

Appendix C

GRF Accounting Policies

Basis of accounting

These financial statements are prepared in accordance with Canadian public sector accounting standards issued by the Public Sector Accounting Board, with the exception that pension liabilities are not recorded in the financial statements. The General Revenue Fund accounts for defined benefit pension plans on a cash basis.

Reporting entity

The General Revenue Fund is the general fund, which receives all revenues unless otherwise specified by law. Spending from the General Revenue Fund is appropriated by the Legislative Assembly.

Other public sector entities such as revolving funds, special purpose funds, government business enterprises and other Crown corporations and agencies report separately in other financial statements. Only financial transactions to or from these other entities are included in the General Revenue Fund.

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

The Government's Summary financial statements, which include the financial activities of the General Revenue Fund and other public sector entities, are provided separately.

Specific accounting policies

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.

Cash and cash equivalents consist of cash, bank deposits and highly liquid investments that are acquired with maturity terms no longer than three months.

Accounts receivable are initially recorded at cost. A valuation allowance is recognized when collection is uncertain.

Loans receivable generally have fixed repayment terms and are interest bearing. Promissory notes issued to Crown corporations are recorded at par; all other loans are recorded at cost. Loans to Crown corporations are presented net of amounts Crown corporations have contributed to sinking

Appendix C

funds and net of government business enterprise specific debt. Where there is a loss in value that is other than a temporary decline, the loan is written down to recognize the loss.

Sinking fund investments are held for the repayment of debt and consist primarily of bonds and debentures. These investments, recorded at amortized cost, are net of the Government's own securities held as sinking fund investments. Premiums and discounts on long-term investments within these sinking funds are amortized using the effective interest rate method.

The General Revenue Fund is reimbursed by Crown corporations for all sinking fund contributions made for debt incurred on their behalf.

Portfolio investments include bonds, debentures and other fixed income securities and are recorded at cost. Investments recorded at cost are written down to market value when there is evidence of a permanent decline in value.

Equity investment in Crown Investments Corporation of Saskatchewan is an advance to the corporation to form its equity capitalization and is recorded at cost. Where there has been a loss in value that is other than a temporary decline, the equity investment is written down to recognize the loss.

Derivative assets include currency and interest rate swaps measured at fair value. Unrealized changes in fair value are recorded in the Statement of Remeasurement Gains and Losses. A derivative that has negative fair market value is presented as a liability on the Statement of Financial Position.

Liabilities

Liabilities are present obligations resulting from transactions and events occurring prior to year end, which will be satisfied in the future through the transfer or use of assets or another form of economic settlement. Contingencies, including loss provisions on guaranteed debt, are recorded when it is likely that a liability exists and the amount can be reasonably estimated.

Accounts payable and accrued liabilities primarily include obligations to pay for goods and services acquired prior to year end and to provide authorized transfers where eligibility criteria are met. Obligations for most contaminated sites and asset retirements are recorded on an undiscounted basis as the settlement date is not determinable. These same obligations are recorded using the Government's best estimate of the amount required: to remediate contaminated sites for which the Government is either directly responsible or has accepted responsibility; and to retire controlled tangible capital assets. Accrued salaries and benefits include other employee future benefits which are recognized in the period the employees provide service.

Unearned revenue includes: government transfers with stipulations that meet the definition of a liability; amounts received in advance of taxes earned; amounts received for goods or services with

Appendix C

performance obligations that meet the definition of a liability; and contributions restricted for a stipulated purpose pursuant to an agreement with an external party. Amounts are recognized as: stipulations are met; taxes are earned; performance obligations are satisfied; and contributions are used for the stipulated purposes.

Public debt is recorded at par, and is comprised of:

- *government general debt*, which is debt issued by the General Revenue Fund to fund government spending;
- *Crown corporation general debt*, which is debt issued by the General Revenue Fund and subsequently loaned to a Crown corporation; and
- *government business enterprise specific debt*, which is debt issued by the General Revenue Fund specifically on behalf of government business enterprises, where the government expects to realize the receivables from the government business enterprises and settle the external debt simultaneously. Government business enterprises for which the government issues debt specifically are disclosed on schedule 6.

On the Statement of Financial Position, public debt is presented net of loans to Crown corporations for government business enterprise specific debt. Debt servicing charges on the Statement of Operations are presented net of reimbursements of interest for government business enterprise specific debt.

General debt is net of the Government's own securities held as investments and adjusted for the accumulated impact of translating debt issued in foreign currencies to Canadian dollars at the exchange rate in effect at March 31.

Obligations under long-term financing arrangements, represent the General Revenue Fund's liability for public private partnership agreements (P3s) through which private sector proponents design, build, finance, operate and maintain certain of the General Revenue Fund's tangible capital assets. The obligations are recorded on the percentage-of-completion basis over the period of construction of the P3 asset and are reduced by progress and capital payments made to the P3 partner. The percentage of completion is applied to the nominal value of progress payments and the present value of future capital payments, discounted to the date the asset is available for use, using the **weighted average cost of capital specific to the P3 arrangement**.

Derivative liabilities include currency and interest rate swaps measured at fair value. Unrealized changes in fair value are recorded in the Statement of Remeasurement Gains and Losses. A derivative that has a positive fair market value is presented as a financial asset on the Statement of Financial Position.

Other liabilities include unamortized debt related costs, which is comprised of premiums, discounts and debt issue costs. These costs are deferred and amortized using the effective interest rate

Appendix C

method. Premiums, discounts and commissions on government business enterprise specific debt are netted against reimbursements by these entities.

Guaranteed debt includes guarantees by the Minister of Finance made through specific agreements or legislation to pay all or part of the principal and/or interest on a debt obligation in the event of default by the borrower. Loss provisions on guaranteed debt are recorded as a liability and an expense when it is likely that a loss will occur. The amount of the loss provision represents the best estimate of future payments net of recoveries.

Non-financial assets

Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities, but instead are normally employed to deliver government services, may be consumed and are not for sale in the normal course of operations. Non-financial assets are recorded at cost and expensed as they are consumed.

Inventories held for consumption are recorded at cost and are expensed as they are consumed.

Tangible capital assets include all amounts directly attributable to the acquisition, construction, development, betterment or retirement of the asset. During construction, these assets are recorded based on their percentage of completion and are disclosed as work in progress. Amortization is generally on a straight-line basis over the estimated useful life of the asset and commences when the asset is put in service. Non-purchased intangible assets, items inherited by right of the Crown such as Crown lands, forests, water and mineral resources, works of art and historical treasures are not recognized as assets in these financial statements as an estimate of their future economic benefits cannot be reasonably and verifiably quantified.

Tangible capital assets procured through P3s are valued at the total of the nominal value of progress payments made during or on completion of construction and the present value of the future capital payments, discounted to the date the asset is available for use, using the **weighted average cost of capital specific to the P3 arrangement**.

Revenue

Revenue, recorded on the accrual basis, represents economic resources earned by the Government from taxes and other sources that are used to deliver public services.

Taxation revenue is recognized when the tax is authorized by the legislature and the taxable event occurs. The taxable event differs for each type of tax; for example, taxation revenue is recognized when taxpayers earn income, purchase products and services, or are in possession of real property. Tax concessions are recorded as a reduction in taxation revenue.

Appendix C

For individual and corporation income taxes, cash received from the federal government, adjusted for assessment data from the federal government when it provides a more reliable estimate, is used as the basis for recording the tax revenue.

Non-renewable resources revenue is recognized based on the production, sales or profits generated from the specific non-renewable resource. Oil and natural gas revenue is based primarily on price and production; potash revenue is based primarily on profits generated; and resource surcharge revenue is based on sales volumes and prices.

Other own-source revenue is recognized when the Government has the authority to obtain the related economic benefits and is expected to do so. For transactions for which the Government is obligated to provide specific goods or services, such as fees or sales of goods, services, licenses or permits, revenue is recognized as the related performance obligation is satisfied.

Transfers from the federal government are recognized as revenue in the period the transfer is authorized and eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as unearned revenue and recognized as the stipulations are met.

Expense

Expenses, recorded on the accrual basis, represent the government's cost to deliver public services. Transfers are recognized as expenses in the period the transfer is authorized and eligibility criteria are met.

Defined benefit pension plan costs are recorded on a cash basis.