

Saskatchewan Grain Car Corporation



Annual Report for 2016-17

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Letter of Transmittal



*The Honourable
David Marit
Minister Responsible for
the Saskatchewan Grain
Car Corporation*

October 14, 2017

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending June 30, 2017 in accordance with *The Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

A handwritten signature in black ink that reads "David Marit". The signature is written in a cursive style.

David Marit
Minister Responsible for the
Saskatchewan Grain Car Corporation

President's Message

June 30, 2017

The Honourable David Marit
Chairperson of the Board

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the annual report for the fiscal year ending June 30, 2017.

The 2016-17 fiscal year marks a year of significant change for the corporation with the decision of the Province to divest the hopper car fleet. As such, this will be the last annual report and we can close this chapter of our experience at the corporation on a positive note.

Our mandate of "maximizing economic benefits to Saskatchewan agriculture, industry, and the province in general through effective and efficient utilization of our resources" remained the cornerstone and guiding principle of our activity. As a result, it has largely taken us forward through the wind down of the corporation as well. This past year has seen us focus on the logistics of the return and repair of the fleet, and the divestiture process in general.

During the past thirty six years, the SGCC has leased the fleet to both Class 1 and shortline railways. This contributed to ensuring sufficient car capacity within the Grain Handling and Transportation System in western Canada for the movement of grains.

The time has now come, to leverage the assets into a mutually beneficial opportunity and divest the fleet while there is still value. This value provides a return on investment for the government, while at the same time providing a reasonable remaining useful life expectancy for the purchaser. The entire fleet will remain in the hands of Saskatchewan companies providing service to local producers and shippers for the movement of locally produced grains.

The fleet has been well maintained and is in good condition overall, allowing the Province to free itself of future obligations while providing an exciting and needed opportunity for local enterprises.

It has been an honour and privilege to serve the people of Saskatchewan in the capacity of President and CEO for the Saskatchewan Grain Car Corporation, and may we all continue to look forward to the continued growth, prosperity, and opportunities we are so fortunate to possess within this great province.



Robert (Bob) Mason
President and CEO

Corporate Profile



Board of Directors

Honourable David Marit, Chairperson

Honourable Lyle Stewart, Vice Chairperson



Business Profile

In 1981, the Government of Saskatchewan made a strategic investment of approximately \$55 Million in Canada's grain transportation system by purchasing 1,000 covered hopper cars for the movement of export grain grown by western producers. This investment led to the development of the Saskatchewan Grain Car Corporation (SGCC) a Treasury Board Crown Corporation established under the authority of the Saskatchewan Grain Car Corporation Act.

The SGCC is governed by a Board of Directors who oversee the management of the Corporation. The Chair of the Board is also the Minister Responsible for the Saskatchewan Grain Car Corporation, who functions as a link between the Corporation and Cabinet, as well as the Provincial Legislative Assembly.

Mission

The Saskatchewan Grain Car Corporation will maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the province in general, through the effective and efficient use of its resources.

Vision

To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

In partnership with farmers, and community groups and in cooperation with shippers and railroads enhance the effectiveness and efficiency of transporting and handling grain.

Corporate Overview

This annual report for the Saskatchewan Grain Car Corporation (SGCC) presents the activities for the fiscal year ended June 30th, 2017.

The SGCC is a Treasury Board Crown Corporation responsible for the management of the Provincial hopper car fleet. In 1981, the Government of Saskatchewan made a strategic investment in Canada's grain transportation system to export grain grown by western producers. Over the past 36 years, the Corporation has been responsible for managing the hopper car fleet and ensuring their long term viability. The 2016-17 fiscal year, marks a significant change with a decision by Government to divest of the hopper cars. The SGCC hopper car fleet has approximately 14 years of service life and Government feels that is an opportune time to divest while the fleet still has service life remaining.

The Government provided the Saskatchewan Shortline railways with the opportunity to have first option to purchase the hopper cars through a competitive request for offer process. The Corporation was officially wound down as of June 30th, 2017. The hopper cars were transferred to the Ministry of Highways and Infrastructure to facilitate the sale process.

Throughout the 2016-17 fiscal year, the SGCC maintained the management of the Provincial hopper car fleet ensuring the current obligations continued to be met during the transition period.

The SGCC ensures all financial, legal and other corporate obligations are completed with the utmost transparency and accountability.

2016-17 Key Activities

Divestiture of the SGCC Hopper Car Fleet

- Government announced its intention to sell the hopper car fleet.
- Saskatchewan shortlines given first option to buy the hopper cars.
- Fairness advisor was engaged to supervise and monitor the fairness of the competition.
- Hopper car assets transferred to Ministry of Highways and Infrastructure to facilitate sale.

Customers - Leasing

- Hopper car leasing revenues of \$1.95 Million.
- Leasing (414) hopper cars to Last Mountain Railway (LMR) under a commercial agreement.
- Leasing (484) hopper cars to Canadian Pacific Railway (CP) under a commercial agreement.

Asset Management – Hopper Cars

- Two (2) hopper cars destroyed in 2016-17.
- To date a total of 102 cars have been destroyed.
- Lease turnback of the CP leased hopper cars.
- Member in good standing of the Association of American Railroads.
- Member in good standing of the Railway Association of Canada.

Shortline Railway Sustainability Program

- Financial administration of grant funding for Saskatchewan shortlines.
- Saskatchewan shortlines hauled 19,035 cars load in the 2016 calendar year.

Corporate Administration

- Financial management – Budgets, Audits, Reporting, Summary Financial Statements
- Legal obligations – Access to Information, Records Management, Tabling of Documents, etc.
- Repeal of *The Saskatchewan Grain Car Corporation Act*
- Wind down of the Corporation

Year in Review

Grain transportation assets are an essential component in the western Canadian Grain Handling and Transportation System (GHTS). Whether the SGCC hopper cars are actively moving grains to port position, inland processing, or being used for collecting grains before being transloaded, they are valuable assets in the GHTS. It is Government's expectation that the hopper cars will continue to provide value in the GHTS in the years to come.

Throughout the year, the Corporation's focus shifted from the ongoing lease management to managing the lease turnback of the hopper cars and ensuring that the divestiture process was complete.

The Corporation continued to provide financial assistance to Saskatchewan shortlines with the matching grant funding for maintenance and repairs of the shortline railway network.

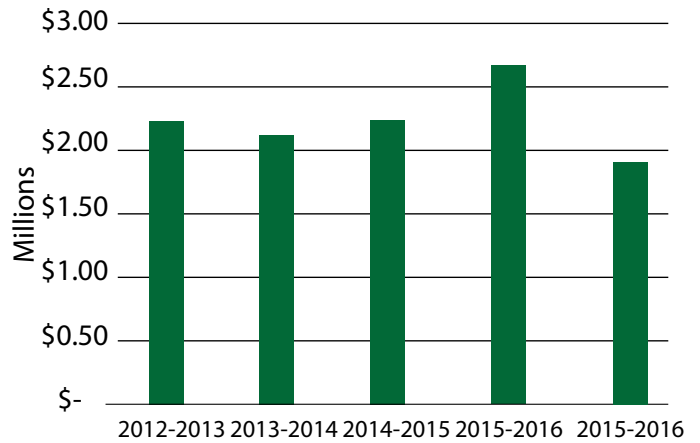
Customers

The SGCC leases hopper cars to both Saskatchewan shortlines and Class 1 Railways.

During 2016-17, Last Mountain Railway (LMR) was the only shortline leasing SGCC hopper cars. LMR leased 414 hopper cars under a commercial arrangement. LMR uses the hopper cars in a number of ways such as collectors for grain along the shortline, transloading into railway supplied equipment and transporting grains to port position. LMR's business operations are dependent on moving grain, as such hopper cars are an essential tool in meeting their business needs.

During the fiscal year, Canadian Pacific Railway (CP) was the only Class 1 Railway leasing SGCC hopper cars. CP was leasing 485 hopper cars at the beginning of the fiscal year, throughout the year the SGCC and CP worked together to have the hopper cars returned through a lease turnback process.

In 2016-17, the SGCC realized hopper car lease revenues totaling \$1.95 million. The SGCC lease revenues decreased in the 2016-17 with cars being removed from lease with CP throughout the year and the one less month of revenue with the June 30th, 2017 wind down.



Divestiture of the SGCC Hopper Car Fleet

On March 22, 2017, Government issued a press release announcing the sale of the hopper car fleet and announced that Saskatchewan shortlines would be given first opportunity to bid on, and purchase the cars. A Request for Offer (RFO) was issued to all 13 Saskatchewan shortlines.

All offers were reviewed by the Evaluation Committee which included representation from the SGCC, Ministry of Highways and Infrastructure (MHI) and an outside consultant. The evaluation process also included Government legal counsel and an external fairness advisor to supervise and monitor the fairness of the competition.

To facilitate the wind down of the Corporation and the sale of the hopper cars, The Saskatchewan Grain Car Corporation Repeal Act was proclaimed, coming into force on June 30, 2017. At this time, all assets, liabilities and obligations of the Corporation were transferred to and assumed by the Government of Saskatchewan through the Ministry of Highways and Infrastructure.

Shortline Railway Sustainability Program

The SGCC is responsible for the financial administration of the Shortline Railway Sustainability Program (SRSP). The SRSP is a matching grant program providing Saskatchewan shortlines operators with financial support for maintenance and upgrading work on railway track infrastructure in the province. The funding is a cost shared arrangement with the Province and the individual shortlines as equal partners. The SRSP program management is administered by the Ministry of Highways and Infrastructure (MHI). The funding distribution is determined by the total approved funding amount and then divided based on a formula provided by the Saskatchewan Shortline Railway Association.

The Saskatchewan shortline railways are connectors into the Class 1 Railway lines. Shortlines in the province provide an alternative to trucking products to the Class 1 Railway lines. In the 2016 calendar year, Saskatchewan shortline railways hauled approximately 19,035 car loads, this was down from 2015 (27,200 car loads). The continued economic slowdown in the resource sector resulted in car loads decreasing for the second consecutive year.

The SRSP grants are administered on the MHI fiscal year (April to March).

In 2016-17, 12 Saskatchewan shortlines were eligible for the funding. The total funding granted by SGCC was \$900,000. The 2016-17 SRSP Program was paid out over two (2) SGCC fiscal years (2015-16 and 2016-17).

Shortline Railway Sustainability Program Payments

2016-17 (April to July 2016)	\$	630,374
2016-17 (Aug 2016 to June 2017)	\$	269,626
	\$	<u>900,000</u>

	Eligible Trak KM	2016-17 Grant Amount
Southern Rails	71	\$ 35,000
Carlton Trail Railway	184	\$ 75,538
Red Coat Road & Rail	115	\$ 47,211
Great Western Railway Ltd.	604	\$ 247,962
Thunder Rail	31	\$ 5,000
Wheatland Railway	74	\$ 35,000
Torch River Rail	45	\$ 35,000
Great Sands Railway	189	\$ 77,591
Last Mountain Railway	136	\$ 55,832
Stewart Southern Railway	132	\$ 54,190
Long Creek Railroad	66	\$ 35,000
Big Sky Rail	406	\$ 166,676
	2053	\$ 900,000

2016-17 Financial Overview

In 2016-17, the SGCC earned revenues of \$3.17 Million, with \$3.13 Million attributed to hopper car leasing and lease turnback settlements. The 2016-17 expenditures totaled \$3.32 Million resulting in a deficit of \$140,210 (including amortization). The SGCC realized a surplus of over \$1 Million with the adjustment for non-financial expenditures.

Revenues

	(in thousands of dollars)				
	2017 Budget	2017 Actual	Variance	2016 Actual	
Car leasing	\$ 1,780	\$ 1,954	\$ 702	\$ 2,656	
Compensation from destroyed cars	\$ 13	\$ 14	\$ (14)	\$ -	
Interest	\$ 12	\$ 18	\$ 3	\$ 21	
Lease turnback settlement	\$ 1,188	\$ 1,188	\$ (1,188)	\$ -	
Model car royalties	\$ 1	\$ 0.5	\$ -	\$ 1	
Other	\$ 1	\$ 0.5	\$ -	\$ 1	
Total Revenue	\$ 2,994	\$ 3,175	\$ (497)	\$ 2,678	

Expenditures

	(in thousands of dollars)				
	2017 Budget	2017 Actual	Variance	2016 Actual	
Administration	\$ 198	\$ 154	\$ (13)	\$ 141	
Amortization	\$ 1,249	\$ 1,139	\$ 104	\$ 1,243	
Destroyed grain cars	\$ -	\$ 11	\$ (11)	\$ -	
Fleet repair and maintenance	\$ 54	\$ 0	\$ -	\$ -	
Grants	\$ 269	\$ 233	\$ 750	\$ 983	
Lease turnback	\$ 1,475	\$ 1,065	\$ (1,051)	\$ 14	
Salaries and benefits	\$ 560	\$ 713	\$ (195)	\$ 518	
	\$ 3,805	\$ 3,315	\$ (416)	\$ 2,899	
(Deficit) Surplus for the year	\$ (811)	\$ (140)	\$ (81)	\$ (221)	

Management's Report

The accompanying financial statements have been prepared by management of the Saskatchewan Grain Car Corporation. These financial statements have been prepared in conformity with generally accepted accounting principles in Canada, consistently applied using management's best estimates and judgment where appropriate. Management is responsible for the reliability and integrity of the Financial Statements and other information contained in the Annual Report.

The integrity of financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are executed in accordance with proper authorization, transactions are appropriately recorded in order to permit preparation of accurate financial statements and assets are properly accounted for and safeguarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal accounting controls based on the premise that the cost of such controls should not exceed the benefits derived.

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending June 30, 2017.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending June 30, 2017.

The financial statements have been audited by the Corporation's external auditors, Miller Moar Grodecki Krekewich & Chorney, Chartered Accountants, and approved by the Provincial Auditor and the Provincial Comptroller's Division of Saskatchewan Finance.



Kelly Moskowy
Regina, Saskatchewan
October 6, 2017

Independent Auditor's Report

*To the Members of the Legislative Assembly of the
Province of Saskatchewan*

Report on the Financial Statements

We have audited the accompanying financial statements of the Saskatchewan Grain Car Corporation, which comprise the statement of financial position as at June 30, 2017 and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for other government organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Grain Car Corporation as at June 30, 2017 and the results of its operations and accumulated surplus, change in net financial assets, and cash flows for the period then ended in accordance with Canadian public sector accounting standards for other government organizations.

Miller Moar Grodecki Krekewich & Chorney

MILLER MOAR GRODECKI KREKLEWICH & CHORNEY
Chartered Professional Accountants

Melville, Saskatchewan
October 6, 2017

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017

	June 30, 2017 (Note 1 & 3)	STATEMENT 1 July 31, 2016
<u>FINANCIAL ASSETS</u>		
Cash	\$ -	\$ 24,750
Due from General Revenue Fund (Note 5)	-	2,672,102
Accounts receivable	-	238,131
<u>TOTAL FINANCIAL ASSETS</u>	\$ -	\$ 2,934,983
 <u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ -	\$ 56,381
Accrued sick leave	-	2,302
Goods and services tax payable	-	11,063
Provincial sales tax payable	-	3,367
Security deposit	-	68,805
<u>TOTAL LIABILITIES</u>	\$ -	\$ 141,918
 <u>NET FINANCIAL ASSETS - STATEMENT 3</u>	\$ -	\$ 2,793,065
 <u>NON-FINANCIAL ASSETS</u>		
Tangible capital assets (Note 6)	\$ -	\$ 6,326,815
Prepaid expense	-	4,728
<u>TOTAL NON-FINANCIAL ASSETS</u>	\$ -	\$ 6,331,543
 <u>ACCUMULATED SURPLUS - STATEMENT 2</u>	\$ -	\$ 9,124,608

Approved on behalf of the Board:



Honourable David Marit
Chairperson of the Board

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
FOR THE PERIOD ENDED JUNE 30, 2017

	2017 Budget	FOR 11 MONTHS ENDED JUNE 30, 2017	STATEMENT 2 FOR 12 MONTHS ENDED JULY 31, 2016
<u>REVENUES</u>			
Car leasing (Note 4)	\$ 1,780,000	\$ 1,953,501	\$ 2,655,600
Compensation from destroyed cars (Note 4)	12,500	14,520	-
Interest (Notes 5 & 7)	12,500	17,664	20,958
Lease turnback settlement	1,187,891	1,187,891	-
Model car royalties	700	734	1,116
Other	900	499	681
<u>TOTAL REVENUES</u>	<u>\$ 2,994,491</u>	<u>\$ 3,174,809</u>	<u>\$ 2,678,355</u>
<u>EXPENSES</u>			
Administration (Schedule 1)	\$ 197,700	\$ 153,490	\$ 140,819
Amortization (Notes 2 & 6)	1,249,000	1,138,973	1,242,891
Destroyed grain cars	-	10,782	-
Fleet repair and maintenance	54,300	-	-
Grants (Note 9)	269,626	233,183	982,702
Lease turnback	1,475,000	1,065,347	14,089
Salaries and benefits (Notes 7 & 8)	560,000	713,244	518,814
<u>TOTAL EXPENSES</u>	<u>\$ 3,805,626</u>	<u>\$ 3,315,019</u>	<u>\$ 2,899,315</u>
<u>(DEFICIT) FOR THE YEAR</u>	<u>\$ (811,135)</u>	<u>\$ (140,210)</u>	<u>\$ (220,960)</u>
Accumulated surplus, beginning of period		9,124,608	11,345,568
Dividends paid to the General Revenue Fund		-	(2,000,000)
Transfer to the Government of Saskatchewan (Notes 1 & 3)		(8,984,398)	
<u>ACCUMULATED SURPLUS, END OF YEAR</u>		<u>\$ -</u>	<u>\$ 9,124,608</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE PERIOD ENDED JUNE 30, 2017

	2017 Budget	FOR 11 MONTHS ENDED JUNE 30, 2017	STATEMENT 3 FOR 12 MONTHS ENDED JULY 31, 2016
Deficit for the period	\$ (811,135)	\$ (140,210)	\$ (220,960)
Change in non-financial assets			
Tangible capital assets			
Amortization	1,249,000	1,138,973	1,244,891
Destroyed grain cars	-	10,782	-
Decrease (Increase) in prepaid expenses	-	4,278	(333)
Net change in non-financial assets	<u>\$ 1,249,000</u>	<u>\$ 1,154,483</u>	<u>\$ 1,242,558</u>
Increase in net financial assets	<u>473,865</u>	<u>1,014,273</u>	<u>1,021,598</u>
Net financial assets, beginning of period	2,793,065	2,793,065	3,771,467
Dividends paid to the General Revenue Fund	-	-	(2,000,000)
Transfer to the Government of Saskatchewan (Notes 1 & 3)	(3,230,930)	3,807,338)	-
<u>NET FINANCIAL ASSETS, END OF YEAR</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,793,065</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2017

	<u>FOR 11 MONTHS ENDED JUNE 30, 2017</u>	<u>STATEMENT 4 FOR 12 MONTHS ENDED JULY 31, 2016</u>
<u>OPERATING ACTIVITIES</u>		
Deficit for the year	\$ (140,210)	\$ (220,960)
Non-cash items included in surplus (deficit) for the year:		
Amortization	1,138,973	1,242,891
Gain on disposal of destroyed grain cars	(3,738)	-
Change in non-cash operating activities:		
Decrease (Increase) in accounts receivable	238,131	(32,153)
(Decrease) Increase in accounts payable and accrued liabilities	(56,381)	6,227
Decrease in accrued sick leave	(2,302)	(891)
(Decrease) Increase in goods and services tax payable	(11,063)	1,904
Decrease in provincial sales tax payable	(3,367)	-
Decrease in security deposit	(68,805)	-
Decrease (Increase) in prepaid expenses	4,728	(333)
Cash provided by operating activities	<u>\$ 1,095,966</u>	<u>\$ 996,685</u>
<u>CAPITAL ACTIVITIES</u>		
Proceeds from destroyed grain cars	<u>\$ 14,520</u>	<u>\$ -</u>
<u>INVESTING ACTIVITIES</u>		
	<u>\$ -</u>	<u>\$ -</u>
<u>FINANCING ACTIVITIES</u>		
Dividends paid to the General Revenue Fund	<u>\$ -</u>	<u>\$ (2,000,000)</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>\$ 1,110,486</u>	<u>\$ (1,003,315)</u>
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</u>	2,696,852	3,700,167
Transfer to the Government of Saskatchewan (Notes 1 & 3)	(3,807,338)	
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ -</u>	<u>\$ 2,696,852</u>
<u>SUMMARY OF CASH AND CASH EQUIVALENTS</u>		
Cash	\$ -	\$ 24,750
Due from General Revenue Fund	-	2,672,102
	<u>-</u>	<u>\$ 2,696,852</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. Status of the Corporation

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation operates under the authority and provisions of The Saskatchewan Grain Car Corporation Act. Effective June 30, 2017, The Saskatchewan Grain Car Corporation

On June 9, 2017, The Saskatchewan Grain Car Corporation Repeal Act was proclaimed, coming into force on June 30, 2017. In accordance with Section 3 of this Act all property of the Corporation, all assets of the Corporation and all interests or rights of the Corporation in or to any property were transferred and assigned and vested in the Government of Saskatchewan. All liabilities and obligations of the Corporation were transferred to and assumed by the Government of Saskatchewan.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian public sector accounting standards for other government organizations as established by the Public Sector Accounting Board (PSAB) and as published by the Chartered Professional Accountants of Canada (CPA Canada). Significant accounting policies adopted by the Corporation are as follows:

a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

b) Measurement Uncertainty and the Use of Estimates

Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

c) Financial Instruments

Financial instruments are any contracts that give rise to financial assets of one entity and financial liabilities or equity instruments of another entity. A contract establishing a financial instrument creates, at its inception, rights and obligations to receive or deliver economic benefits. The Corporation recognizes a financial instrument when it becomes a party to a financial instrument. The financial assets and financial liabilities portray these rights and obligations in the financial statements. Financial instruments of the Corporation include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities security deposits.

All financial assets and financial liabilities are measured at cost or amortized cost. Transaction costs are a component of costs for financial instruments measured using cost or amortized cost. For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Gains and losses on financial instruments are recognized in the statement of operations and accumulated surplus in the period the gain or loss occurs.

d) Financial Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Valuation allowances are used where considered necessary to reduce the amounts reported for financial assets to their net realizable value.

i) Cash and cash equivalents consist of cash, bank deposits and investments with maturity terms of three months or less and held for the purpose of meeting short-term operating cash commitments rather than for investing purposes.

ii) Accounts receivable includes receivables from the lease of the Corporation's hopper cars, royalties from the sale of model replica grain cars and accrued interest. All receivables are recorded at cost less any valuation allowance used to reduce the amount reported to the estimated net recoverable amount. The allowance at June 30, 2017 was \$Nil (2016 - \$Nil).

e) Non-Financial assets

Non-Financial assets are assets held for consumption in the provision of services. These assets do not normally provide resources to discharge the liabilities of the Corporation unless they are sold.

i) Tangible capital assets have useful lives extending beyond the accounting period, are used by the Corporation to provide services to the Province of Saskatchewan and are not intended for the sale in the ordinary course of operations. Tangible capital assets include rolling stock hopper cars.

Tangible capital assets are recorded at cost and include all costs directly attributable to the acquisition, design, construction, development, installation and betterment of the asset. The cost of depreciable tangible capital assets, net of any residual value, is amortized on a straight-line basis over the following years:

Rolling Stock (hopper cars) - 40 years

Tangible capital assets are amortized in the month of acquisition. Assets under construction or betterments are not amortized until completed and placed into service for use.

ii) Prepaid expenses are prepaid amounts for goods or services which will provide economic benefits in one or more future periods. Prepaid expenses include membership fees.

f) Liabilities

Liabilities are present obligations arising from transactions and events occurring prior to year-end, which will be satisfied in the future through the use of assets or another form of economic settlement.

i) Accounts payable and accrued liabilities include accounts payable, tax collections payable, deposits, and accrued liabilities owing to third parties and employees for work performed, goods supplied and services rendered, but not yet paid, at the end of the fiscal period.

ii) Accrued Sick Leave. Canadian public sector accounting standards require the Corporation to record a liability for vesting or accumulating sick leave in the year the employee provides service in return for the sick leave benefits. A liability is recorded if it is expected to be significant to the Corporation. The liability relating to these benefits is determined via a formula provided by the Province of Saskatchewan and does not use actuarial methods or assumptions. Valuations are performed periodically and include a 3.5% discount factor based on employees sick leave days over the prior three fiscal periods. Changes in the liability are included in the statement of operations and accumulated surplus in the period the valuation was performed.

g) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues, provided the amount to be received can be reasonably estimated and collection is reasonably assured. The Corporation's main sources of revenue are the following:

i) Commercial lease agreements, compensation from destroyed cars and lease turn back settlements are recognized in income in the period earned as per Note 3.

ii) Interest income is recognized on an accrual basis when it is earned.

iii) Model car royalties and other revenues are recognized in the period earned.

h) Foreign Currency

The Corporation translates its foreign currency transactions into Canadian dollars by applying the exchange rate in effect on the transaction date. Monetary assets and liabilities are adjusted to reflect the exchange rate in effect at the reporting date. Exchange gains and losses are recognized in the statement of operations and accumulated surplus in the current period.

3. Transfer to the Government of Saskatchewan

On June 30, 2017, the Corporation transferred its financial assets, liabilities, non-financial assets and accumulated surplus the Province of Saskatchewan per Section 3 of the Saskatchewan Grain Car Corporation Repeal Act. The transfer was comprised as follows:

	<u>June 30, 2017</u>
<u>FINANCIAL ASSETS</u>	
Cash	\$ 405,072
Due from General Revenue Fund (Note 5)	3,460,763
Accounts receivable	147,538
<u>TOTAL FINANCIAL ASSETS</u>	<u>\$ 4,013,373</u>
<u>LIABILITIES</u>	
Accounts payable and accrued liabilities	\$ 206,035
<u>TOTAL LIABILITIES</u>	<u>\$ 206,035</u>
<u>NET FINANCIAL ASSETS - STATEMENT 3</u>	<u>\$ 3,807,338</u>
<u>NON-FINANCIAL ASSETS</u>	
Tangible capital assets (Note 6)	\$ 5,177,060
Prepaid expense	-
<u>TOTAL NON-FINANCIAL ASSETS</u>	<u>\$ 5,177,060</u>
<u>ACCUMULATED SURPLUS - STATEMENT 2</u>	<u>\$ 8,984,398</u>

4. Commercial Lease Agreements

a) In the current period, the Corporation operated under the existing terms and conditions of the previous lease agreement with CP. All 485 hopper cars leased to CP were requested to be returned to the Corporation during the period. The Corporation and CP agreed to a lease turn back settlement to compensate the Corporation for any outstanding mechanical deficiencies.

CP is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, CP is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

b) The Corporation entered into a five year lease agreement effective October 3, 2011 for 415 hopper cars. This agreement was renewed for an additional five year term. As of July 1, 2017 this agreement was cancelled.

Significant terms of the lease are as follows:

LMR is responsible for maintaining and repairing the Corporation's hopper cars at their own expense in accordance with Transport Canada, Federal Railway Administration (FRA) and Association of American Railroads (AAR) rules.

In the event that one of the Corporation's cars is damaged beyond economic repair, LMR is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the AAR.

5. Due From General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into their bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2017 was 0.52% (2016 - 0.55%).

6.

Tangible Capital Assets <u>Rolling Stock</u>	Cost	Accumulated Amortization	Book Value
Balance, beginning of the period	\$ 49,715,659	\$ 43,388,844	\$ 6,326,815
Current disposals	(110,110)	(99,328)	(10,782)
Current amortization	-	1,138,973	1,138,973
	\$ 49,605,549	\$ 44,428,489	\$ 5,177,060
Transfer to the Government of Saskatchewan	(49,605,549)	(44,428,489)	(5,177,060)
Balance, end of the period	\$ -	\$ -	\$ -

7. Related Party Transactions

The Corporation is related to all Saskatchewan Crown Agencies under the common control of the Government of Saskatchewan and all non-crown enterprises that the Government jointly controls or significantly influences. Operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms. These are as follows:

	June 30,2017	July 31, 2016
<u>Revenues</u>		
Government of Saskatchewan		
General Revenue Fund Interest	\$ 17,664	\$ 20,958
<u>Expenses</u>		
Ministry of Central Services		
Rent of office space	\$ 51,373	\$ 56,345
Printing and copying	\$ 1,218	\$ 784
Consulting services	\$ 100	\$ 7,961
Central vehicle agency	\$ 12,035	\$ 13,901
Information technology services	\$ 8,120	\$ 9,142
Telecommunications	\$ 1,155	\$ -
Saskatchewan Telecommunications		
Telecommunications	\$ 3,488	\$ 3,446
Workers' Compensation Board (Saskatchewan)		
Salaries and benefits	\$ 1,345	\$ 2,873
Provincial Archivist of Saskatchewan		
Administration fees	\$ 515	\$ 30
Training	\$ -	\$ 150

8. Employee Pension Plans

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Public Employee Pension Plan (PEPP) (related party) is limited to making payments to match the amounts contributed by employees for current service. The pension expense for 2017 \$30,296 (2016 - \$31,797).

9. Shortline Railway Sustainability Program (SRSP)

The SRSP provides cost shared grants to shortline operators to support maintenance and upgrading work on shortline railway track infrastructure in the Province of Saskatchewan.

10. Risk Management

The Corporation is exposed to various risks from its financial instruments.

a) Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relate to its accounts receivable. The Corporation provides credit to its customers in the normal course of its operations. The Corporation manages its credit risk by monitoring its accounts receivable on a regular basis.

b) Liquidity risk is the risk that the Corporation will encounter difficulty in meeting obligations with financial liabilities. The Corporation is exposed to this risk mainly in respect to its accounts payables. The Corporation manages its liquidity risk by monitoring forecasted and actual cash flows and by holding assets that can be readily converted into cash. Trade accounts payable are generally repaid within 30 days.

c) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Corporation is exposed to currency risk.

i) Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation purchases services in foreign currencies. The Corporation manages its foreign currency risk by transferring funds to a foreign currency bank account as required and by minimizing the amount of cash held in this account.

SASKATCHEWAN GRAIN CAR CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Budget	FOR 11 MONTHS ENDED JUNE 30, 2017	SCHEDULE 1 FOR 12 MONTHS ENDED JULY 31, 2016
Advertising and promotion	\$ 3,000	\$ -	\$ 400
Bank charges	1,200	982	401
Computer software	1,500	655	1,049
Conferences and professional development	10,000	-	465
Consulting services (Note 7)	20,000	27,682	19,555
Information technology services (Note 7)	15,000	8,120	9,142
Memberships and subscriptions	12,000	17,194	12,931
Miscellaneous (Note 7)	2,000	1,656	1,802
Office equipment and supplies	2,500	2,075	872
Printing, copying, postage and courier (Note 7)	4,500	3,248	3,541
Professional services	15,000	18,188	9,030
Rent - office space (Note 7)	67,000	54,202	59,545
Telecommunications (Note 7)	4,000	4,522	3,398
Travel and sustenance	40,000	14,966	18,688
<u>TOTAL EXPENSES TO STATEMENT 2</u>	<u>\$ 197,700</u>	<u>\$ 153,490</u>	<u>\$ 140,819</u>

(See Accompanying Notes to Financial Statements)

Statistical Summary

As of June 30, 2017

Year	Total Cars			Destroyed Cars			Leasing Revenues
	SKNX	SKPX/CP	Total	SKNX	SKPX/CP	Total	
1980/81	477	273	750	-	-	-	-
1981/82	477	523	1,000	-	-	-	\$56,294
1982/83	477	523	1,000	-	-	-	\$11,850
1983/84	475	523	998	2	-	2	-
1984/85	475	523	998	-	-	-	-
1985/86	475	523	998	-	-	-	-
1986/87	474	523	997	1	-	1	-
1987/88	474	523	997	-	-	-	-
1988/89	474	523	997	-	-	-	\$1,099,441
1989/90	474	523	997	-	-	-	\$92,310
1990/91	474	523	997	1	-	1	\$146,343
1991/92	473	522	995	-	1	1	\$268,342
1992/93	473	522	995	-	-	-	\$326,047
1993/94	472	522	994	1	-	1	\$816,083
1994/95	472	518	990	-	4	4	\$628,807
1995/96	470	514	984	2	4	6	\$946,233
1996/97	468	514	982	2	-	2	\$991,526
1997/98	468	509	977	-	5	5	\$1,089,116
1998/99	468	509	977	-	-	-	\$1,305,593
1999/00	464	508	972	4	1	5	\$1,189,104
2000/01	458	498	956	6	10	16	\$1,304,835
2001/02	455	498	953	3	-	3	\$1,033,158
2002/03	454	497	951	1	1	2	\$1,315,865
2003/04	442	497	939	12	-	12	\$1,766,041
2004/05	440	494	934	2	3	5	\$1,543,736
2005/06	434	494	928	6	-	6	\$1,064,115
2006/07	429	493	922	5	1	6	\$1,629,790
2007/08	424	491	915	5	2	7	\$1,864,169
2008/09	419	491	910	5	-	5	\$1,093,967
2009/10	417	490	907	2	1	3	\$1,244,944
2010/11	416	488	904	1	2	3	\$1,470,636
2011/12	416	488	904	0	0	0	\$1,883,919
2012/13	415	488	903	1	0	1	\$2,205,005
2013/14	415	487	902	0	1	1	\$2,087,804
2014/15	415	485	900	0	2	2	\$2,213,488
2015/16	415	485	900	0	0	0	\$2,655,600
2016/17	414	484	898	1	1	2	\$1,953,501
Total	415	485	900	63	39	102	\$37,297,662

(See note 1)

(See note 2)

SKNX marked hopper cars were leased to Canadian National Railway (CN) from 1980/81 until 2010/11 inclusive. From 2011/12 to 2013/14, hopper cars were leased to Last Mountain Railway (LMR) and CN, as cars were turn backed from lease with CN. As of July 31, 2014, all SKNX marked cars are leased to LMR. SKPX/CP marked hopper cars are leased to Canadian Pacific Railway (CPR).

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

Car leasing revenue recognized as per 1997/98 Financial Statement	\$ 1,507,271
- Bad debt allowance as shown in 1997/98 Financial Statement	(\$ 160,000)
- Bad debt allowance as shown in 1998/99 Financial Statement	(\$ 53,543)
- Settlement recovery with CP for western Canada commercial moves from 1991 to 1997 realized in 1998/99	(\$ 204,612)
Car leasing revenue actually realized in 1997/98	\$ 1,089,116

2. Revenue adjustments for 1999/00 fiscal year

Car leasing revenue recognized as per 1999/00 Financial Statement	1,639,104
- Settlement recovery with CN for western Canada commercial moves form 1991 to 1997 realized in 1999/00	(\$ 450,000)
Car leasing revenue actually realized in 1999/00	\$ 1,189,104

Corporate Information

For additional information:

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