

PROVINCE OF SASKATCHEWAN



10-11

ANNUAL REPORT

MINISTRY OF FINANCE

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This document can also be found on-line at www.finance.gov.sk.ca



Letter of Transmittal Minister



His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

May It Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Ministry of Finance for the fiscal year ending March 31, 2011.

The Ministry's Annual Report demonstrates how the Ministry has contributed to the progress of our *Government's Direction for 2010-11: Balanced. Forward-Looking. Responsible.*

The Government began the fiscal year with a cautious approach, but as economic recovery took hold, increased revenue allowed the Government to make critical infrastructure investments. The Government of Saskatchewan has focused on key priorities and delivered responsible management and forward-looking policies. Over the course of the year, the Government has made real progress towards its commitments to the people of Saskatchewan.

The 2010-11 Annual Report shows how the Ministry of Finance supported the Government's decision making processes by providing sound advice, analysis and recommendations.

On behalf of the Ministry of Finance, I am pleased to provide the 2010-11 Annual Report to the legislature and to the people of Saskatchewan.

Sincerely,
Ken Krawetz

A handwritten signature in black ink, appearing to read 'Ken Krawetz'. The signature is fluid and cursive, with a prominent 'K' and 'W'.

Deputy Premier
Minister of Finance
July 19, 2011



Letter of Transmittal Deputy Minister



The Honourable Ken Krawetz
Deputy Premier
Minister of Finance

Dear Sir:

I have the honour of submitting the Annual Report of Saskatchewan Finance for the fiscal year ending March 31, 2011.

The Ministry of Finance is a central agency that provides financial and policy advice to government and administers various tax bases on behalf of the Province. Finance also establishes the framework for proper accounting and administrative controls across Government and is responsible for the accurate reporting of budgeted and actual results.

As Deputy Minister of Finance, I take responsibility for public accountability seriously and have made every effort to ensure the information and content of the 2010-11 Annual Report is as meaningful, complete and accurate as possible.

Respectfully submitted,

A handwritten signature in black ink that reads "Karen Layng". The signature is fluid and cursive.

Karen Layng
Deputy Minister of Finance
June 30, 2011

Introduction

This annual report presents the Ministry's activities and results for the fiscal year ending March 31, 2011. It reports to the public and elected officials on public commitments made and other key accomplishments of the Ministry.

Results are provided on the publicly committed strategies, actions and performance measures identified in the Ministry Plan for 2010-11.

This report also demonstrates progress made on Government commitments as stated in the *Government Direction for 2010-11*, the Minister's Mandate letter, throne speeches, and other commitments.

The 2010-11 Annual Report sets the stage for the 2012-13 planning and budgeting process by providing an opportunity to assess the accomplishments, results, and lessons learned, and identifying how to build on past successes for the benefit of Saskatchewan people.

Alignment with Government's Direction

The Ministry's activities in 2010-11 align with Government's vision and three goals:

Our Government's Vision

A secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing a high quality of life for all.

Government's Goals

- Sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.
- Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.
- Keep Government's promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Together, all ministries and agencies support the achievement of Government's three goals and work towards a secure and prosperous Saskatchewan. The Ministry of Finance has made significant progress implementing the commitments made by the Government since it was elected in November 2007. This report provides an update on Government's commitments and the ministry's strategies, actions, and performance measures from the Ministry of Finance Plan for 2010-11.

Ministry's Mission Statement

Provide expert economic, financial, and fiscal policy advice and professional services in the management and control of the Government's revenues, expenditures, and financial assets and liabilities.

Ministry Overview

The Ministry of Finance plays a unique role in the affairs of the Province of Saskatchewan. As a central agency, Finance is responsible for advising the government on financial implications associated with policy decisions that span across all ministries and agencies. The Ministry, with direction from Treasury Board and Cabinet, assists in managing and controlling the finances of the province to ensure appropriate use of public funds. The Ministry also analyzes and provides advice on tax policy matters ensuring a competitive tax regime that supports the government's spending and debt strategies. It maintains a close working relationship with the federal government, other provincial governments and other government bodies within the province to effectively address financial issues of mutual concern.

The Ministry of Finance is responsible for receiving the majority of revenues for the Government of Saskatchewan. These include revenues from taxation, transfers from government entities, such as the Crown Investments Corporation of Saskatchewan, and transfers from the federal government. Payments are disbursed through Finance to fund public services such as health care, education and road maintenance.

Finance also provides services directly to the public by administering provincial tax programs including the Provincial Sales Tax and undertaking communication initiatives to keep the public informed about finance-related issues.

Ministry of Finance staff are trained in fields ranging from economics and accounting to public policy, financial administration, commerce, communications and many other skilled and professional fields. Staff are primarily located in Regina, with regional offices in Saskatoon, Prince Albert, Swift Current and Yorkton.

Finance's FTE budget for 2010-11 was 318.0 compared to an actual FTE utilization of 315.0 (note: FTE staff complement for the Public Employees' Benefits Agency Revolving Fund are not included). The variance of 3.0 FTEs was mostly due to fiscal restraint measures

implemented during the year in response to government's directive to reduce the footprint of government.

Core Business Areas

The Ministry provides the Minister of Finance, Treasury Board, Cabinet and the government with information, analysis, advice and services in eight core business areas.

1. Budget Analysis/Tax Policy

Budget Analysis Division supports effective government decision making by providing up-to-date information, policy analysis and advice to the Minister of Finance, Treasury Board, Cabinet and government ministries.

Economic and Fiscal Policy Branch, along with the Saskatchewan Bureau of Statistics, provides the Government with updates on the Province's revenue, expense and debt position, reports on provincial and national economic indicators, and publishes quarterly financial reports.

Treasury Board Branch leads the budget development process, supporting ministries and agencies in their expenditure reviews and providing economic and social policy advice to Government as it makes resource allocation decisions.

Taxation and Intergovernmental Affairs Branch analyzes and provides advice on tax policy matters ensuring a competitive tax regime that supports the Government's spending and debt strategies. This Branch is also responsible for working with the federal government on programs such as Equalization, the Canada Health Transfer, the Canada Social Transfer, the Canada Pension Plan, fiscal arrangements concerning First Nations in Saskatchewan and other federal-provincial programs.

2. Comptrollership/Financial Management

Finance assists the legislature and the government in controlling and accounting for the receipt and disposition of public money.

Through the Provincial Comptroller's Office, the Ministry develops and maintains the government-wide revenue and expense systems and ensures that effective financial

Ministry Overview (cont'd)

management and accounting procedures are in place. It also prepares and publishes financial accountability reports, including the Public Accounts. Finance ensures that Ministries maintain appropriate financial and management controls and are properly accounting for their revenues and expenses.

3. Treasury and Debt Management

Finance borrows to meet the funding requirements of the Government, including Crown corporations and other government agencies. It manages the provincial debt and the cash position of the General Revenue Fund. It also provides an investment management service for various funds administered by the Government, Crown corporations and other agencies.

4. Revenue Operations

Finance administers several provincial government revenue and tax rebate programs. This work involves identifying and collecting tax revenues, conducting audits, issuing tax refunds and providing information related to tax and rebate programs. The programs administered by the Revenue Division include the following:

Tax Information Services Program

- To provide tax information and instruction to taxpayers and the general public to assist them in understanding the various tax statutes, refund and rebate programs administered by the Division.

Audit Program

- Audits are conducted to ensure tax is properly collected and remitted and to ensure tax is paid on consumer goods. The majority of the audits conducted deal with Provincial Sales Tax.

Fuel, Tobacco and Prorate Programs

- Administer the province's fuel and tobacco taxes, including programs related to the tax exemption under Section 87 of the *Indian Act (Canada)* and the *International Fuel Tax Agreement* which provides for the prorating of fuel taxes to all jurisdictions in which a carrier travels.

Farm Fuel Program

- Validates farm fuel exemption permits that allow the holder to purchase tax exempt fuel, and provides refunds to farmers and primary producers eligible for a fuel tax rebate.

Corporation Taxes Program

- Deals with various programs including, the Resource Surcharge, Fire Prevention Tax, Insurance Premiums Tax and Motor Vehicle Insurance Premium Tax.

5. Government Performance Planning, Measuring, and Reporting

The Performance Management Branch (PMB) leads efforts to improve strategic planning, budgeting, performance measurement and reporting practices across government. PMB works closely with Treasury Board Branch and with ministries to develop and implement a "managing for results" approach across government, to build capacity for improved management practices, to provide analysis and advice to Treasury Board, and to undertake evaluations, program reviews and special projects as requested.

6. Personnel Policy Secretariat

The Personnel Policy Secretariat (PPS) provides support and advice to the Sub-Committee on Public Sector Bargaining, client employers and government ministries with respect to the management of collective bargaining and compensation activities. It also provides general human resource policy advice on initiatives of the provincial public sector, and facilitates the integration of public sector compensation strategies into planning and budgeting processes.

PPS provides advice on collective bargaining and compensation for approximately 62,000 public sector employees in Executive Government, Treasury Board Crowns, Boards and Agencies, the health sector, and the education sector (K-12, SIAST, and regional colleges).

Ministry Overview (cont'd)

7. Central Management and Services

Central Management and Services provides direction, guidance and support for internal operations and client agencies. This work includes executive management and the management of communications, financial services, procurement, information technology, security and facilities.

8. Pension and Benefits Administration

Finance, through the Public Employees Benefits Agency (PEBA), administers pension and benefit programs for employees of the Executive Government, most Crown corporations and government funded bodies. As part of its mandate, PEBA ensures that plans are administered in accordance with legislation and the prevailing governance system. Plan design is reviewed regularly to ensure that the needs of plan members and employers are addressed. An annual report is prepared and tabled for each pension and benefit plan under PEBA's administration. For more information, go to www.peba.gov.sk.ca and click on the "publications" link.

Progress in 2010-11

Government Goal – Economic Growth

The Ministry of Finance supports Government's goal to sustain economic growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

Strategy – Support Government's priorities through a sound financial plan

Examine expenditures to ensure they align with government's priorities and that programs are economical, efficient, and effective.

- All ministries and agencies were required to develop plans that align with Government's vision, goals, commitments and priorities as outlined in the throne speech, the *Government Direction for 2010-11*, and the Ministers' mandate letters.
- All ministries were also required to respond to the Public Service Renewal initiative launched in the Spring of 2010. Key components of government's renewal initiative include examining the range of current programs and services offered and streamlining work processes and delivery methods to better support government programs and services through the available workforce. Finance monitors ministry activities undertaken as part of this initiative and challenges ministries to provide additional information for Treasury Board's consideration through the annual planning and budget process.
- To help identify further efficiencies in government operations, Finance participated in a number of Lean projects within the ministry and with other ministries. Finance will continue to seek ways to align expenses with government priorities and to encourage greater efficiency across government's programs and services.

Review provincial tax policies to ensure the tax system is fair, adequate, and competitive.

- This work is ongoing and is reported to the Minister of Finance and Treasury Board as part of the annual budget-development cycle. An additional element of this work is the review of tax policy proposals submitted by members of the public and business.
- During 2010-11, Finance developed tax policy options for Treasury Board's consideration in the 2011-12 budget development process. The Budget announced increases to personal income tax exemption amounts, a reduction to the small business tax rate and a reduction to the second tier education property tax mill rate for commercial property.

Support the Province in the negotiation and approval of major intergovernmental fiscal transfers.

- This work is ongoing and is reported to the Minister of Finance and the Treasury Board throughout the year. Finance acts as the Government's principal contact with the federal government on major intergovernmental fiscal transfers.
- In 2010-11, Saskatchewan received \$1.6 billion in transfers from the federal government, including the Canada Health Transfer, the Canada Social Transfer and infrastructure funding.

Issue timely economic and fiscal forecasts, reports and analysis, as part of the annual planning, budget, and accountability processes.

- Finance issued timely economic and fiscal forecasts, reports and analysis, as well as fiscal strategies and options, to achieve the government's financial plan within legislation. Economic forecasts were provided in the Budget and Mid-Year Report. Fiscal forecasts were updated and released quarterly. As well, throughout the year, Cabinet and Treasury Board were provided with analysis, strategies and options as required.
- Ministry expense and FTE forecasts were gathered and analyzed to provide advice on first quarter and at mid-year.

Progress in 2010-11 (cont'd)

- All ministry plans were released publicly with the 2011-12 Budget and posted on the Government website. All ministry 2009-10 annual reports were tabled by the legislative deadline. Mid-year reporting on results were gathered and analyzed to feed into the 2011-12 budget review process and informed decision-making.

Measurement Result: Private Sector Forecasts of Real GDP Growth

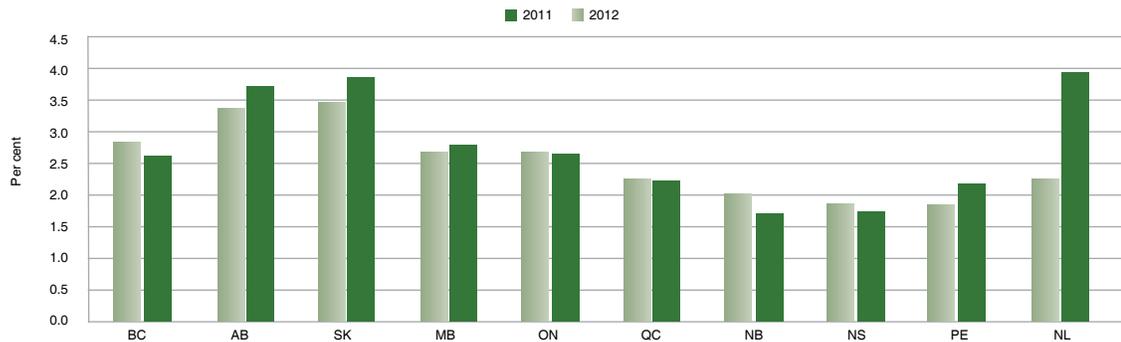
The Ministry of Finance closely monitors several economic, fiscal and demographic

indicators.

Private sector forecasts of real GDP growth show how the private sector expects the Saskatchewan economy to perform relative to other provincial economies. Percentages considered here are the average of private sector forecasts.

Private sector forecasters, on average, expect Saskatchewan real GDP to grow by 3.9 per cent in 2011 (the second highest growth among provinces) and 3.5 per cent in 2012 (the highest growth among provinces).

Private Sector Forecasts of Real GDP Growth



As of June 15, 2011
Source: IHS Global Insight, Conference Board of Canada,
Centre for Spatial Economics and all of the major Canadian banks.

Progress in 2010-11 (cont'd)

Measurement Result: Total Capital Investment in Saskatchewan

Capital spending in the province demonstrates confidence in Saskatchewan as a place to invest and helps to provide for future economic growth.

The data originates from Statistics Canada's Private and Public Investment Intentions Survey, which is an annual survey that collects data on the intentions for capital investment and the expenditures for the previous two years. Total capital investment in Saskatchewan increased by roughly 6.1 per cent from \$14.9 billion in 2009 to \$15.9 billion

in 2010. Total capital investment in Canada as a whole increased by 10.3 per cent.

Saskatchewan's total capital investment in 2011 is expected to grow by 7.2 per cent to \$17.0 billion, the second highest growth among provinces. Private investment overall is expected to increase by 4.0 per cent while public investment is expected to increase by 21.9 per cent.

In 2011, non-residential capital investment in Saskatchewan is expected to increase by 7.0 per cent while residential capital investment is expected to grow by 8.9 per cent.



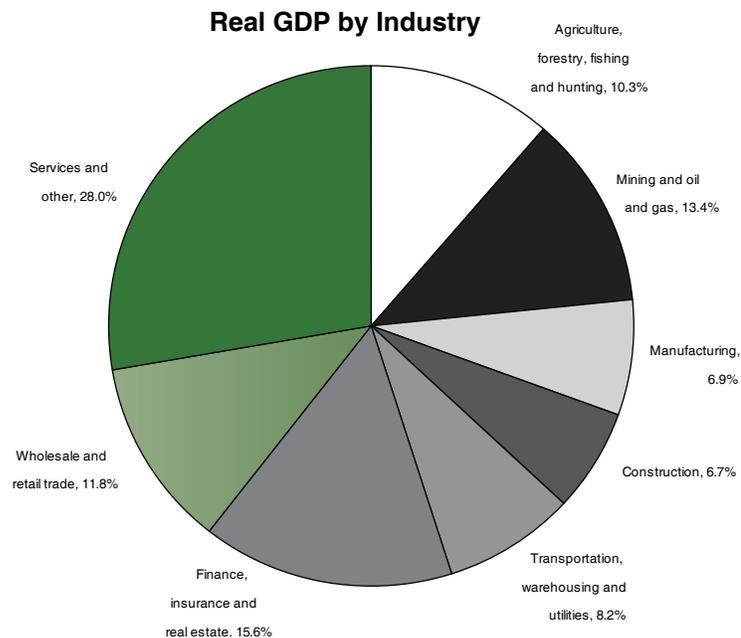
Source: Statistics Canada

Progress in 2010-11 (cont'd)

Measurement Result: Real GDP by Industry, 2010

A well-diversified economy is less susceptible to sector-specific shocks and generally in a much better position to continue on a positive growth track.

In 2010, mining and oil and gas was the largest goods-producing sector in the province, accounting for 13.4 per cent of the total economy. Services and other (28.0 per cent) made up the largest share of the Saskatchewan economy, followed by Finance, insurance and real estate at 15.6 per cent.



Optimize revenue to the Province through fair policies and systems to ensure greater voluntary payment of and compliance with taxes owing to the Province.

- Continued with a proactive approach to promote voluntary compliance by educating contractors on their consumption tax responsibilities when working on major construction projects in Saskatchewan.
- Completed career/learning plans to promote staff development and better communication between staff, supervisors and management.
- Continued to implement the centralized audit selection process that employs risk-based analysis and weightings to select files for audit.
- Implemented a pilot project to increase compliance by businesses that are currently not registered with the Ministry of Finance.
- Participated as a partner in the Business Registrations Saskatchewan project (<https://business.isc.ca>), the first phase of the proposed business portal. This new service provides one easy to use online process to complete the steps required to register a business with the Corporate Registry, as an employer with Workers' Compensation Board and for Provincial Sales Tax (PST) with the Ministry of Finance.

Progress in 2010-11 (cont'd)

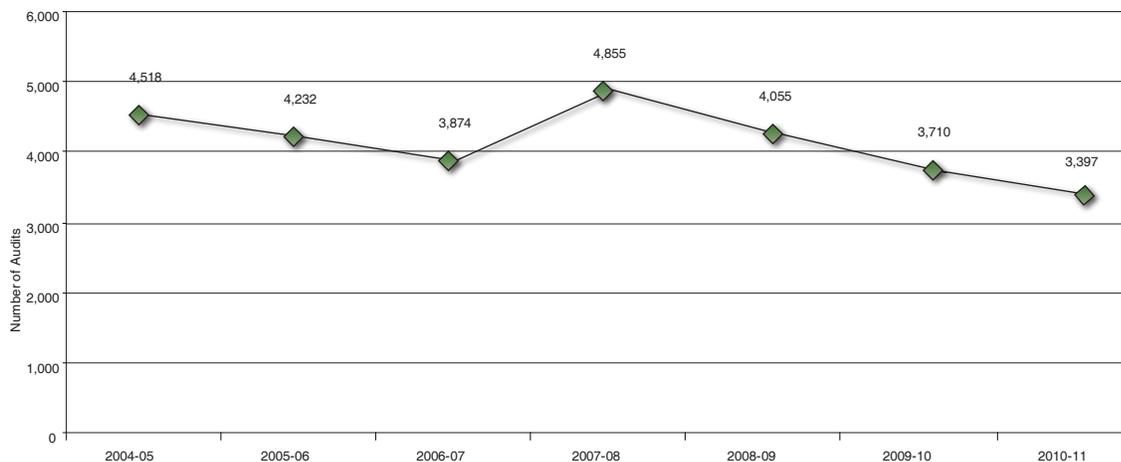
Measurement Result: Number of Audits Conducted on Businesses Liable for Taxes Under the Statutes Administered by Finance

Although Finance has increasingly placed more emphasis on promoting voluntary compliance through education and outreach; the audit program remains an important tool to protect and preserve the Province's revenue base, promote tax compliance and educate taxpayers as well as ensure a level playing field for all businesses operating in Saskatchewan.

The number of audits performed has been declining in recent years due to increased

emphasis on fewer, large-risk audits and the increased use of education and outreach activities to promote voluntary compliance. In 2010-11 audit resources were re-directed to provide audit support to the development of a real-time reporting system for validating tax-free tobacco and fuel sales to eligible First Nation purchasers. Based on a shift in emphasis to voluntary compliance and to ensuring that taxpayers have the knowledge necessary to comply with tax laws, Finance will review this measure for relevance during 2011-12. A reasonable target for the number of audits that will be conducted during 2011-12 is 3,300.

Number of Audits Conducted on Businesses



Source: Ministry of Finance, Revenue Division, Time Control Tracking System

Progress in 2010-11 (cont'd)

Government Goal – Security

The Ministry of Finance supports Government's goal to secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

Strategy – Assess Saskatchewan's tax system to ensure it is competitive and attracts and retains businesses, families, and individuals

Review Saskatchewan's competitiveness respecting personal and business taxes, including working with Enterprise Saskatchewan on future tax policy endeavours in relation to the distribution of tax among taxpayers and competitiveness.

- This work is ongoing and is reported to the Minister of Finance and Treasury Board as part of the annual budget-development cycle. An additional element of this work is the review of tax policy proposals submitted by members of the public and business.
- During 2010-11, Finance developed and introduced legislation to implement the new targeted five-year Corporation Income Tax holiday that was announced by the Government on December 3, 2009 for corporations that process minerals imported into the province to the prime metal stage. This legislation was passed in May 2011.
- During 2010-11, Finance also developed tax reduction options for the 2011-12 Budget. These included the Budget announcements to enhance the personal income tax exemptions and to reduce the small business tax rate. Legislation to implement these initiatives was passed by May 2011.

Monitor internal and external pressures on the whole provincial tax system and analyze the effects those pressures may have on the fairness, competitiveness, and sustainability of the tax system.

- This work is ongoing and is reported to the Minister of Finance and the Treasury Board as part of the annual budget development cycle. Finance monitors other jurisdictions' taxation policies in terms of their effect on Saskatchewan's relative standing.
- During 2010-11, Finance continued to monitor personal income tax changes in Nova Scotia and Newfoundland, corporation tax rate changes in British Columbia, Manitoba, Ontario, New Brunswick and Prince Edward Island, as well as the status of the sales tax harmonization initiative in British Columbia.

Measurement Result: Income and Sales Taxes Paid by Representative Taxpayers

Saskatchewan's tax levels for representative taxpayers provide an indication of the amount of after-tax or disposable income available to residents. Declining tax levels are therefore suggestive of improvements in the relative prosperity of residents. In 2011, income taxes for each of the representative profiles will decline as a result of indexation adjustments and the 2011-12 Budget initiative to increase the basic personal and spousal exemption amounts and the tax credit for dependent children. A negative value indicates that refundable tax credits exceed taxes payable.

The calculations upon which the performance measurements are based are performed by the Ministry of Finance using internal tax simulation calculations. Each of the measures is based on determination of combined

Saskatchewan Income and Sales Taxes Paid by Representative Taxpayers							
	2005	2006	2007	2008	2009	2010	2011
Single parent family earning \$25,000	\$466	\$382	\$176	\$20	(\$117)	(\$128)	(\$168)
One-income family earning \$50,000	\$4,124	\$4,001	\$3,679	\$2,207	\$2,098	\$1,858	\$1,471
Two-income family earning \$75,000	\$6,656	\$6,516	\$6,096	\$4,710	\$4,601	\$4,571	\$4,117

Source: Ministry of Finance, Tax Simulation Models and includes the 2011-12 Saskatchewan Budget tax reduction initiative

Progress in 2010-11 (cont'd)

provincial income and sales taxes payable by representative family profiles.

For each family profile, provincial income taxes are calculated based on the following assumptions:

- each family has two dependent children;
- for the two-income family, one spouse earns 60 per cent of the total income and the other earns 40 per cent;
- the single parent family and the two-income family claim \$3,000 in deductible child care expenses; and,
- each family claims available basic personal exemptions, dependent child credits and credits for Canada Pension Plan and Employment Insurance contributions.

The Provincial Sales Tax is calculated based upon average family expenditure baskets from the Survey of Family Expenditures in 2009 (Statistics Canada). The refundable Saskatchewan Low-Income Tax Credit is also

incorporated into the calculations.

Reductions to Saskatchewan's sales and income taxes have significantly improved the fairness of the provincial tax system.

Measurement Result: Interprovincial Tax Comparisons for Selected Average Family Profiles

Saskatchewan's interprovincial ranking with respect to the tax levels of representative taxpayers is indicative of the competitiveness of our tax system. This measure can be significantly impacted by tax changes initiated in Saskatchewan and by tax changes occurring in other provinces. Saskatchewan's tax competitiveness relative to other provinces was improved in 2011 for all family profiles due to the 2011-12 Saskatchewan Budget initiative to increase the basic personal and spousal exemption amounts and the tax credit for dependent children and the full implementation of GST harmonization in British Columbia and Ontario.

Saskatchewan's Tax Competitiveness Rankings for Representative Taxpayers							
	2005	2006	2007	2008	2009	2010	2011
Single parent family earning \$25,000	3rd	3rd	3rd	2nd	2nd	2nd	1st
One-income family earning \$50,000	4th	4th	3rd	2nd	2nd	2nd	2nd
Two-income family earning \$75,000	4th	4th	4th	3rd	3rd	2nd	2nd

Source: Ministry of Finance, Tax Simulation Models and includes the 2011-12 Saskatchewan Budget tax reduction initiative

The calculations upon which the performance measurements are based use the same methodology as described in the measure examining income and sales taxes paid by representative taxpayers.

- Quebec's income tax calculations are adjusted for the child care expense tax credit and the 16.5 per cent federal tax abatement.
- Provincial sales taxes are calculated based upon average family expenditure baskets from the Survey of Family Expenditures in 2009 (Statistics Canada). The sales tax base in each province is identified from the enacting legislation, with total expenditures adjusted to reflect Saskatchewan consumption patterns. Provincial sales

taxes are then estimated based on taxable expenditures in each province.

- Refundable provincial income tax credits designed to reduce the impact of income and sales taxes are also incorporated into the calculations.

Reductions to Saskatchewan's sales and income taxes have significantly improved the competitiveness of the provincial tax system.

Strategy – Assess pension availability for Saskatchewan workers to ensure adequate retirement incomes

Review, with federal and provincial governments, Canada's current retirement income system and assess the implications of a broad range of ideas that have been

Progress in 2010-11 (cont'd)

put forward to improve retirement security for all Canadians and report to national Finance Ministers in 2010.

- During 2010-11, a range of retirement savings issues was considered in advance of the June 2010 and December 2010 Finance Ministers' Meetings. Finance has also worked with federal and provincial counterparts on:
 - the development of the Framework for Pooled Registered Pension Plans (which was released by the federal government prior to the December 2010 meeting);
 - resolving outstanding PRPP design issues to allow legislative changes to be drafted for PRPP implementation; and,
 - options for modest, targeted and fully-funded enhancements of the Canada Pension Plan.

This work will be considered by Finance Ministers at their next meeting.

Progress in 2010-11 (cont'd)

Government Goal – Promises

The Ministry of Finance supports Government's goal to keep its promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Strategy – Ensure a sound financial management framework is in place across government

Ensure government-wide financial management and accounting policies and procedures are current in accordance with Public Sector Accounting Board (PSAB) pronouncements.

- Monitored and updated policies and procedures in the Financial Administration Manual (FAM) and improved the on-line accessibility of FAM. FAM communicates to ministries and public agencies, policies, procedures and guidance necessary to support sound financial management and control of and accounting for public resources.
- Provided advice on financial management, accounting, and internal control issues. The Ministry of Finance supports ministries and provides direction and a leadership role as issues arise, and through regular processes, such as the review of draft legislation/regulations and Provincial Auditor reports.

Develop and deliver financial management fundamentals training for managers and employees to build financial management capacity in the public service.

- Developed financial management information sessions for senior managers.
- Provided on-line training tools for ministries on making payments in the Government and fraud awareness.
- Supported Public Service Commission delivery of training for new managers and new employees on effective financial management and control practices.
- Developed a training session for administration and support staff on financial responsibilities.

- Developing a long term comprehensive financial management training model.

Assess the internal controls of the Government's financial systems and assist in the development and implementation of improvements where required.

- Finance conducts internal control reviews to monitor for significant deficiencies in financial programs/systems. A significant deficiency is an internal control deficiency that adversely affects government's ability to safeguard its assets and record, process, or report financial data reliably.
- Audited ministry programs and payments using a risk based approach. Ministries accepted and have implemented or are actively working on implementing all audit recommendations.
- Publicly reported on a quarterly basis, frauds in ministries and Treasury Board Crowns.

Ensure legislated spending limits of the Government are not exceeded.

- Through automated features in the government's central financial system, spending from the General Revenue Fund is controlled.

Strategy – Manage government debt in an efficient and cost-effective manner

Monitor domestic and international capital markets to identify and take advantage of opportunities to raise capital to meet Government and Crown requirements.

- Monitoring of capital markets is a continuous process. During 2010-11, Finance fulfilled the borrowing needs of Government and Crown corporations.

Service outstanding debt ensuring the timely and accurate payment of interest and principal.

- Debt servicing is a continuous process. During 2010-11, all outstanding debt was serviced accurately and on the correct dates.

Progress in 2010-11 (cont'd)

Measurement Result: Government General Public Debt as a Percentage of Gross Domestic Product (Debt-to-GDP Ratio)

One facet of the Government's financial plan is to manage Government debt levels. The Ministry of Finance, as well as external investors and agencies, closely monitor the Province's debt-to-GDP ratio and overall credit ratings. A decreasing debt-to-GDP ratio indicates a declining drain on economic resources to service and repay debt and an associated increase in the fiscal flexibility of the Province. Investor confidence is influenced by this ratio because it provides a measure of the Province's debt relative to the size of the economy.

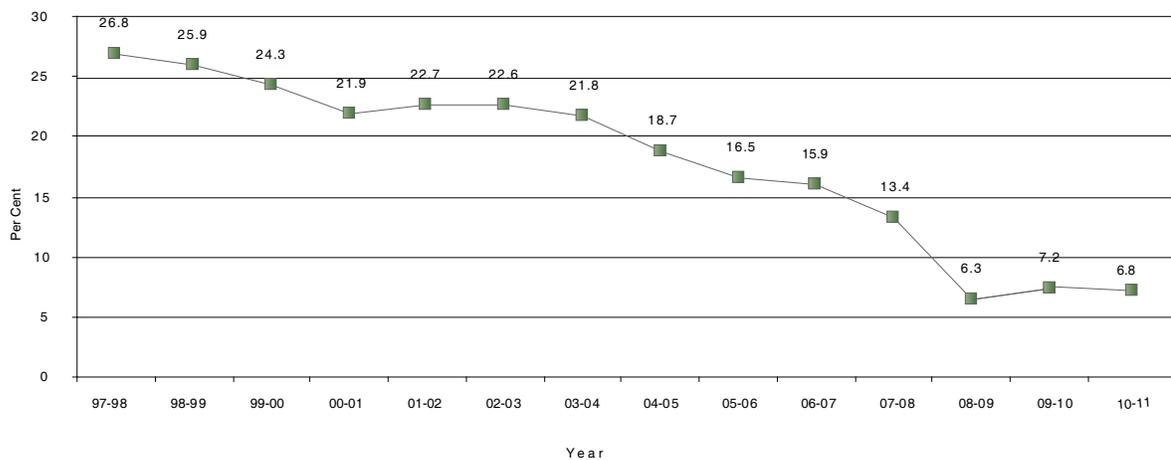
This ratio is calculated by dividing GDP for the previous calendar year by the level of Government general public debt at March 31. Debt is gross debt net of sinking funds. Gross debt is the amount owed directly to lenders and sinking funds are funds set aside for the repayment of that debt. Government general public debt is debt borrowed to

finance Government programs as opposed to debt borrowed for, and repayable by, Crown corporations.

This ratio is influenced by the state of the global, North American, and Canadian economies, as well as the level of Government general public debt. Saskatchewan's nominal GDP grew in 2010 as a result of stronger commodity prices and a turnaround in the global economy. Saskatchewan's level of Government general public debt has been on a declining trend.

At March 31, 2011, the Government general public debt-to-GDP ratio was 6.8 per cent, a decrease of 0.4 percentage points from March 31, 2010. The decrease in the debt-to-GDP ratio was due to an increase in nominal GDP from \$57.6 billion in 2009 to \$60.9 billion in 2010. Government general public debt was at \$4.1 billion in both years. The debt-to-GDP ratio is significantly below previous years (13.4 per cent in 2007-08) and the 2011-12 Budget forecast the debt-to-GDP ratio to continue on a decreasing trend.

Government Debt as a % of GDP



Source: Saskatchewan Public Accounts and Saskatchewan Provincial Economic Accounts

Progress in 2010-11 (cont'd)

Meet reporting requirements of international regulatory agencies through timely development and filing of financial disclosure documents.

- Finance filed and has complied with all requirements of the U.S. Securities and Exchange Commission, the United Kingdom Listing Authority and the Swiss Stock Exchange.

As directed by Treasury Board, implement the transfer of funds in accordance with The Growth and Financial Security Act.

- Transfers of funds between the Growth and Financial Security Fund (GFSF) and the General Revenue Fund (GRF) are governed by *The Growth and Financial Security Act*. All transfers required by the legislation have been appropriately acted on.

Maximize the return on investment of sinking fund and Growth and Financial Security Fund monies through sound investment decisions carried out pursuant to the investment policy guidelines of the two funds.

- All GFSF and sinking fund transactions and positions have been in compliance with approved investment guidelines.
- The portfolios of both funds are continually monitored to ensure that they meet the cash flow needs of the GRF.
- The 2008 Throne Speech committed to continue to maintain a significant balance in the Growth and Financial Security Fund. The 2010-11 Public Accounts reported a GFSF balance of \$1.0 billion as at March 31, 2011.
- Opportunities to maximize returns are realized to the extent possible based on market views and availability of investment products.

Provide cash management services for the General Revenue Fund (GRF), Crown corporations, and other government agencies.

- Finance ensured that the short-term cash requirements of Crown corporations and

government agencies were met; and, the Province was able to fund its ongoing cash requirements by successfully identifying shortfalls and surpluses on a timely basis.

Maintain good working relationships with credit rating agencies to ensure accurate information is utilized in the analysis of the Province's creditworthiness.

- Annual post-budget briefings are undertaken with all credit rating agencies.
- All credit rating agencies are kept up to date on the changing fiscal and economic picture of the Province.
- Standard & Poor's completed its review and upgraded the Province's credit rating to AAA. This is the first time in the Province's history that it has had a AAA credit rating.
- Reviews by Moody's Investors Service and Dominion Bond Rating Service have yet to be concluded.

Measurement Result: Government Credit Ratings

A credit rating is an independent evaluation by a recognized, objective, agency of a borrower's willingness and ability to service and repay debt. Investors rely on credit ratings when making investment decisions. Many investors have guidelines that are based on credit ratings (e.g., must purchase bonds rated "AA" or higher). Therefore, a borrower's credit rating will impact the availability of credit, both in terms of the number of investors and the pool of funds it can tap. Typically, the higher the credit rating, the lower the risk to the investor and the less the issuer will have to pay in borrowing costs.

Saskatchewan's credit rating compares well when ranked against other Canadian provinces. All credit rating agencies now rate the province at the "AA" level or above. This is extremely important to international investors, many of whom have a "AA" credit rating requirement for investment.

Standard & Poor's upgraded Saskatchewan's credit rating to AAA, the highest level possible. Standard & Poor's attributed the upgrade

Progress in 2010-11 (cont'd)

to Saskatchewan's low and declining debt burden, rebounding economy, strong liquidity and moderate reliance on support from the federal government. The Agency anticipates that the Province's operating results (after

taking capital expenditures into account) will continue to improve with the strengthening economy, and that operating revenue growth liquidity will remain strong.

Jurisdiction	Rating Agency		
	Moody's	Standard & Poor's	DBRS
British Columbia	Aaa	AAA	AA(high)
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa¹	AAA	AA
Manitoba	Aa ¹	AA	A(high)
Ontario	Aa ¹	AA-	AA(low)
Quebec	Aa ²	A+	A(high)
New Brunswick	Aa ²	AA-	A(high)
Nova Scotia	Aa ²	A+	A
Prince Edward Island	Aa ²	A	A(low)
Newfoundland and Labrador	Aa ²	A+	A
Canada	Aaa	AAA	AAA

Credit ratings as of June 15, 2011

Strategy – Provide excellent service to stakeholders

Make on-going improvements to the Saskatchewan Electronic Tax Services (SETS) to satisfy our clients' needs for fast, efficient, and user-friendly electronic reporting and remitting of provincial commodity tax returns. In addition, continue to promote the use of electronic filing options to raise public awareness and to reduce the cost of program administration.

- Encouraged the use of SETS when communicating with individual taxpayers about filing errors on paper returns and when payments are not received in a timely manner.
- Ensured that any issues encountered in the use of an electronic filing and payment option are addressed quickly and that any questions are answered.
- Functionality and stakeholder input were closely monitored for consideration in future upgrades to the system.

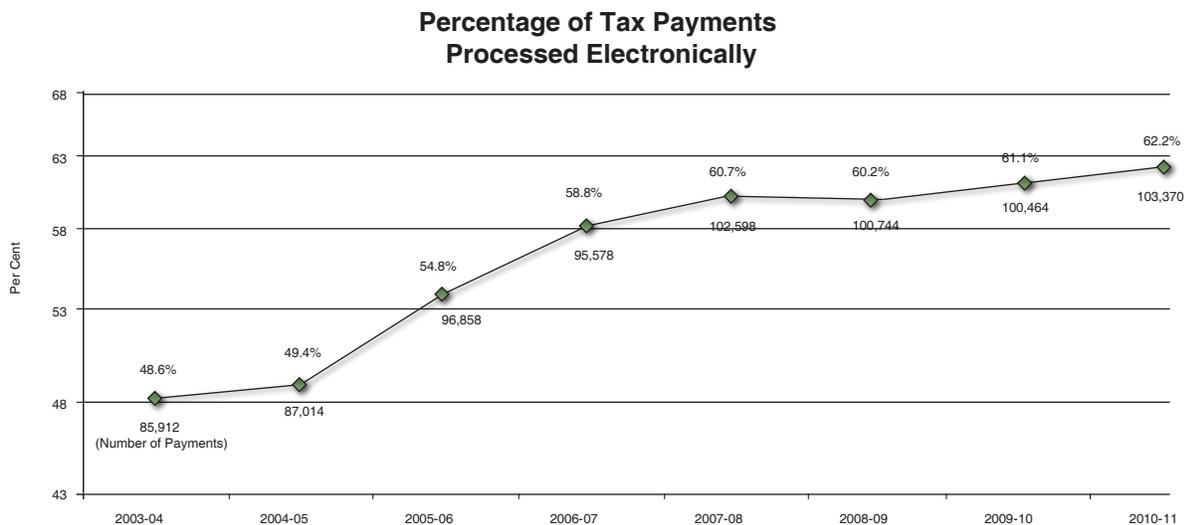
Progress in 2010-11 (cont'd)

Measurement Result: Percentage of Tax Payments Processed Electronically

The Ministry strives to provide excellent client service by ensuring that businesses have access to all electronic options for making tax payments. The percentage of tax payments processed electronically is a measure of performance of how well the Ministry is meeting its objective of streamlining regulatory compliance. Businesses that use electronic methods to make payments are able to save time and money on regulatory compliance and channel their resources to other business activities. In addition, the Ministry realizes a reduction in the cost of processing payments when the tax return and payment are received electronically. The measure is determined

from statistical reports generated from the main revenue system.

The Ministry continuously works with financial institutions to ensure that businesses are able to make tax payments through any of the financial institutions' electronic payment services that provide sufficient payee information. The percentage of tax payments processed electronically has grown significantly over the last five years and efforts to promote the use of electronic services will continue. However, the Ministry has limited influence over this measure as many businesses have internal controls that only permit issuance of cheques and some businesses simply prefer to issue a cheque.



Source: Ministry of Finance, Revenue Division, Statistical Reports

Progress in 2010-11 (cont'd)

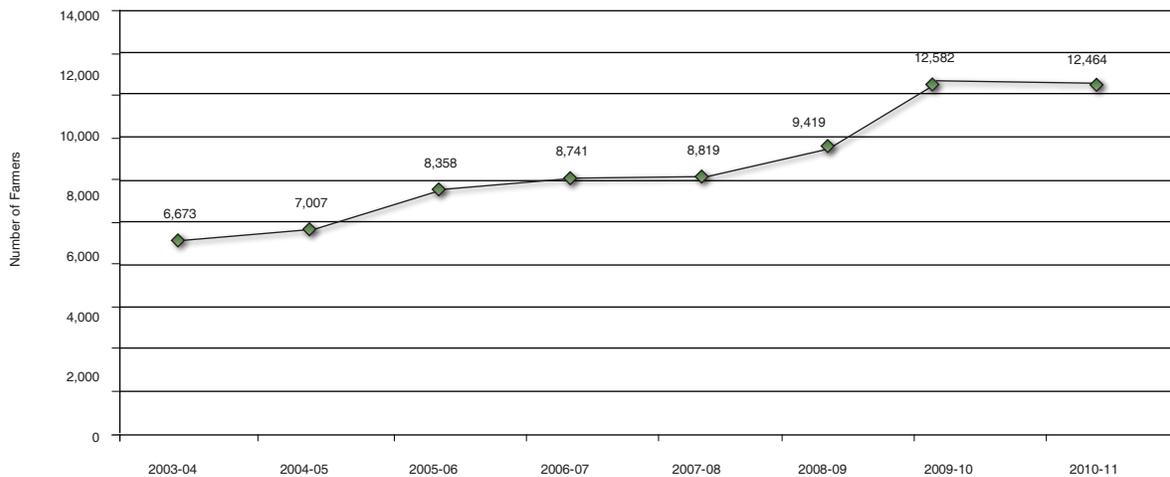
Measurement Result: Number of Farmers that Applied for Fuel Tax Permit Renewals On-line

The Ministry strives to provide excellent client service by ensuring that all businesses have the ability to file tax returns and program applications on-line. Saskatchewan Electronic Tax Services (SETS) was enhanced in February 2002 to offer farmers, commercial fishers, loggers, and trappers a secure, fast, and convenient alternative to filing their Fuel Tax exemption permit renewal in paper format. The number of farmers that filed permit renewals on-line tracks the Ministry's progress towards easing tax compliance and reducing the regulatory burden.

The number of permit renewals filed using SETS has increased over 500 per cent in the last ten years. During 2010-11, there were about 1,400 fewer farmers in the program than in 2009-10. The number of applicants using SETS did not change significantly, meaning that the percentage of farmers using the service increased from 33 per cent in 2009-10 to 34 per cent in 2010-11.

The promotion of SETS has contributed to the significant increase in the number of applicants using SETS in 2009-10. The Ministry continues to promote SETS as it is more convenient for program applicants and it reduces the cost of program administration. However, the Ministry has limited influence over this measure as many applicants simply prefer to mail in a completed application.

Number of Farmers Using SETS



Source: Ministry of Finance, SETS

Progress in 2010-11 (cont'd)

As part of the Taxpayer Service Commitments and Standards Code, continue to encourage open communication with various client groups to address problems, issues, and identify solutions within the tax system.

- Continued to review and update Statutes, Bulletins, Forms, Guides, Interpretations and Rulings to help clarify tax legislation.
- Published a document that contains Provincial Sales Tax (PST) Rulings and posted it to the Ministry website for the public to reference.
- Provided timely responses to taxpayer concerns and ensured that unique issues were dealt with in a fair and consistent manner.
- Consulted with industry associations to improve the efficiency and effectiveness of existing program policies and procedures.
- Proactively worked with stakeholders such as large contractors, principals and unregistered businesses to educate them about their tax obligations. This included identifying the PST due on large projects and informing the business in order to gain timely payment and avoid or minimize audit penalties.

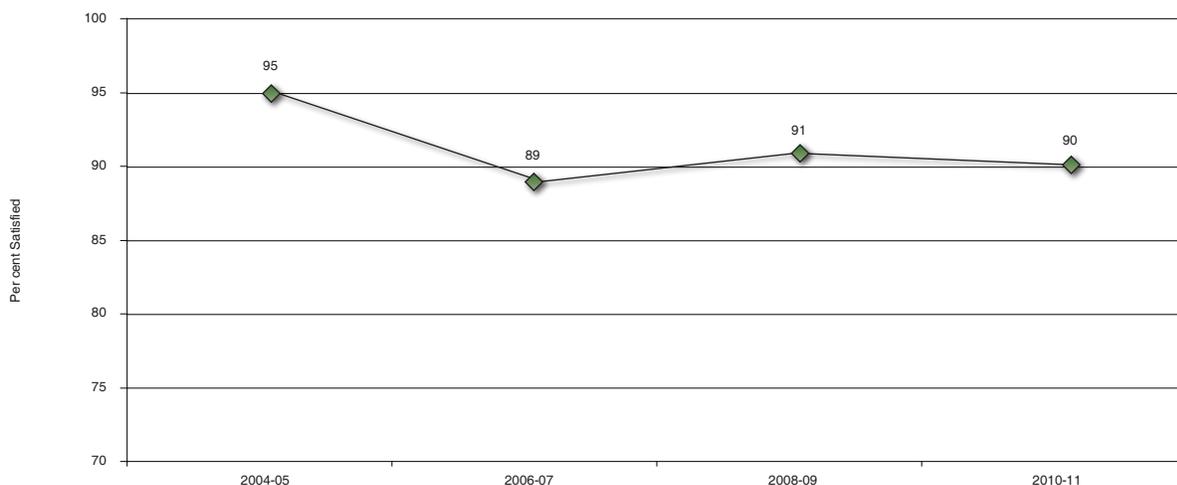
Measurement Result: Client Satisfaction (of Businesses which Collect Taxes on behalf of Government)

In 2002-03, the Ministry of Finance committed to conducting bi-annual client satisfaction surveys of businesses collecting taxes on behalf of Government. This measures whether these clients are satisfied with the Ministry's quality of service and timeliness of responses, refunds, and adjustments. This allows businesses to evaluate the Ministry's performance and helps the Ministry determine how its timeliness of responses, refunds, and adjustments may be improved.

In 2010, surveys were sent to 534 businesses based on a random sample of businesses that collect Provincial Sales Tax, Fuel Tax, Tobacco Tax and Corporation Capital Tax. The response rate for the surveys was 28 per cent.

The highest satisfaction rating related to "helpfulness of staff," where 93 per cent of respondents were satisfied or very satisfied. The overall satisfaction rating for all questions and all tax types was 90 per cent, down slightly from 91 per cent in 2008, but up slightly from 89 per cent in 2006.

Overall Client Satisfaction



Source: Ministry of Finance Surveys

Progress in 2010-11 (cont'd)

For the 2010 client satisfaction survey, the Revenue Division consulted with the Canadian Federation of Independent Business to develop and incorporate a few additional, more specific questions to better measure client satisfaction. These questions were structured to ensure comparative information integrity with previous surveys. This survey follows the same methodology, survey format, sample size criteria, and response choices as the 2008 survey.

The bi-annual client satisfaction survey will be conducted again in 2012-13 as a means of measuring client satisfaction.

Provide quality service to pension and benefit plan supervisory boards, and plan members.

- Late in 2010, the Municipal Employees' Pension Plan (MEPP) surveyed the full membership and all MEPP employers to determine how the Plan was meeting member and employer needs and to determine service and communication satisfaction. Survey results indicated the Plan was considered by Plan members to be well run and highly valued. MEPP was to use survey results for strategic planning.
- The Public Employees Pension Plan (PEPP) holds workshops and presentations across the province to inform members about the plan. Ready, Set, PEPP (formerly PEPP overview) details plan provisions and services; Retire *WithEase* is a full day retirement planning workshop,

revised in 2010 and Invest *WithEase* (formerly Investment Basics) provides plan investment basics.

Strategy – Demonstrate leadership for good governance, transparency, and accountability across government

Ensure The Growth and Financial Security Act requirements are met by providing decision-makers with revenue and expenditure projections on a timely basis; reviewing programs and expenditures; and, monitoring the size of the public service.

- Government programs and expenditures were reviewed as part of the annual budget process. Finance encouraged greater attention on program review (core reviews) and evaluation to support government decision making and resource allocation on programs and services to be provided. Increased attention on “Lean” projects across the public service ensured the programs and services delivered directly by government would be done in an efficient and effective manner.
- Finance monitored the size of the public service using quarterly ministry forecasts and trend analysis. Finance provided this information to Treasury Board during the 2011-12 budget development process to support decision making on FTE resource allocation. Finance monitors and reports on the size of the public service as a percentage of the population.

Progress in 2010-11 (cont'd)

Measurement Result: Public Service as a Percentage of the Saskatchewan Population

The Growth and Financial Security Act requires Treasury Board to monitor the size of the public service and determine if it is growing or diminishing as a percentage of the population and to undertake initiatives with respect to the size of the public service that it considers appropriate. The public release of this measure supports Government's commitment to increased transparency and accountability.

In the 2010-11 Budget, the Government announced a Workforce Adjustment Strategy to reduce the size of the public service by 15 per cent over four years. Treasury Board uses the budget process to manage the size of the public service and balances Government's direction to reduce the size of the public service with other Government priorities such

as improved programs and providing quality services to the public at the lowest cost to the taxpayer. Post-budget, Treasury Board makes allowances for events and conditions unforeseen in the budget process such as forest fires and spring flooding which may require additional human resources.

The table shows that the Saskatchewan population is growing steadily while the size of the public service declined in 2008-09, rebounded slightly in 2009-10, then declined significantly in 2010-11 which is the first year of the Workforce Adjustment Strategy. For each year since this performance measure was initiated, the growth in the public service has been lower than the growth in the population. The size of the public service as a percentage of the population has diminished from 1.24 per cent in 2007-08 (base year) to 1.14 per cent in 2010-11. This represents a 7.7 per cent improvement in this measure.

	2007-08 (Base Year)	2008-09	2009-10	2010-11	Per cent Change From Base ⁴
Population at July 1 ¹	1,000,257	1,013,792	1,029,124	1,045,622	4.5%
Public Service FTEs ²	12,405	12,284	12,400	11,967	-3.5%
Public Service as percentage of population ³	1.24%	1.21%	1.21%	1.14%	-7.7% ⁵

1. Population numbers are revised from Statistics Canada, as of July 1 of the fiscal year. This data is available on the Bureau of Statistics website (www.stats.gov.sk.ca)

2. Public Service is defined as employees employed under *The Public Service Act, 1998* and therefore, does not include ministerial assistants and those employed under personal service contracts. An FTE is the number of paid hours in the year divided by the number of hours a full-time employee would normally be paid. This calculation converts part-time, full-time, temporary, and seasonal employees into a measure that treats all paid employees as if they are full-time for the entire year.

3. Annual FTEs are determined and then divided by the population of Saskatchewan at July 1 of the fiscal year.

4. The per cent change from base is calculated using the following formula: $((\text{Data for year of interest} - \text{Data for 2007-08}) / (\text{Data for 2007-08})) \times 100$.

5. This number will not calculate precisely from the table due to rounding.

Progress in 2010-11 (cont'd)

2010-11 Workforce Utilization of Executive Government

Ministries	Estimated FTEs ¹	Actual FTEs	Variance ²
Advanced Education, Employment and Immigration *	431.2	435.1	3.9
Agriculture	477.0	469.1	(7.9)
Corrections, Public Safety and Policing	1,954.3	2,122.3	168.0
Education	328.4	300.3	(28.1)
Energy and Resources	260.5	258.6	(1.9)
Environment	998.4	957.3	(41.1)
Executive Council	98.3	85.8	(12.5)
Finance	318.0	315.0	(3.0)
Finance – PEBA	111.5	100.1	(11.4)
First Nations and Métis Relations	65.0	59.9	(5.1)
Government Services	756.2	734.4	(21.8)
Health	636.6	609.7	(26.9)
Highways and Infrastructure	1,597.5	1,484.0	(113.5)
Information Technology Office	296.3	283.2	(13.1)
Justice and Attorney General	878.0	961.9	83.9
Labour Relations and Workplace Safety	149.1	138.0	(11.1)
Municipal Affairs	135.8	129.3	(6.5)
Office of the Provincial Capital Commission	6.0	7.0	1.0
Office of the Provincial Secretary	24.4	21.8	(2.6)
Public Service Commission	349.8	337.7	(12.1)
Social Services	1,910.1	1,900.2	(9.9)
Tourism, Parks, Culture and Sport	404.3	402.8	(1.5)
Ministry FTEs	12,189.7	12,116.7	(73.0)
Personal Service Contract Employees ³		(43.4)	
Ministerial Assistants ⁴		(106.3)	
Public Service FTEs		11,967.0	

* Labour Relations and Workplace Safety was separated from Advanced Education, Employment and Labour (now Advanced Education, Employment and Immigration) mid. The FTEs for these ministries are stated as if the reorganization had occurred on April 1, 2010. Similar treatment is used for the transfer of the Status of Women to Social Services.

1. Full-time equivalents (FTEs) are defined in the regulations of *The Growth and Security Act*. The values presented in this column are consistent with the FTEs included in the 2010-11 Budget Estimates.

2. Ministry annual reports provide explanation on the variance of individual ministry FTE utilization.

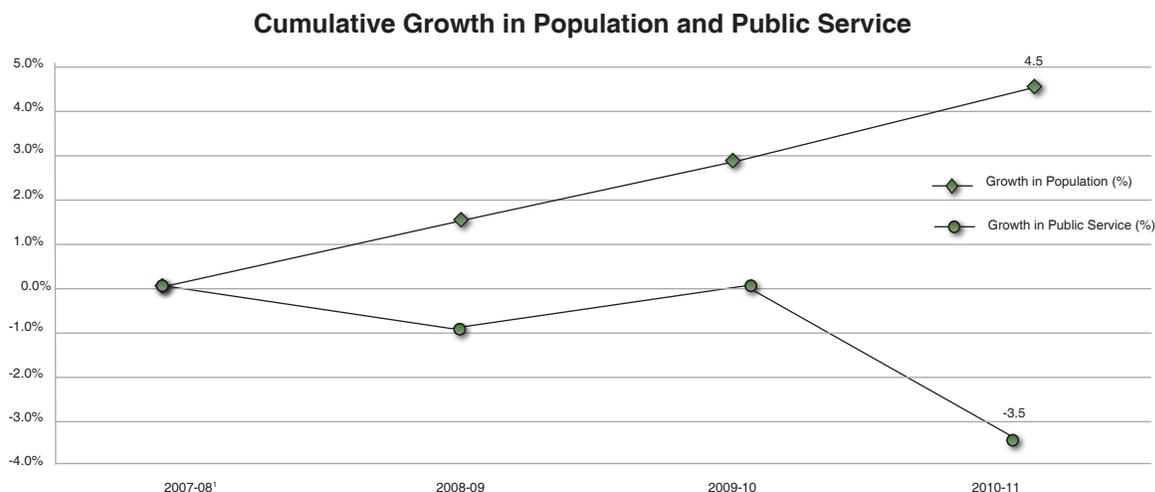
3. Personal service contract employees are not employed under *The Public Service Act, 1998*.

4. Ministerial assistants are employed under a ministerial service agreement to provide services to ministers and the Premier of Executive Council. They are not employed under *The Public Service Act, 1998*.

Progress in 2010-11 (cont'd)

The following graph shows the cumulative growth for each year from 2007-08. Between 2007-08 and 2010-11, the Saskatchewan

population grew by 4.5 per cent while the public service declined by 3.5 per cent.



1. 2007-08 is the base year to measure changes in population and the public service pursuant to the *Growth and Financial Security Act*.

Monitor and provide guidance to ministries to ensure compliance with the Government's accountability framework.

- The Performance Management Branch (PMB) promotes improved planning, performance management and public reporting across the public service. PMB encourages improvements to the quality, timeliness, accuracy and adequacy of reporting documents, ensures “one-to-one reporting” on all Government commitments, and encourages greater commitment to these activities as a sound management practice.
- PMB provides advice and support to ministries and agencies as they develop their plans, mid-year status reports, annual reports, and highlight sheets. PMB’s objective is to have all ministries and agencies successfully release their plans with the budget and table their annual reports by the legislative deadline.
- In the interest of finding efficiencies, a pilot

project was undertaken with Executive Council, Communications, to streamline the desk-topping of the 2009-10 annual reports. Savings were achieved and positive feedback received from the participants, therefore PMB will expand this approach to find further efficiencies, wherever possible.

- Steps were also taken to streamline and improve mid-year reporting across all ministries to provide more timely and relevant performance information to decision makers during the fall budget review process.

Provide guidelines, training, tools, and supports to improve system-wide capacity for strategic planning, performance measurement, and reporting.

PMB has undertaken the following activities in the interest of improving system-wide capacity for these important management functions:

- provided guidelines, “checklists”, and/or templates for the development of environmental scans, ministry plans, mid-

Progress in 2010-11 (cont'd)

year status reports, annual reports and highlights sheets;

- developed a tool-kit for ministries to use as they develop their planning and reporting documents; this includes criteria for the development of sound performance measures and supports ministries as they undertake program evaluations;
- PMB delivered presentations to new employees and new managers on Government's planning and budgeting process through PSC's On boarding Program and to client ministries and other audiences, as requested;
- PMB maintains contact with colleagues and planning professionals through the Public Sector Planning (PSP) Network and its accompanying SharePoint site to improve communications and to share ideas and best practices. Last year PMB encouraged the establishment PSP Network "working subcommittees" to identify innovations and efficiencies (such as providing common data for environmental scanning and developing a template for the annual report highlights sheet);
- PMB is in the process of developing on-line training material; in the interim, most documents are provided publicly on the Finance website as a means of sharing best

practices across ministries and with other jurisdictions.

Measurement Result: Provincial Auditor's Assessment of Government's Accountability Systems

To gauge progress towards the strategy of demonstrating leadership for good governance, transparency, and accountability across Government, Finance uses the following performance measure. The Provincial Auditor's assessment of Government's overall accountability system and the quality of ministry plans and annual reports is one way that the Ministry of Finance assesses its progress.

This performance measure is deemed to be an important and impartial assessment of Government's collective work on "managing for results". While the measure is not solely within the control of the Ministry, steps are taken across government to continually improve the quality, reliability and accessibility of documents, thereby increasing transparency and public accountability.

The table below shows that over the years, both the Provincial Auditor's approach as well as the individual assessments provided, have changed:

Provincial Auditor's Report	Satisfaction with processes and/or guidelines	Assessment of Ministry plans and reports
2010 Report	N/A	N/A***
2009 Report, Vol. 3, Ch.19	Improving	Improving **
2008, Vol. 3, Ch. 20	Partial	N/A
2007, Vol. 3, Ch. 9	Partial	N/A *
2006, Vol. 3, Ch. 14	Yes	Positive
2005, Vol. 3, Ch. 9 & 11	Yes	Positive
2004, Vol. 3, Ch. 15	Yes	Positive
2003, Vol. 3, Ch. 13	Yes	Positive

Source: Provincial Auditor's Reports, available on-line at www.auditor.sk.ca

* The Provincial Auditor's (PA) approach to assessing government's accountability system has differed over the years; from 2003-06, the PA assessed Finance's processes, guidelines and a small sample of ministry plans; from 2007 on, the PA's focus shifted to solely examine government's accountability system and processes.

** In 2009, the PA assessed only a small sample of ministries but concluded that "public plans of ministries are improving".

*** In 2010, a specific chapter on government accountability was not included in the Fall Report.

Progress in 2010-11 (cont'd)

In the early years, starting with 2003, the Provincial Auditor held a positive view of Government's overall approach to its accountability system, the guidelines provided to ministries, and the actual annual reports produced by the ministries.

In 2007, the Auditor was only partially satisfied, indicating that progress was not being made on the full implementation of the "CCAF¹ Nine Principles" for public reporting, as originally intended. Elements proposed by the CCAF, such as the publication of targets for performance measures; the description of a ministry's capacity to meet outcomes; and the publication of risks, were proving to be difficult to implement in a public sector environment. These are common challenges, found in many other jurisdictions, as governments strive to improve their reporting on public sector performance.

In 2009, the Provincial Auditor's assessment was again more positive. The 2009 Fall Report indicated that government's overall approach to accountability was improving as well as the individual ministry plans and annual reports.

In the Fall 2010 Report, the Provincial Auditor did not write a specific chapter on government accountability, therefore did not specifically assess Government's processes, nor did they review a set of ministry plans and annual reports. This has resulted in a lack of 'data' for this performance measure in 2010.

However, Finance notes that the Provincial Auditor's Business and Financial Plan for the Year Ended March 31, 2012 includes goals, objectives, actions and performance indicators that relate to Government's accountability and reporting practices.

The Provincial Auditor has recently moved to assessing plans and reports according to the Public Sector Accounting Board Statement of Recommended Practice (SORP-2) principles for effective reporting. The Auditor plans to assess the Government's Performance Plan Summary, as well as the performance plans and annual reports of significant agencies, against the SORP-2 reporting attributes, starting in 2011.

It is anticipated that the Provincial Auditor's assessments will continue to be provided publicly and will therefore continue to provide information for this performance measure.

Provide information on Government's current financial position by issuing timely quarterly financial reports to the public.

- Finance issued timely quarterly financial reports to the public. During 2010-11, the Government released the First Quarter Financial Report on August 20, 2010 and the Mid-Year Report on November 25, 2010, and the Third Quarter Financial Report on March 4, 2011.

Prepare timely, reliable, and relevant General Revenue Fund (GRF) and Summary Financial Statements (SFS). This includes items such as preparing statements in accordance with PSAB standards, and including school boards in the SFS in 2009-10 without an audit qualification.

The Public Accounts are key financial accountability documents that are publicly released on an annual basis. The Public Accounts are prepared and tabled in accordance with *The Financial Administration Act, 1993* (FAA). The Ministry prepares and publishes the Public Accounts, pulling together information from ministries and other government organizations. Volume 1 contains the General Revenue Fund Financial Statements and the Summary Financial Statements.

Government's financial statements demonstrate accountability for the resources, obligations, and financial affairs for which the Government is responsible. Continued strong financial reporting through timely, reliable and relevant financial statements is essential to strong accountability.

Timeliness of financial statements contributes to government's accountability. Under the FAA, the Public Accounts must be tabled on or before October 31st. In 2000, the government established a policy of tabling Volume 1 of the Public Accounts on or before August 1. For the last several years, the Government has

Progress in 2010-11 (cont'd)

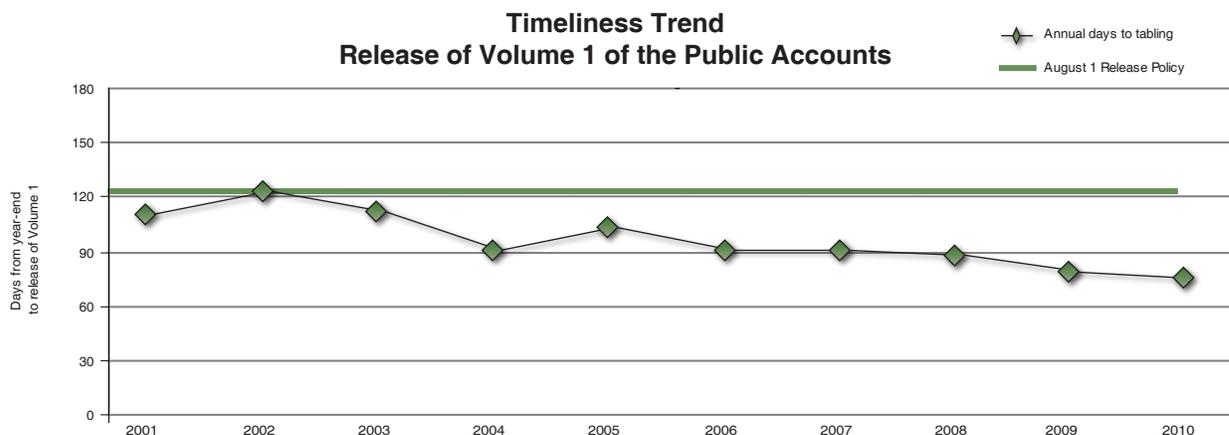
been in a position to table Volume 1 in late June or early July.

- Prepared the GRF and Summary 2009-10 financial statements. Volume 1 was tabled on June 24, 2010, the eleventh year in a row that it has been released by August 1 and the earliest release date in its history. The timely reporting of Volume

1 demonstrates Finance's leadership for good governance, transparency, and accountability across government.

- Worked on consolidating school boards in the 2010-11 SFS, which continued to provide a challenge to publishing the Public Accounts within the same time line as in the past.

Measurement Result: Timeliness of the Release of Public Accounts, Volume 1



Source: Saskatchewan Public Accounts

Reliability of the financial statements also contributes to the government's accountability. Financial statements with few (or no) audit qualifications are considered more reliable than those that have many.

- The SFS continue to receive a clean audit opinion. The GRF financial statements continued to receive a qualified audit opinion for the pension liability, which is disclosed in the notes rather than accrued on the statements and for transfers between the GRF and the Growth and Financial Security Fund, which are recorded in accordance with legislation.

Relevance of financial statements contributes to government's accountability. Financial statements that comply with PSAB standards are considered more relevant than those that do not.

- The GRF financial statements and the SFS are relevant. All PSAB recommendations have been implemented in the SFS. One recommendation, recording pensions on an accrual basis, remains unimplemented in the GRF. The Government's GRF financial statements continue to disclose the pension liability in the notes and expense actual cash payments to retired plan members and cash contributions to its pension plans.

Progress in 2010-11 (cont'd)

Provide input into the activities of Canadian and international accounting standard setting bodies.

Accounting policies continue to evolve and have implications for the Government of Saskatchewan. Providing input into the activities of government accounting standard setting bodies ensures accounting policies result in relevant and reliable government financial statements.

- During the year, provided input on PSAB's project to revise the recommendations related to government transfers (grants). The results of this project could have a significant impact on the timing of transfer expenses and revenues for governments. Other significant projects being monitored include financial instruments, accounting policies for government organizations, and foreign currency.
- Closely monitored PSAB activities and international accounting standards. Provided feedback to PSAB on all documents issued for comment and to the International Public Sector Accounting Standards Board (IPSASB) where deemed appropriate. The review of PSAB's conceptual framework, which contains the fundamental concepts upon which accounting standards are based, will be a key area of focus.

Review and approve financial statements of Treasury Board Crowns and agencies.

The financial statements of government entities are prepared pursuant to their enabling legislation. Pursuant to *The Tabling of Documents Act, 1991*, entities are required to table their financial statements within 120 days of their year-end. Continued strong financial reporting by government entities is essential to strong accountability.

The Ministry, on behalf of Treasury Board, provides approval of the form and content of the financial statements in advance of the tabling. Finance is proactive in ensuring government entities table their financial statements on time (e.g., clearly communicates tabling deadlines) and

monitors compliance with the tabling deadlines. Finance's role contributes to timely, reliable, and relevant financial reporting by Treasury Board Crowns and agencies and demonstrates Finance's leadership for good governance, transparency, and accountability across government

- Reviewed and approved financial statements of 105 entities before tabling; 90 were tabled on time (86 percent).

Measurement Result: Percentage of Entities Meeting Tabling Deadline

Year	Percentage of Entities Meeting Tabling Deadline
2010-11	86%
2009-10	86%
2008-09	77%
2007-08	76%
2006-07	84%
2005-06	84%
2004-05	81%

Source: Legislative Assembly of Saskatchewan website

Work with ministries and the federal government to develop fair and effective federal-provincial agreements that address common interests.

This work is intended to ensure that the financial implications of federal-provincial agreements are properly accounted for and have received appropriate approval. Reviews of these agreements are reported to the Minister of Finance throughout the year. During the 2010-11, over 50 federal-provincial fiscal agreements were reviewed and proceeded to Cabinet for approval.

Provide analysis and advice on public sector bargaining issues and compensation strategies.

- Provided regular updates to the Sub-Committee on Public Sector Bargaining (Sub-Committee) on ongoing bargaining and supported discussion on related issues.
- Provided advice to the Sub-Committee on the progress of bargaining and other matters affecting labour relations.

Progress in 2010-11 (cont'd)

- Promoted the Government's approach to collective bargaining among public sector employers. The government has adopted a market competitive approach to collective bargaining.
- Met regularly with government agencies and other public sector employers, including significantly enhanced coordination with officials at CIC and among CIC Crowns.
- Provided assistance to the various public sector groups developing bargaining proposals, conducting negotiations and achieving collective bargaining settlements.
- Twelve collective agreements were concluded during 2010-2011, including four among CIC Crown Corporations, covering more than 20,000 FTE's.
- Maintained and enhanced networking contacts with key information sources among employers outside of the public sector portfolio, as well as in other Canadian jurisdictions.
- A pilot project involving four First Nation stores and two cash register vendors was conducted to test technology and operational feasibility of moving to real time reporting of fuel and tobacco sales to Status Indians on reserve.
- Based on the results of the pilot project, a real-time reporting system for validating tax-free tobacco and fuel sales was developed for on-reserve retailers. This system contains several features that will assist retailers, including enhanced reporting provisions, and will assist the province in enforcing tax-free limits. Implementation of the system is being done on a phased approach. The first 29 stores were converted to the new system in the first quarter of 2011. An additional 12 stores are scheduled for conversion in June, 2011. These 41 stores account for about 75% of the total tax-free tobacco and fuel sales made on reserve.
- Conversions made to the existing point of sale (POS) software, and implementation of a centralized verification system provides better monitoring and control of the tax exemptions provided for fuel and tobacco products sold on reserve.

Strategy – Explore taxation agreements that mutually benefit First Nations and the Province

Explore taxation agreements with interested First Nations that mutually benefit First Nations and the Province.

- In 2007, an agreement was reached between the Province and a First Nation that replaces the liquor consumption tax (LCT) with a Band-imposed fee (Band LCF).
- In 2009-10, the Province entered into an additional four agreements with First Nations to vacate the LCT in lieu of the Band LCF.
- During 2010-11, the Ministry continued to explore opportunities where mutually beneficial agreements such as this can be reached. To date, the Province has agreements with five First Nations that replace the LCT with the Band LCF.

Build on the original real-time reporting pilot project by expanding to additional equipment vendors and additional on-reserve stores.

Strategy – Improve the effectiveness and efficiency of the Ministry's programs and services so as to ensure the best use of public funds

Implement a management practice of assessment and continuous improvement to ensure a robust, objective, and multi-year assessment function.

- The Ministry of Finance led and/or participated in a number of initiatives in 2010-11 to improve the effectiveness and efficiency of ministry and government processes. More detail is provided on the specific initiatives in the following section.
- The Performance Management Branch requires ministries to include progress reports on their 'continuous improvement' activities in their annual reports, to encourage improved communication, transparency and accountability to the public.

Progress in 2010-11 (cont'd)

Investigate the feasibility of an electronic document and record management system to improve customer service and reduce administrative effort.

- Delayed no funds available in 2010-11.

Review alternatives for implementing the Enterprise Revenue Management plan, which could provide a single point of contact for clients to do business across government with respect to paying taxes and fees.

- During 2010-11 the Ministry conferred with other ministries and the Information Technology Office (ITO) to explore alternative processes and systems to collect the Province's revenues. This review will continue into 2011-12.

Increase direct deposit utilization and reduce number of advices printed and distributed by offering e-mailed advices to suppliers.

- Effective July 1, 2010, all employee travel expense claims and other non-payroll payments were transitioned to direct deposit. In the fall of 2010, a project was initiated to transition the top 200 vendors to remittance advices provided through email rather than paper.

In support of the strategy to improve the effectiveness and efficiency of the Ministry's programs and services, several additional actions were undertaken during 2010-11 but not specifically identified in the original 2010-11 Ministry Plan. Below is a summary of the results.

Improve the efficiency and effectiveness of the accounts payable processing function.

- Initiated a project to improve the efficiency and effectiveness of the Government of Saskatchewan's accounts payable processing function. Improvements will be achieved through consolidating the function into a single centralized unit, redesigning and standardizing related processes and implementing enhancements to the MIDAS financial system to increase automation.

Streamline other payment processes.

- With respect to other projects to streamline payment processes, began work to implement a one card solution for purchasing and travel, and to consider improvements to the processes for accepting credit/debit card payments. Implemented enhanced travel expense claim forms and processes.

Increase efficiencies in the process for approval and tabling of financial statements of Treasury Board Crowns and agencies.

- A Lean initiative was undertaken to increase efficiencies in the processes for the approval and tabling of financial statements of Treasury Board Crowns and agencies. This included a value stream mapping event to identify and recommend possible changes to the processes to improve efficiencies and reduce cycle time. Efficiencies to processes have been implemented.

Increase efficiencies in the process of expense forecasting.

- Finance co-led a cross-ministry Lean project on monthly expense forecasting in December 2010 with an objective to produce more timely expense forecasts, reduce ministry effort and better support decision making in government. The project identified opportunities for process improvements and the need to build capacity for more accurate forecasting. Key project metrics were developed and will be monitored.

Increase efficiencies in the FTE forecasting process.

- A cross-ministry Lean event, co-led by Finance, on FTE forecasting was conducted in December 2010. Several changes were made to standardize processes and reports, streamline the flow of information and improve the quality of FTE forecasts to assist decision-making and human resource management. Follow-up to this initiative involves the development of tools to provide accurate and timely FTE forecasts.

Progress in 2010-11 (cont'd)

Increase efficiencies in the tax ruling process.

- The PST Branch has implemented Lean principles to reduce the time it takes to issue tax rulings. The Branch is continuing to apply these principles to other workflow processes in order to gain efficiencies.

Increase efficiencies in the tax audit selection process.

- Continued to work on a tax audit selection process and the allocation of audit resources to the highest risk areas.

2010-11 Financial Overview

Expense

In 2010-11, the Ministry had expenses of \$314.1 million, down \$10.7 million from the Budget Estimate of \$324.8 million. Excluding pensions and benefits, the Ministry spent \$53.7 million, down \$6.7 million from the Budget Estimate of \$60.4 million primarily due to savings from vacancies and final 2009 research and development tax credit assessments being lower than anticipated.

Spending for pensions and benefits was \$260.4 million, down \$4.0 million from the Budget Estimate of \$264.4 million. This was due to salaries across government

being lower than anticipated, primarily in the Public Employees' Pension Plan and the Canada Pension Plan. This savings was partially offset by pressures in the Judges' Superannuation Plan (Statutory) due to more retirees than budgeted and MLA's Pensions and Benefits (Statutory) due to the supplementary retirement plan actual rate of return being higher-than-budgeted.

The following table outlines information on budgeted and actual expense by subvote and subprogram. Variance explanations are provided for all changes greater than \$100,000.

2010-11 Financial Overview (cont'd)

Ministry of Finance Expense

Program	2009-10 Actual	2010-11 Budget	2010-11 Actual	2010-11 Variance
(in thousands of dollars)				
Central Management and Services	6,224	6,630	6,448	(182)
Treasury and Debt Management	2,607	2,478	1,976	(502)
Provincial Comptroller	8,441	8,575	8,561	(14)
Budget Analysis	4,884	5,047	4,754	(293)
Revenue	19,651	18,003	18,354	351
Revenue Division	14,757	14,393	14,744	351
Allowance for Doubtful Accounts	2,300	2,300	2,300	0
Canada Revenue Agency Income Tax Administration	1,294	1,310	1,310	0
Driver Licence and Registration Administration	1,300	0	0	0
Personnel Policy Secretariat	580	521	408	(113)
Research and Development Tax Credit	18,000	18,000	12,000	(6,000)
Miscellaneous Payments	64	140	74	(66)
Bonding of Public Officials	64	65	74	9
Unforeseen and Unprovided For	0	50	0	(50)
Implementation of Guarantees (Statutory)	0	25	0	(25)
Public Service Pensions and Benefits	265,164	264,474	260,438	(4,036)
Public Service Superannuation Plan (Statutory)	117,266	121,875	121,394	(481)
Members of the Legislative Assembly (Statutory)	3,309	3,034	3,124	90
Judges' Superannuation Plan (Statutory)	3,549	3,650	3,844	194
Public Employees' Pension Plan ¹	56,474	58,412	55,038	(3,374)
Canada Pension Plan Employer's Contribution	28,024	27,375	26,820	(555)
Employment Insurance Employer's Contribution	12,383	11,928	12,064	136
Workers' Compensation Employer's Assessment	9,220	9,114	9,101	(13)
Employees' Benefits Employer's Contribution	33,876	33,215	32,905	(310)
Services to Public Service Superannuation Plan Members	1,210	1,350	1,165	(185)
Public Employees' Benefits Agency Revolving Fund Subsidy	0	0	0	0
Net Expense (Recovery) (Statutory)	(147)	(5,479)	(5,017)	462
Amortization of Capital Assets	943	959	1,089	130
Office and Information Technology	869	882	1,012	130
Land, Building and Improvements	74	77	77	0
Total Expense	326,558	324,827	314,102	(10,725)
Capital Asset Acquisitions ¹⁶	38	4,150	853	(3,297)
Capital Asset Amortization	(943)	(959)	(1,089)	(130)
Total Appropriation	325,653	328,018	313,866	(14,152)

2010-11 Financial Overview (cont'd)

Central Management and Services

Savings of \$182,000 are primarily related to a reduction in accommodations and Central IT expenses.

Treasury and Debt Management

Savings of \$502,000 are primarily related to lower-than-anticipated bank charges and system development costs as well as salary savings due to vacancies.

Budget Analysis

Savings of \$293,000 are primarily related to reduced travel and external consulting costs as well as salary savings due to vacancies.

Revenue Division

An increase of \$351,000 is primarily due to costs related to the Real-Time Validation project that were budgeted for as capital but accounted for as an expense. This increase was partially offset by reduced travel and salary savings due to vacancies.

Personnel Policy Secretariat

Savings of \$113,000 are primarily due to reduced external consulting costs.

Research and Development Tax Credit

Savings of \$6.0M are primarily due to final 2009 research and development tax credit assessments being lower-than-anticipated.

Public Service Superannuation Plan (Statutory)

Savings of \$481,000 are primarily due to fewer marital breakdowns and no payments under reciprocal agreements.

Judges' Superannuation Plan (Statutory)

An increase of \$194,000 is primarily due to a higher-than-expected number of pensioners.

Public Employees' Pension Plan

Savings of \$3.4 million are primarily due to lower-than-expected salaries across government.

Canada Pension Plan – Employer's Contribution

Savings of \$555,000 are primarily due to lower-than-expected salaries across government.

Employment Insurance – Employer's Contribution

Increased premium of \$136,000 is primarily due to an increase to the employer contribution rate effective January 1, 2011.

Employees' Benefits – Employer's Contribution

Savings of \$310,000 are primarily due to dental and in-scope extended health benefits being lower-than-expected.

Services to Public Service Superannuation Plan Members

Savings of \$185,000 are primarily due to reduced administration costs as a result of vacancies and staff being utilized for other plans.

2010-11 Financial Overview (cont'd)

Public Employees' Benefits Agency Revolving Fund – Net Expense (Recovery) (Statutory)

An increase of \$462,000 is due to the transfer to the advance account, which would be a credit to the appropriation, being lower-than-expected.

Capital Asset Acquisitions

Capital asset acquisitions were \$3.3M lower than budgeted because the Real Time Validation Project budget allowed for, but did not require, the replacement of point-of-sale machines in all First Nations stores across the province and higher costs were anticipated for system development. Additionally, some expenditures were accounted for as an expense rather than capitalized.

Capital Asset Amortization

Capital asset amortization was \$130,000 higher than budgeted due to completion of the Real-Time Validation Project.

Revenue

The Ministry of Finance collects revenue relating to taxation, non-renewable resources via the Resource Surcharge, transfers from government entities, interest, premium, discount and exchange, motor licence fees, transfers from the federal government, and other smaller revenue sources. All revenue collected is deposited into the General Revenue Fund (GRF). In 2010-11, the Ministry accounted for 72 per cent of total GRF revenue.

Actual revenue at the Ministry of Finance was \$507.1 million (6.8 per cent) higher than budget. The increase from budget is due to a \$523.1 million increase in own-source revenue, partially offset by a \$16.0 million decrease in federal transfers. The increase in own-source revenue is made up of higher-than-budgeted tax revenue (\$272.1 million), transfers from Crown entities (\$191.0 million) and other-own source revenue (\$97.9 million), partially offset by lower-than-budgeted Resource Surcharge revenue (\$37.9 million).

The following section shows estimated and actual revenue, describes the Ministry's revenue sources and includes variance explanations for changes greater than \$5 million.

2010-11 Financial Overview (cont'd)

Ministry of Finance Revenue

Source	2010-11 Budget	2010-11 Actual	2010-11 Variance
	(in thousands of dollars)		
Corporation Income Tax	762,500	1,155,273	392,773
Fuel Tax	452,700	463,147	10,447
Individual Income Tax	1,964,700	1,795,788	-168,912
Provincial Sales Tax	1,186,300	1,186,992	692
Tobacco Tax	235,100	237,507	2,407
Other Taxes	249,900	284,599	34,699
Taxes	4,851,200	5,123,306	272,106
Resource Surcharge	398,700	360,848	-37,852
Non-Renewable Resources	398,700	360,848	-37,852
Crown Investments Corporation of Saskatchewan	266,000	266,000	0
Special Dividend	10,000	213,500	203,500
Saskatchewan Liquor and Gaming Authority	445,600	437,063	-8,537
Other Enterprises and Funds	25,745	21,766	-3,979
Transfers from Crown Entities	747,345	938,329	190,984
Interest, Premium, Discount and Exchange	132,790	208,543	75,753
Motor Vehicle Fees	152,400	161,092	8,692
Other Licences and Permits	95	82	-13
Sales, Services and Service Fees	20	20	0
Other	3,265	16,713	13,448
Other Revenue	288,570	386,450	97,880
Canada Health Transfer	811,800	795,422	-16,378
Canada Social Transfer	342,400	342,626	226
Other	9,992	10,170	178
Transfers from the Federal Government	1,164,192	1,148,218	-15,974
Total Ministry of Finance Revenue	7,450,007	7,957,151	507,144

Corporation Income Tax

Corporation Income Tax (CIT) is administered on the Province's behalf by the federal government using a common national determination of corporation taxable income. For a particular taxation year, the federal government makes instalment payments to the Province on the basis of estimates, which are reconciled to actual assessments once tax returns for that taxation year have been filed. These reconciliations are accounted for approximately 15 months after the end of a taxation year (i.e. the adjustment payment for the 2009 taxation year was received by the GRF in the fourth quarter of 2010-11).

CIT revenue increased \$392.8 million, or 51.5 per cent, from the Budget Estimate primarily due to stronger-than-budgeted final assessment data for the 2009 taxation year, which results in an increased prior-year reconciliation adjustment payment. In addition, a higher federal estimate of the national corporate tax base, resulted in higher-than-budgeted instalment payments to

2010-11 Financial Overview (cont'd)

Saskatchewan in 2010-11.

Fuel Tax

Fuel Tax is levied on purchases of all types of fuel under the authority of The Fuel Tax Act, 2000. The tax ranges from a fixed rate of 1.5 cents per litre on aviation fuel to 15 cents per litre on gasoline and diesel. Saskatchewan provides a 100 per cent exemption for farm-use diesel fuel and diesel fuel used by primary producers in their off-road activities, as well as an 80 per cent exemption for farm-use unleaded gasoline purchased at bulk-fuel dealers. First Nations retailers are also eligible to receive a refund of the Fuel Tax on eligible on-reserve purchases by First Nations individuals, as are commercial aircraft carriers that purchase fuel for international flights.

Fuel Tax revenue increased \$10.4 million, or 2.3 per cent, from the Budget Estimate primarily due to higher-than-expected economic growth, a growing population and continued construction activity in the province.

Individual Income Tax

Saskatchewan's Individual Income Tax is administered on the Province's behalf by the federal government using a common national determination of taxable income. For a particular taxation year, the federal government makes instalment payments to the Province on the basis of estimates, which are reconciled to actual assessments once tax returns for that taxation year have been filed. These reconciliations are accounted for approximately 15 months after the end of a taxation year (i.e. the adjustment payment for the 2009 taxation year was received by the GRF in the fourth quarter of 2010-11).

Individual Income Tax revenue decreased \$168.9 million, or 8.6 per cent, from the Budget Estimate primarily due to a lower-than-budgeted prior-year reconciliation payment related to weaker-than-anticipated tax assessments in 2009 due to investment income losses.

Provincial Sales Tax

The Provincial Sales Tax (PST) rate is a five per cent sales tax applied to the purchase, importation, or rental of certain goods and services.

Tobacco Tax

The Tobacco Tax is levied on retail purchases of all types of tobacco under the authority of The Tobacco Tax Act, 1998. A major component of Saskatchewan's Tobacco Tax is the refund available to First Nations retailers on eligible on-reserve tobacco sales to First Nations individuals.

On March 25, 2010, the tax rate per cigarette or gram of tobacco increased by 2.7 cents to 21 cents as part of Government's tobacco control strategy.

As of July 2010, the weekly limit for on-reserve tax-free purchase of tobacco products was reduced to 200 cigarettes (one carton) from 600 cigarettes (three cartons).

Other Taxes

Other Taxes revenue collected by the Ministry of Finance includes the general portion of the Corporation Capital Tax (CCT), Liquor Consumption Tax, Insurance Premiums Tax, Motor Vehicle Insurance Tax, Fire Prevention Tax, Pari-Mutual Tax, and Succession Duties.

CCT is a tax levied on Crown corporations and financial institutions on the amount of paid-up capital in excess of \$10 million. An additional exemption of up to \$10 million is available

2010-11 Financial Overview (cont'd)

to corporations depending on the proportion of total wages and salaries that are paid in Saskatchewan.

The Liquor Consumption Tax (LCT) is a 10 per cent tax on the total selling price of beer, wine and spirits.

The various insurance taxes collected by the Ministry are generally a levy on premiums, ranging from one to four per cent.

Other tax revenue increased \$34.7 million, or 13.9 per cent, from the Budget Estimate primarily due to higher-than-budgeted CCT revenue from financial institutions due to higher federal capital requirements.

Resource Surcharge

The Resource Surcharge, levied under The Corporation Capital Tax Act, is charged against the value of resource sales of large resource corporations.

Resource Surcharge revenue decreased \$37.9 million, or 9.5 per cent, from the Budget Estimate. The decrease is primarily due to lower-than-expected instalment payments from the oil and gas sector, partially offset by higher-than-budgeted payments from the potash sector, consistent with higher sales volumes and prices.

Crown Investments Corporation of Saskatchewan

The dividend from the Crown Investments Corporation (CIC) of Saskatchewan is based on CIC projected net earnings. Any special dividend paid by CIC to the GRF is generally related to a one-time event, such as to fund a specific project.

In 2010-11, the CIC special dividend was increased from the Budget Estimate of \$10.0 million to \$213.5 million to fund the Children's Hospital and Saskatchewan's nuclear research and development strategy.

Saskatchewan Liquor and Gaming Authority

The Saskatchewan Liquor and Gaming Authority (SLGA) dividend to the GRF is based on the net income of the Authority. The SLGA is responsible for the distribution, operation and regulation of liquor and gaming activity in the province, including responsibility for the Saskatchewan Indian and Gaming Authority (SIGA). Dividends from SLGA consist of retail liquor net income, gaming (VLT) net income and SIGA net income.

The SLGA transfer to the GRF decreased \$8.5 million, or 1.9 per cent, from the Budget Estimate primarily due to a retained deficit related to 2009-10 and lower-than-budgeted 2010-11 SIGA net income.

Other Enterprises and Funds

Other Enterprises and Funds include dividends paid to the GRF by other government enterprises and special funds. This includes half of Saskatchewan Gaming Corporation (SGC) net income, combined with one-time dividends from other government entities.

Interest, Premium, Discount and Exchange

Revenue from this source includes interest received on bank deposits, sinking fund earnings, interest on advances, investments and accounts receivable and certain amounts recovered from Crown corporations.

Interest, Premium, Discount and Exchange revenue increased \$75.8 million, or 57.0 per cent, from the Budget Estimate primarily due to higher-than-budgeted gains on the sale of investments.

2010-11 Financial Overview (cont'd)

Motor Vehicle Fees

Revenue from this source includes motor vehicle licences, fees and registrations, and is collected by Saskatchewan Government Insurance (SGI) on behalf of the Province. It does not include any insurance portion of vehicle plating costs.

Motor vehicle fees increased \$8.7 million, or 5.7 per cent, from the Budget Estimate primarily due to higher-than-budgeted vehicle registrations as a result of the growing Saskatchewan population.

Other Licences and Permits

Other Licences and Permits revenue consists of annual licence and decal fees collected from inter-jurisdictional truckers under the International Fuel Tax Agreement (IFTA).

Sales, Services and Service Fees

Sales, Services and Service Fees revenue at the Ministry of Finance consists of debt guarantee fees.

Other Other Revenue

Other Other revenue consists of all other recurring operational revenue not otherwise classified, including refunds of prior-years' expenditures, recovery of loans, and contributions by employees and others to retirement and insurance plans.

Other Other revenue increased \$13.4 million from the Budget Estimate primarily due to refunds of prior-years' expense, particularly the unused portion of the 2009-10 Research and Development Tax Credit.

Canada Health Transfer

The Canada Health Transfer (CHT) assists provinces and territories in maintaining the national criteria and conditions in the Canada Health Act. Funding for the CHT is made up of cash payments from the federal government and tax transfers to the provinces and territories.

Saskatchewan received \$795.4 million in CHT payments from the federal government, \$16.4 million below the Budget Estimate due to an increase in the value of Saskatchewan's tax points, which results in a corresponding reduction of cash payments.

Canada Social Transfer

The Canada Social Transfer (CST) assists provinces and territories in providing post-secondary education, social assistance and social services, including early childhood development and early learning and child care. Funding for the CST is made up of equal per-capita cash payments from the federal government to the provinces and territories.

Other Transfers from the Federal Government

Other federal transfer revenue consists of a legislated subsidy from the Government of Canada, as well as various federal-provincial cost-sharing agreements, including federal funding for targeted initiatives that are funded via third-party trusts and one-time payments.

Revolving Funds

The Ministry is responsible for the Public Employees Benefits Agency Revolving Fund that accounts for the administration costs of the various pension plans and benefit programs administered by PEBA. The costs incurred by the Fund for providing services are allocated to, and reimbursed primarily by, various pension and benefit plans. For more information about this Fund please visit the following website: http://www.peba.gov.sk.ca/Agency/peba_ann_reports.html

For More Information

If you have any questions or comments, please call 1-866-862-6246.

For additional copies of this Annual Report, call 787-6623.

Information on all Saskatchewan Finance programs and services can be accessed at **www.finance.gov.sk.ca**.

Appendix A: Senior Management Committee (as at March 31, 2011)

Karen Layng, Deputy Minister

Joanne Brockman, Executive Director
Economic and Fiscal Policy Branch

Kirk McGregor, Associate Deputy Minister
Taxation and Intergovernmental Affairs Branch

Denise Macza, Assistant Deputy Minister
Treasury Board Branch

Louise Usick, Director
Financial Services Branch

Terry Paton, Provincial Comptroller
Provincial Comptroller's Office

Brian Smith, Assistant Deputy Minister
Public Employees Benefits Agency

Margaret Johannsson, Assistant Deputy Minister
Revenue Division

Rae Haverstock, A/Assistant Deputy Minister
Treasury and Debt Management Division

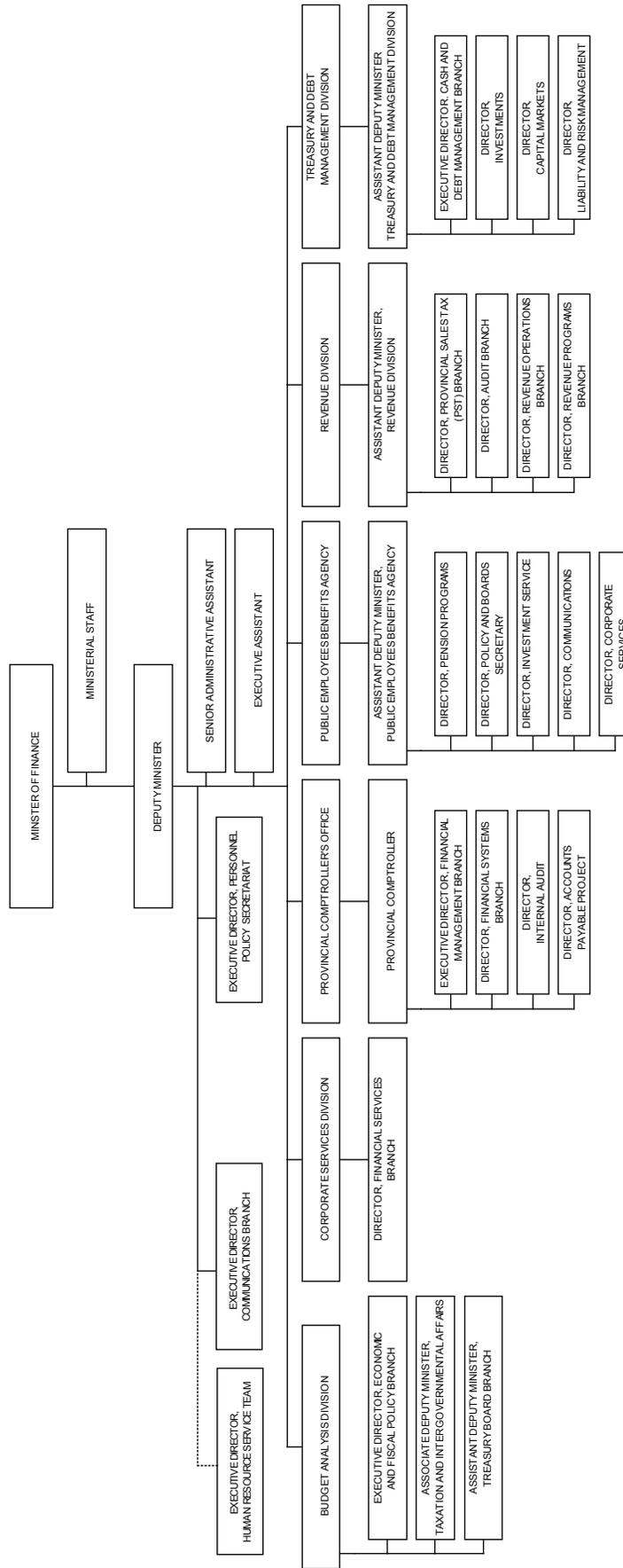
Randy Burton, Executive Director
Communications Branch

Tor Veltheim, Executive Director
Personnel Policy Secretariat

Leah Lopez, Executive Assistant to the Deputy Minister
Deputy Minister's Office

Dana Fauth, Senior Administrative Assistant
Deputy Minister's Office

Appendix B: Organizational Chart (as at March 31, 2011)



Appendix C: Public Employees Benefits Agency

The Public Employees Benefits Agency (PEBA) administers 11 pension plans, one annuity fund, and 20 benefit plans for the Saskatchewan public sector and its retirees. PEBA operates on a revolving fund basis and allocates operating costs to the plans that incur the expenses.

Total assets of the plans administered by PEBA are approximately \$6.8 billion. Combined, the pension, retirement and annuity fund have approximately 83,000 members. PEBA has three primary client groups: plan members and their unions; boards and commissions that oversee the plans; and the plan members' employers. Each group depends on PEBA to provide quality service including accurate and timely information, as well as efficient transaction processing.

The Public Employees Benefits Agency administers the following pension and benefit plans:

Pension Programs

Anti-Tuberculosis League Employees Superannuation Plan
Judges of the Provincial Court Superannuation Plan
Saskatchewan Liquor Board Superannuation Plan
The Members of the Legislative Assembly Benefits Act
Municipal Employees' Pension Plan
Public Employees Pension Plan
Additional Pension Contribution Plan
Public Service Superannuation Plan
Saskatchewan Pension Annuity Fund
Saskatchewan Transportation Company Employees Superannuation Plan
Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board

Benefit Programs

Public Deferred Salary Leave Fund
Extended Health Care Plan
Extended Health Care Plan for Retired Employees
Extended Health Care Plan for Certain Other Employees
Extended Health Care Plan for Certain Other Retired Employees
Public Employees Dental Fund
Public Employees Disability Income Plan
Public Employees Group Life Insurance Fund
Public Employees Benefits Agency Revolving Fund
Scheduled Aircraft Insurance Plan
Unscheduled Aircraft Insurance Plan
The Government of Saskatchewan and Canadian Union of Public Employees Local No. 600-3 and No.6005 Benefits Plans Surplus Fund
The Government of Saskatchewan and Saskatchewan Government and General Employees' Union Benefit Plans' Surplus Fund

Appendix C: Public Employees Benefits Agency (cont'd)

Additional Benefit Plans Administered for Employers

The SaskPower Supplementary Superannuation Plan

Saskatchewan Government Insurance Service Recognition Plan

SaskPower Designated Employee Benefit Plan

Saskatchewan Water Corporation Retirement Allowance Plan

Saskatchewan Watershed Authority Retirement Allowance Plan

SaskEnergy Retiring Allowance Plan

SaskPower Severance Pay Credits Plan

SaskPower Millennium Plan

Appendix D: Publications List

All Saskatchewan Finance publications can be accessed at:

www.finance.gov.sk.ca

Ministry of Finance Annual Report

The Annual Report presents the Ministry's activities and results for the fiscal year. It reports to the public and elected officials on public commitments made and other key accomplishments of the Ministry.

Ministry Plan

The Ministry Plan demonstrates how the Ministry aligns with government's goals and presents a high level framework for the Ministry's activities. Contained in the Plan are the strategies and actions that will be pursued in the upcoming year, performance measures to gauge progress and a financial summary.

Budget Documents and Backgrounders

Offer financial details of the annual Provincial Budget. Published in March of each year. Main documents include the Budget Summary Book, Estimates and Supplementary Estimates

- **Budget Summary Book**

Offers an overall view of the Provincial Budget. Includes financial tables, as well as program highlights for the upcoming year.

- **Estimates**

The Estimates represent the government's financial plan for the General Revenue Fund presented to the Legislative Assembly for the fiscal year commencing April 1, and ending on March 31 of the following year. The Estimates outline the estimated expenditures, revenues, loans and investments of the General Revenue Fund categorized in a manner to inform both the Members of the Legislative Assembly and the public. The Estimates are presented in accordance with *The Financial Administration Act, 1993*.

- **Supplementary Estimates**

The Supplementary Estimates represent additional funding provided to ministries subsequent to the passage of the Main Appropriation Bill that supplied funding as specified in the Budget Estimates. Supplementary Estimates are prepared and presented to the Legislative Assembly pursuant to section 14 of *The Financial Administration Act, 1993* and include any funding provided by special warrant during the fiscal year.

- **First Quarter Report**

Offers details of the government's financial picture on a General Revenue Fund basis as of the first quarter (April, May, June) of the fiscal year, compared to Budget. This Report is usually published within 60 days of end of first quarter.

- **Mid-Year Report**

Offers details of the government's financial picture on a General Revenue Fund basis as of the second quarter (April September) of the fiscal year, compared to Budget and First

Appendix D: Publications List (cont'd)

Quarter. The Report is tabled in the Legislative Assembly on or before November 30th of the fiscal year to which it pertains.

- **Third Quarter Report**

Offers details of the government's financial picture on a General Revenue Fund basis as of the third quarter (April-December) of the fiscal year, compared to Budget and Mid-Year. This Report is usually published within 60 days of end of third quarter.

Public Accounts Documents

- **Volume 1**

Volume 1 of the Public Accounts contains the General Revenue Fund financial statements and the Summary financial statements. It also contains information on the Growth and Financial Security Fund and the Province's debentures. Volume 1 also includes a detailed Financial Statements Discussion and Analysis section. Usually published in June/July.

- **Volume 2**

Volume 2 of the Public Accounts provides detailed information on revenues and expenses of the General Revenue Fund, information on the trust funds administered by the government and a listing of remissions of taxes and fees. Usually published in September/October.

- **Compendium**

The Compendium contains the financial statements of various boards, agencies, commissions, pension plans, special purpose funds and institutions, as well as those Crown corporations which are accountable to Treasury Board.

Tax Information Bulletins and Forms

The Revenue Division of the Ministry of Finance prepares a number of information bulletins and forms about the taxes and programs administered.

This information explains how the Provincial Sales Tax, Fuel Tax, Tobacco Tax, Corporation Capital Tax, Liquor Consumption Tax, and other taxes apply in specific situations.

Financial Administration Manual

The Financial Administration Manual (FAM) communicates Treasury Board's policies and the Provincial Comptroller's directives to ministries and public agencies. These financial policies and directives are made pursuant to *The Financial Administration Act, 1993*. FAM contains information to assist ministries and public agencies in controlling, managing and accounting for government financial resources.

Natural Account Manual

The Natural Account Manual provides information on the asset, liability, equity, revenue and expense accounts available for use in MIDAS (the government's central financial system).

Frequently Asked Questions About Government Payment Authorities

Offers guidance about government payment processes to those involved with initiating, approving or processing government payments. It is intended to be used by deputy ministers

Appendix D: Publications List (cont'd)

and other senior managers, program managers and executive directors/directors of administration and their staff.

Australian Medium-Term Note Information Memorandum

The AMTN Programme enables the Province to issue debt instruments in the Australian capital market.

Annual Report of the Province of Saskatchewan on Form 18K

The Annual Report is a disclosure document filed with the United States Securities and Exchange Commission, which provides an overview of the economic and fiscal position of the Province.

Saskatchewan Bureau of Statistics

www.stats.gov.sk.ca

- **Saskatchewan Provincial Economic Accounts**

Provides detailed data of the Saskatchewan economy in terms of Gross Domestic Product. Published annually.

- **Economic Review**

Provides a compendium of the most asked questions relating to Saskatchewan statistics, including data on agriculture, business, employment, investment and Gross Domestic Product. Published annually.

- **Monthly Statistical Review**

Provides up-to-date economic and social statistics relating to Saskatchewan. Produced monthly.

- **Saskatchewan Fact Sheet**

Provides a snapshot of important Saskatchewan economic and social statistics for the previous two years. Produced annually and in both English and French.

- **Labour Force Survey**

Tables provide labour force and employment data from the Statistics Canada Labour Force Survey. Produced monthly.

- **Consumer Price Index**

Tables provide price data from the Statistics Canada Consumer Price Index. Produced monthly.

- **Quarterly Population Report**

Tables provide population and demography data from the Statistics Canada Demography Division. Produced quarterly.

- **Census Report**

Provides information from the 2006 Census of Canada.

Appendix D: Publications List (cont'd)

Public Employees Benefits Agency (PEBA)

PEBA operates as a central body within the Ministry of Finance to administer pension and benefit programs for employees of Executive Government, Crown corporations and government funded bodies.

www.peba.gov.sk.ca

PEBA Annual Reports

Annual Reports provide information about the Plan's operations, membership, and administrative expenses and include financial statements for the year. PEBA produces 23 annual reports.

Acceptable Documentation

This document outlines the documentation that PEBA will use in administering the pension and benefit programs that the Agency is responsible for.

Statement of Investment Policies (SIG&P; SIP&P)

The following policy documents outline parameters around the investment of the various plans' assets setting rate of return standards, asset mix guidelines and risk tolerance. Documents are used by various fund managers to manage the plans' assets. The boards and commissions use this to evaluate the manager's performance.

Public Employees Pension Plan

PEPP Statement of Investment Policies and Goals – April 2011.

The Saskatchewan Pension Annuity Fund

SPAF Investment Policy Summary (as of June 2009)

Statement of Investment Policies and Goals (as of June 2010)

Municipal Employees' Pension Plan

Investment Policy Summary (as of June 2010)

Statement of Investment Policies and Procedures (as of May 2010)

Saskatchewan Liquor Board Superannuation Plan

Investment Policy Summary (as of March 2009)

Statement of Investment Policies and Goals as of (November 2010)

Public Service Superannuation Plan (PSSP)

Saskatchewan Transportation Company Superannuation Plan

Investment Policy Summary (as of June 2009)

Statement of Investment Policies and Goals (as of June 2010)

Benefits

Public Benefits Agency Disability Income Plan

Investment Policy Summary (as of June 2009)

Statement of Investment Policies and Goals (as of December 2010)

Appendix D: Publications List (cont'd)

Public Employees Benefits Agency Group Life Insurance Plan

Investment Policy Summary (as of June 2009)

Statement of Investment Policies and Goals (as of November 2010)

Member Newsletters

The newsletters provide current information to members about Plan provisions, proposed changes to legislation, regulations and administrative matters and address topics of interest to members (i.e., retirement planning, risk management, investments and the pension industry).

Public Employees Pension Plan (PEPP) – *Pension Perspectives*

(four times each fiscal year)

Municipal Employees' Pension Plan (MEPP) – *MEPP Matters*

(twice each fiscal year)

Member Booklets

Member Booklets contain detailed information concerning the various plans offered and the benefits available to the members. These are a valuable resource to all Plan members, so that they know their exact entitlements under the various plans.

Pension Plans

Public Employees Pension Plan

Municipal Employees' Pension Plan

- General Member & Designated Police Officer and Firefighter

Public Service Superannuation Plan

Benefit Plans

- Public Employees Group Life
- Public Employees Disability Income Plan
 - Employee Booklet
 - Plan Document
- Public Employees Dental Plan
 - Maximum Reimbursement Schedules (MRS) – list the codes and the cost for each procedure that is covered in the Plan. The schedules are updated every year, usually in January.
- Public Employees Deferred Salary Leave Plan

Extended Health Care Booklets

Extended Health Care Plan PS/GE SGEU Retiree Booklet

Extended Health Care Plan CUPE 600-3 Retiree Booklet

Extended Health Care Plan Out-of-scope Retiree Booklet

Appendix D: Publications List (cont'd)

Extended Health Care Plan Booklet PS/SGEU and CUPE 600-3: Effective January 1, 2010, Revised April 1, 2010

Extended Health Care Plan Booklet (Management) Employees: Effective January 1, 2010, Revised July 1, 2010

Employer Bulletins

Bulletins notify employers about legislation, regulations, and administrative changes affecting the Plan, as well as new services being offered to the members or procedural changes.

PEPP

PSSP

MEPP

Employer Administration Guides (PEPP)

Assists employers in performing their responsibilities necessary for the administration of the Plan.

Pension Adjustment Guides

Assists users in calculating and reporting Pension Adjustments.

MEPP

PSSP

Employer Manual (MEPP)

Provides instructions to employers regarding administrative and reporting procedures.

Employer Defined Benefit Administration Guide

Provides instructions to employers regarding administrative and reporting procedures.

Other Information

Information Sheets

Provide detailed information on specific topics related to Plan provisions.

PEPP Talk

InfoSheets (PSSP)

MEPP In-Depth

MEPP

Actuarial Valuation of the Saskatchewan Municipal Employees' Pension Plan (as at December 31, 2009)

Actuarial Valuation Report (as at December 31, 2009) on The Annuities Underwritten by The Municipal Employees' Pension Plan

Municipal Employees' Pension Plan

Appendix E: Legislation

Under Order-in-Council No. 400/2010 dated June 29, 2010, the Minister of Finance is responsible for the following Acts of the Legislative Assembly:

Certified General Accountants Act, 1994
Certified Management Accountants Act
Certified Management Consultants Act
Chartered Accountants Act, 1986
Corporation Capital Tax Act
Federal-Provincial Agreements Act
Financial Administration Act, 1993
Fuel Tax Act, 2000
Growth and Financial Security Act
Home Energy Loan Act
Income Tax Act
Income Tax Act, 2000
Insurance Premiums Tax Act
Liquor Consumption Tax Act
Management Accountants Act
Members of the Legislative Assembly Benefits Act
Motor Vehicle Insurance Premiums Tax Act
Municipal Employees' Pension Act
Municipal Financing Corporation Act
Provincial Auditor Act
Provincial Sales Tax Act
Public Employees Pension Plan Act
Public Service Superannuation Act
Revenue and Financial Services Act
Saskatchewan Pension Annuity Fund Act
Saskatchewan Pension Plan Act
Statistics Act
Superannuation (Supplementary Provisions) Act
Tabling of Documents Act, 1991
Tobacco Tax Act, 1998

Appendix E: Legislation (cont'd)

Although not listed in the Order-in-Council, the Minister is also responsible for the *Appropriation Act*. Furthermore, the Ministry has responsibilities under the following legislation:

Fire Prevention Act, 1992

Liquor Board Superannuation Act

Provincial Court Act, 1998

Public Health Act, 1994

Saskatchewan Assistance Act

Appendix F: Glossary of Terms

Appropriation

An amount of funding that the legislature has authorized for a particular purpose.

Credit Rating

An evaluation of the ability and willingness of a borrower to service and repay debt in a timely manner. Credit ratings are a key factor in determining the cost and availability of credit to a borrower. Borrowers with lower credit ratings pay more to lenders or investors than those with a higher rating. Many investors, such as pension funds, have guidelines restricting their lending to only those borrowers with above a minimum standard (level) credit rating.

Debt Servicing Costs

Costs associated with servicing the gross debt of the General Revenue Fund. The costs include interest, foreign exchange gains and losses, discounts, fees and commissions. Costs incurred to service Crown corporation debt are reimbursed by the Crown corporations.

Estimates

Documents tabled outlining the government's detailed financial plan for the year which form the basis for the requested appropriations. Estimates are tabled every year with the Budget Address.

Expenditure

The cost of operating government identified with a particular fiscal year or time period. Expenditures include the cost of government operated programs, interest on the public debt, transfer payments and capital acquisitions.

Financial System

Any system, manual or computerized, used to report or process transactions or data related to revenues, expenditures, assets or liabilities.

Fiscal Year

The period commencing on April 1 in one calendar year and ending on March 31 in the following calendar year.

General Revenue Fund (GRF)

The fund into which all revenues are paid, unless otherwise provided for by legislation, and from which all expenditures are appropriated by the Legislative Assembly.

General Revenue Fund Financial Statements

The financial statements prepared for the moneys appropriated by the Legislative Assembly.

Gross Debt

The gross debt of the Province consists of money owed directly to lenders through the sale of short term promissory notes and medium and long-term debentures in the capital markets, as well as the amount owed to holders of Saskatchewan Savings Bonds.

Appendix F: Glossary of Terms (cont'd)

Growth and Financial Security Fund (GFSF)

The GFSF was effective May 14, 2008 with the assent of *The Growth and Financial Security Act*. The purpose of the GFSF is twofold: 1) to assist in the achievement of the Government of Saskatchewan's long-term objectives by providing for financial security of the Government of Saskatchewan from year to year; and, 2) to provide a source of funds that are to be available for appropriation to be used for programs of the Government of Saskatchewan identified as promoting or enhancing the economic development of Saskatchewan.

Transfers to the GFSF represent either 50 per cent of any pre-transfer surplus for any fiscal year (required); or, subject to the approval of Treasury Board, the amount of significant, unexpected revenue received for the fiscal year, as determined by the minister (special transfer). Transfers out of the GFSF may be made by the minister, subject to the approval of Treasury Board, with the objective of achieving the aforementioned twofold purpose.

Guaranteed Debt

The debt of Crown corporations and others that the Province has promised to repay if the debt issuer is unable to do so.

Ministry

An organizational unit of Executive Government created for the purpose of managing related programs.

Performance Measurement

Performance measurement is a process of defining performance measures or indicators to assess progress towards achieving the outcomes articulated in a strategic plan. Measurement results are analyzed, reported and the knowledge gained is used by the organization to modify and improve future activities.

Public Accounts

The Public Accounts of the Government of Saskatchewan are organized into two reports. Volume 1 contains the General Revenue Fund financial statements and the Summary financial statements. These are the main financial statements of the Government of Saskatchewan. Volume 2 contains details on revenue and expenditure of the General Revenue Fund, financial information on the superannuation and trust funds administered by the government, and a listing of remissions of taxes and fees.

Public Performance Results Reporting

The mechanism that government uses to communicate with the public on the achievements of ministries for a specific time period, compared to the intended results laid out in plans that are typically released with the budget. Ministries are required to prepare plans and report on their financial and non-financial performance within their annual report.

Revenue

The gross proceeds applicable to a fiscal year received from taxes, licences, transfer payments and sources other than borrowing.

Appendix F: Glossary of Terms (cont'd)

Revolving Funds

Funds established by statute which are used to isolate certain items of related revenue and expenditure. Revolving funds are net budgeted in the Estimates, and are used for specific government operations that recover all or a portion of the associated costs from the funds' users.

Sinking Funds

Funds set aside to provide for the orderly retirement of a portion of the Province's debt.

Strategic Planning

Strategic planning is a practical, action-oriented process that sets goals and allocates resources to achieve meaningful results over time. Plans describe the outcomes that the organization intends to achieve over the planning period and the key actions that will be taken in the short term to move the organization toward its desired outcomes.

Summary Financial Statements

The financial statements that report on the consolidated financial resources and activities of all government organizations, including government boards, agencies, commissions, funds and Crown corporations.

Total Debt

The total debt of the General Revenue Fund consists of:

- gross debt – the amount of money owed to lenders; plus
- guaranteed debt – the debt of Crown corporations and others that the Province has promised to repay if they are unable to do so; less
- sinking funds – the amount of money which has been set aside for the repayment of debt.

Transfers

Transfers of money from the Government of Saskatchewan to an individual, organization, authority or other government for which no goods or services are directly received by government and no repayment is expected in the future. Terms such as "grants" and "entitlements" are often used for transfers.

Transfers to Individuals

Direct or indirect transfers of money for which no public service is required of the recipient. These transfers provide the recipient with a financial benefit and are usually in the nature of income support, subsidy or compensation payment. These transfers may include public goods and services that are income tested.

Transfers for Public Service

Transfers to individuals, organizations, Crown corporations and local authorities (for example: school boards, district health boards and municipalities) to fund public services such as health care and education. Transfers to government organizations and corporations, which in turn provide a direct transfer or subsidy to their clients, are treated as a transfer to an individual.

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