill located near Meadow Lake, Saskatchewan. MLPLP is accounted for using the modified equity method.

In addition to its equity interest in MLPLP, the Government has also provided the following loans:

- The Participating Debenture (\$51.2 million) bears interest at 11.15 per cent calculated on October 31 of each year.
- The Term Loan (\$10.2 million) bears interest at prime plus 2.0 per cent, which is 8.0 per cent at December 31, 1997 (1996 - 5.0 per cent). Interest on this loan is being paid monthly.
- The Contingency Loan (\$5.5 million) bears interest at prime plus 1.0 per cent which is 7.0 per cent at December 31, 1997 (1996 - 5.75 per cent). Any interest outstanding and not paid on October 31 of each year is added to the principal balance.

The Government records, as a separate loan (Interest Loan), the accrued interest receivable from the Participating Debenture. Interest on the Interest Loan, at 11.15 per cent, is calculated on October 31 of each year and is added to the principal balance outstanding on the loan. Interest income earned and forming part of the Interest Loan is recorded as deferred interest income due to the timing uncertainty 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 on the Participating Debenture, the Contingency Loan and the Interest Loan are subject to available cash flows as defined in the loan agreements. Payments towards principal outstanding on the Term Loan are due in two equal instalments after MLPLP has fully repaid an external bank loan. The Contingency Loan, Term Loan, Participating Debenture and Interest Loan mature in the year 2014. The remaining balance outstanding on the Interest Loan and Participating Debenture on October 31, 2014 shall bear interest at a rate equal to the short-term cost of borrowing for the Province of Saskatchewan, which is 4.76 per cent at December 31, 1997 (1996 - 3.13 per cent), until paid in full. Due to the uncertainty of cash flows from MLPLP, the Government's Participating Debenture is shown net of a provision for loan losses of \$30.0 million (1996 - \$30.0 million).

**NewGrade Energy Inc. (NewGrade)**

The Government owns 50 per cent (1996 - 50 per cent) of the outstanding voting participating shares of NewGrade. These shares are accounted for using the modified equity method. The Government also holds certain promissory notes due on demand from NewGrade that bear interest at Bank of Montreal prime rate, which is 6.0 per cent (1996 - 4.75 per cent).

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 annual operating shortfalls. These loans, if any, will bear interest at CCRL's rate of borrowing. CCRL's required Cash Flow Deficiency Loans cannot exceed \$40.0 million outstanding at any time.

**Market Values**

The market value of the Government's only publicly traded investment held at March 31, 1998 was as follows (millions of dollars):

Cameco ..... \$ 235.9

## Understanding the Finances of the Government

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

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

	(thousands of dollars)	
	1998	1997
Transfers.....	\$ 356,269	\$ 375,584
Accrued interest.....	275,901	299,344
Supplier payments.....	177,233	158,997
Transfers to the federal government.....	132,487	182,162
Accrued employee benefits.....	125,226	124,619
Capital lease obligations (note 11).....	55,310	57,335
Public employee benefit plans claims payable.....	47,277	55,608
Other.....	95,383	89,954
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 1,265,086</b>	<b>\$ 1,343,603</b>

#### Schedule 6 - Other Liabilities

	(thousands of dollars)	
	1998	1997
<b>Funds held on behalf of government enterprises and others</b>		
Saskatchewan Liquor and Gaming Authority.....	\$ 386,206	\$ 450,509
Queen's Bench Court Account.....	5,908	6,348
Public Employees' Pension Plan.....	2,545	2,247
Public Trustee's Trust Account.....	1,707	2,466
Beef Development Board.....	1,659	1,848
Others.....	14,403	18,728
	412,428	482,146
<b>Other.....</b>	<b>3,156</b>	<b>2,839</b>
<b>Total Other Liabilities</b>	<b>\$ 415,584</b>	<b>\$ 484,985</b>

Government of Saskatchewan  
Schedules to the Summary Financial Statements

Schedule 7 - Public Debt

	(thousands of dollars)			
	1998		1997	
	Gross Public Debt	Less Sinking Funds <sup>5</sup>	Public Debt	Public Debt
<b>Government Service Organizations</b>				
General Revenue Fund <sup>1</sup>	\$ 8,132,676	\$ 262,474	\$ 7,870,202	\$ 8,097,385
Crown Investments Corporation of Saskatchewan (non-consolidated) <sup>2</sup>	669,602	307,774	361,828	546,905
Saskatchewan Housing Corporation	222,239	-	222,239	266,485
Agricultural Credit Corporation of Saskatchewan	270,208	145,474	124,734	210,464
Saskatchewan Opportunities Corporation	90,434	-	90,434	71,766
Saskatchewan Water Corporation	41,293	1,463	39,830	40,991
Saskatchewan Transportation Company	-	-	-	23,400
Prince Albert District Health Board	6,599	-	6,599	5,475
Saskatchewan Development Fund Corporation	1,355	-	1,355	1,654
Saskatoon District Health Board	1,225	-	1,225	992
<b>Debt of Government Service Organizations<sup>3</sup></b>	<b>9,435,631</b>	<b>717,185</b>	<b>8,718,446</b>	<b>9,265,517</b>
<b>Government Enterprises</b>				
Saskatchewan Power Corporation	1,909,217	222,143	1,687,074	1,832,037
SaskEnergy Incorporated	732,865	30,765	702,100	724,217
Saskatchewan Telecommunications Holding Corporation	468,708	87,221	381,487	382,725
Municipal Financing Corporation of Saskatchewan	84,167	-	84,167	87,667
Saskatchewan Gaming Corporation	31,073	-	31,073	34,170
	3,226,030	340,129	2,885,901	3,060,816
Net increase to March 31	78,720	17,935	60,785	65,713
<b>Debt of Government Enterprises<sup>4</sup></b>	<b>3,304,750</b>	<b>358,064</b>	<b>2,946,686</b>	<b>3,126,529</b>
<b>Total Public Debt<sup>6</sup></b>	<b>\$ 12,740,381</b>	<b>\$ 1,075,249</b>	<b>\$ 11,665,132</b>	<b>\$ 12,392,046</b>

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

- <sup>1</sup> General Revenue Fund debt is shown net of \$2,863.9 million (1997 - \$3,034.5 million) reimbursable from government enterprises, \$817.9 million (1997 - \$1,154.0 million) reimbursable from government service organizations and \$1.8 million (1997 - \$0) borrowed from other government organizations.
- <sup>2</sup> Crown Investments Corporation of Saskatchewan (non-consolidated) is shown net of \$0 million (1997 - \$23.4 million) reimbursable from government service organizations.
- <sup>3</sup> This amount includes Canada Pension Plan debentures of \$732.6 million (1997 - \$801.9 million) at a weighted average interest rate of 11.95%, ranging from 9.17% to 17.51%. Of this amount, \$76.0 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.
- <sup>4</sup> The debt of government enterprises is as presented in their audited financial statements closest to March 31, 1998. The balance is adjusted for the net change to March 31, 1998. This amount includes Canada Pension Plan debentures of \$720.2 million (1997 - \$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.
- <sup>5</sup> See Schedule 8 for information on sinking funds.
- <sup>6</sup> See Schedule 9 for information on debt by maturity.

**Understanding the Finances of the Government**

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

**Schedule 8 - Sinking Funds**

	(thousands of dollars)				
	1997	1998			Sinking Funds
	Sinking Funds	Contributions	Earnings	Less Redemptions	
<b>Government Service Organizations</b>					
General Revenue Fund.....	\$ 197,115	\$ 41,265	\$ 24,094	\$ -	\$ 262,474
Agricultural Credit Corporation of Saskatchewan.....	59,744	80,100	5,630	-	145,474
Crown Investments Corporation of Saskatchewan.....	188,129	119,780	15,060	15,195	307,774
Saskatchewan Water Corporation.....	1,839	605	156	1,137	1,463
<b>Sinking Funds of Government Service Organizations</b>	<b>446,827</b>	<b>241,750</b>	<b>44,940</b>	<b>16,332</b>	<b>717,185</b>
<b>Government Enterprises</b>					
Saskatchewan Power Corporation.....	229,403	28,084	20,746	56,090	222,143
SaskEnergy Incorporated.....	24,248	3,729	2,788	-	30,765
Saskatchewan Telecommunications Holding Corporation.....	102,971	3,415	8,750	27,915	87,221
	356,622	35,228	32,284	84,005	340,129
Increase (decrease) to March 31.....	(33,267)	(1,046)	2,505	(49,743)	17,935
<b>Sinking Funds of Government Enterprises</b>	<b>323,355</b>	<b>34,182</b>	<b>34,789</b>	<b>34,262</b>	<b>358,064</b>
<b>Total Sinking Funds</b>	<b>\$ 770,182</b>	<b>\$ 275,932</b>	<b>\$ 79,729</b>	<b>\$ 50,594</b>	<b>\$ 1,075,249</b>

The market value of sinking funds, at March 31, 1998, is \$1,153.7 million (1997 - \$814.1 million).

Sinking fund earnings include gains on investment sales of \$14.7 million (1997 - \$5.8 million).

The total sinking fund assets have been disclosed net of \$2.7 million in liabilities (1997 - \$1.7 million).

Annual contributions, when established by Order in Council, are set at not less than one per cent of debentures outstanding. The redemption value is based on the market value of the sinking fund units at the date of redemption.

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)	
1998-99.....	\$	58,642
1999-2000.....		61,059
2000-01.....		60,127
2001-02.....		60,219
2002-03.....		60,219
	\$	300,266

Sinking fund assets have been invested as follows:

	(thousands of dollars)	
	1998	1997
<b>Long-term Investments</b>		
Province of Saskatchewan securities; coupon interest range 5.5% to 13.0%; maturing in .4 to 27.2 years.....	\$ 628,111	\$ 406,375
Government of Canada securities; coupon interest range 5.0% to 11.75%; maturing in .65 to 25.3 years.....	105,766	33,281
Other provincial governments' securities; coupon interest range 5.75% to 11.25%; maturing in 1.55 to 31 years.....	193,978	131,946
Corporate and municipal securities.....	-	200
Government of the United States securities; coupon interest rate 6.875%; maturing in 27.5 years.....	1,490	6,246
Other.....	145,904	192,134
<b>Total Sinking Fund Investments</b>	<b>\$ 1,075,249</b>	<b>\$ 770,182</b>

Included are U.S. dollar long-term investments converted to \$173.5 million Canadian (1997 - \$115.6 million) at the exchange rate in effect at March 31, 1998, 1.4166 (March 31, 1997, 1.3843).

Government of Saskatchewan  
Schedules to the Summary Financial Statements

Schedule 9 - Public Debt by Maturity

(thousands of dollars)

Year of Maturity	1998			Average Interest Rate	1997	
	Canadian Dollar Debt	U.S. Dollar Debt (CDN \$)	Total (CDN \$)		Total (CDN\$)	Average Interest Rate
<b>Government Service Organizations</b>						
Short-term promissory notes.....	\$ 128,860	\$ -	\$ 128,860	4.70%	\$ 85,600	3.08%
1997-98.....	-	-	-		673,004	8.79%
1998-99.....	1,045,284	-	1,045,284	9.35%	1,073,834	9.23%
1999-2000.....	1,231,436	-	1,231,436	8.43%	1,235,087	8.43%
2000-01.....	1,248,997	-	1,248,997	10.41%	1,303,697	10.43%
2001-02.....	896,234	-	896,234	7.31%	940,406	8.40%
2002-03.....	569,641	-	569,641	8.29%	-	
<b>1-5 years</b>	<b>5,120,452</b>	<b>-</b>	<b>5,120,452</b>		<b>5,311,628</b>	
6-10 years.....	1,478,276	-	1,478,276	8.73%	1,827,220	9.14%
11-15 years.....	778,885	566,640	1,345,525	10.79%	472,289	10.14%
16-20 years.....	591,003	318,735	909,738	9.22%	1,532,355	8.79%
21-25 years.....	15,000	566,640	581,640	9.05%	430,422	9.22%
Thereafter.....	-	-	-		138,430	8.50%
	<b>\$ 7,983,616</b>	<b>\$ 1,452,015</b>	<b>9,435,631</b>		<b>9,712,344</b>	
Less: Sinking funds			(717,185)		(446,827)	
<b>Debt of Government Service Organizations</b>			<b>8,718,446</b>		<b>9,265,517</b>	
<b>Government Enterprises</b>						
Short term promissory notes.....	\$ 34,700	\$ -	\$ 34,700	4.70%	\$ 74,400	3.08%
1997-98.....	-	-	-		10,289	6.68%
1998-99.....	86,573	-	86,573	8.67%	86,461	8.67%
1999-2000.....	4,652	-	4,652	9.07%	54,651	9.81%
2000-01.....	54,965	-	54,965	10.82%	127,118	11.35%
2001-02.....	10,521	-	10,521	1.12%	12,016	3.66%
2002-03.....	479,110	-	479,110	12.45%	-	
<b>1-5 years</b>	<b>670,521</b>	<b>-</b>	<b>670,521</b>		<b>364,935</b>	
6-10 years.....	948,838	345,650	1,294,488	9.31%	1,359,513	11.00%
11-15 years.....	237,040	-	237,040	9.52%	638,078	8.58%
16-20 years.....	-	106,245	106,245	7.38%	103,822	7.38%
21-25 years.....	250,000	566,640	816,640	9.14%	526,860	9.48%
Thereafter.....	179,816	-	179,816	8.88%	456,676	8.65%
	<b>\$ 2,286,215</b>	<b>\$ 1,018,535</b>	<b>3,304,750</b>		<b>3,449,884</b>	
Less: Sinking funds			(358,064)		(323,355)	
<b>Debt of Government Enterprises</b>			<b>2,946,686</b>		<b>3,126,529</b>	
<b>Total Public Debt</b>			<b>\$ 11,665,132</b>		<b>\$ 12,392,046</b>	

See page 64 for additional information.

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

**Schedule 9 (continued) - Public Debt by Maturity**

U.S. dollar debentures have been converted to Canadian dollars at the exchange rate in effect at March 31, 1998 (1.4166) and March 31, 1997 (1.3843).

The debt of government service organizations includes Canada Pension Plan debentures of \$732.6 million (1997 - \$801.9 million) at a weighted average interest rate of 11.95 per cent, ranging from 9.17 per cent to 17.51 per cent. Of this amount, \$76.0 million is payable within one year. The debt of government enterprises includes Canada Pension Plan debentures of \$720.2 million (1997 - \$720.2 million) at a weighted average interest rate of 10.78 per cent, ranging from 9.04 per cent to 14.06 per cent. 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 \$1,347.9 million (1997 - \$1,298.0 million) redeemable annually at the option of the holder or anytime on the death of the holder. \$55.1 million of this amount is payable within one year.

Included in total public debt are the following amounts:

- debentures totalling 22.5 billion yen (1997 - 27.5 billion) fully hedged to \$259.2 million Canadian (1997 - \$305.0 million).
- debentures totalling 550.0 million U.S. dollars (1997 - 550.0 million) fully hedged to \$744.9 million Canadian (1997 - \$744.9 million).
- debentures totalling 500.0 million Deutschemarks (1997 - 900.0 million) fully hedged to \$374.9 million Canadian (1997 - \$616.6 million).
- debentures totalling 400.0 million Swiss francs (1997 - 650.0 million) fully hedged to \$292.0 million Canadian (1997 - \$478.9 million).

## Government of Saskatchewan Schedules to the Summary Financial Statements

### Schedule 10 - Guaranteed Debt

	(thousands of dollars)	
	1998	1997
The Industry and Commerce Development Act		
Saskferco Products Inc. ....	\$ 199,361	\$ 236,662
The NewGrade Energy Inc. Act		
NewGrade Energy Inc. ....	169,949	196,867
Crown Investments Corporation of Saskatchewan (non-consolidated)		
NewGrade Energy Inc. ....	129,821	150,383
IPSCO Inc. ....	-	48,423
The Saskatchewan Housing Corporation Act		
Home improvement loan program .....	12,928	35,912
Mortgage guarantee program .....	11,248	14,956
The Power Corporation Act		
Manalta Coal .....	30,768	32,685
National Trust Company .....	17,160	18,626
The Farm Financial Stability Act		
The Breeder associations loan guarantees.....	23,629	21,002
The Feeder associations loan guarantees.....	10,097	18,941
Other .....	21,661	17,241
<b>Total Guaranteed Debt</b>	<b>\$ 626,622</b>	<b>\$ 791,698</b>

Total guaranteed debt is net of a loss provision of \$0.6 million (1997 - \$4.6 million).

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

See page 66 for additional information.

**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. The amount recorded is net of \$98.1 million (1997 - \$54.0 million) for Saskferco's equity in a sinking fund.

**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, 1998, the Government's guarantee is \$129.8 million (1997 - \$150.4 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, 1998, the Government's guarantee is \$169.9 million (1997 - \$196.9 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 \$14.2 million (1997 - \$12.3 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.



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

**Schedule 11 - Revenue**

	(thousands of dollars)	
	1998	1997 (Restated)
<b>Taxation</b>		
Corporation capital.....	\$ 267,792	\$ 242,304
Corporation income.....	217,116	231,620
Fuel.....	376,933	365,452
Individual income.....	1,327,582	1,277,191
Sales.....	753,043	840,962
Tobacco.....	123,631	116,869
Other.....	49,477	50,970
<b>Total Taxes</b>	<b>3,115,574</b>	<b>3,125,368</b>
<b>Non-renewable Resources</b>		
Coal.....	17,432	15,088
Natural gas.....	44,050	53,017
Oil.....	488,712	690,720
Potash.....	189,487	87,617
Uranium.....	38,493	57,946
Water.....	20,758	19,470
Other.....	3,286	3,256
<b>Total Non-renewable Resources</b>	<b>802,218</b>	<b>927,114</b>
<b>Gain on Sale of Investments</b>	<b>174,819</b>	<b>25,259</b>
<b>Other Own-source Revenue</b>		
Equity investments.....	43,971	34,163
Other interest and investments.....	111,213	105,304
Fees/permits/licences.....	373,104	314,980
Insurance.....	99,097	120,538
Miscellaneous.....	159,571	170,599
<b>Total Other Own-source Revenue</b>	<b>786,956</b>	<b>745,584</b>
<b>Total Own-source Revenue</b>	<b>4,879,567</b>	<b>4,823,325</b>
<b>Transfers from the Federal Government</b>		
Canada Health and Social Transfer.....	446,361	485,860
Crop insurance premium contributions.....	51,570	48,765
Equalization.....	8,258	175,915
Housing subsidy.....	57,968	20,229
Other.....	111,268	121,866
<b>Total Transfers from the Federal Government</b>	<b>675,425</b>	<b>852,635</b>
<b>Total Revenue</b>	<b>\$ 5,554,992</b>	<b>\$ 5,675,960</b>

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

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

	(thousands of dollars)	
	1998	1997
Gain on sale of investments.....	\$ 174,819	\$ 25,259
<b>Earnings (losses) from equity investments</b>		
Bi-Provincial Upgrader.....	25,267	1,978
Saskferco Products Inc.....	19,133	31,209
NewGrade Energy Inc.....	16,067	11,795
Saskfor MacMillan Limited Partnership.....	3,413	8,312
Cameco.....	-	4,900
Meadow Lake Pulp Limited Partnership.....	(20,696)	(22,801)
<b>Other.....</b>	<b>787</b>	<b>(1,230)</b>
<b>Net Gain on Loans and Investments</b>	<b>\$ 218,790</b>	<b>\$ 59,422</b>

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

	(thousands of dollars)	
	1998	1997
Decrease (increase) in prepaid expenditures.....	\$ 721	\$ (850)
Decrease (increase) in accounts receivable.....	(94,176)	401,994
Decrease (increase) in inventories held for resale.....	(914)	(2,077)
Decrease (increase) in deferred charges.....	13,906	9,197
Decrease (increase) in loans receivable.....	210,342	100,441
Increase (decrease) in accounts payable and accrued liabilities.....	(78,517)	(34,857)
Increase (decrease) in unearned revenue.....	18,440	10,499
<b>Net Change in Non-cash Operating Activities</b>	<b>\$ 69,802</b>	<b>\$ 484,347</b>

## 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 Equity Fund <sup>1</sup>	Saskatchewan Arts Board
Agri-Food Innovation Fund	Saskatchewan Cancer Foundation
Associated Entities Fund	Saskatchewan Centre of the Arts Fund
Big Game Damage Compensation Fund <sup>1</sup>	Saskatchewan Communications Network Corporation
Board of Governors, Uranium City Hospital	Saskatchewan Crop Insurance Corporation
Carlton Trail Regional College	Saskatchewan Development Fund Corporation
Cattle Marketing Deductions Fund	Saskatchewan Energy Conservation and Development Authority <sup>2</sup>
CIC Industrial Interests Inc.	Saskatchewan Grain Car Corporation
CIC Mineral Interests Corporation <sup>2</sup>	Saskatchewan Health Information Network <sup>1</sup>
Commercial Revolving Fund	Saskatchewan Heritage Foundation
Conservation and Development Revolving Fund	Saskatchewan Housing Corporation
Correctional Facilities Industries Revolving Fund	Saskatchewan Indian Regional College
Correspondence School Revolving Fund	Saskatchewan Institute of Applied Science and Technology
Crop Reinsurance Fund of Saskatchewan	Saskatchewan Legal Aid Commission
Crown Investments Corporation of Saskatchewan (non-consolidated)	Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation
Cumberland Regional College	Saskatchewan Opportunities Corporation
Cypress Hills Regional College	Saskatchewan Property Management Corporation
Extended Health Care Plan	Saskatchewan Research Council
Extended Health Care Plan for Certain Other Employees	Saskatchewan Student Aid Fund
Fish and Wildlife Development Fund	Saskatchewan Transportation Company
General Revenue Fund	Saskatchewan Water Corporation
Health Services Utilization and Research Commission	Saskatchewan Western Development Museum
Highways Revolving Fund	Saskatchewan Wetland Conservation Corporation
Horned Cattle Fund	Saskatoon District Health Board
La Ronge Hospital Board	Southeast Regional College
Law Reform Commission of Saskatchewan	St. Louis Alcoholism Rehabilitation Centre
Learning Resources Distribution Centre Revolving Fund	Transportation Partnerships Corporation <sup>2</sup>
Livestock Services Revolving Fund	Transportation Partnerships Fund <sup>1</sup>
Milk Control Board	Victims' Fund
New Careers Corporation	Water Appeal Board
North West Regional College	
Northern Revenue Sharing Trust Account	
Northlands College	
Oil and Gas Environmental Fund	
Parkland Regional College	
Prairie Agricultural Machinery Institute	
Prairie West Regional College	
Prince Albert District Health Board	
Public Employees Benefits Agency Revolving Fund	
Public Employees Dental Fund	
Public Employees Disability Income Fund	
Public Employees Group Life Insurance Fund	
Queen's Printer Revolving Fund	
Regina District Health Board	

<sup>1</sup> Organization established during 1997-98.

<sup>2</sup> Organization wound-up during 1997-98.

#### Government Enterprises (Modified Equity Method)

Municipal Financing Corporation of Saskatchewan
Saskatchewan Auto Fund
SaskEnergy Incorporated
Saskatchewan Forest Products Corporation
Saskatchewan Gaming Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Liquor and Gaming Authority
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Workers' Compensation Board (Saskatchewan)