Saskatchewan Grain Car Corporation

Annual Report for 2015-16

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Government of Saskatchewan

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Letter of Transmittal

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

October 14, 2016

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

May it Please Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Grain Car Corporation for the fiscal year ending July 31, 2016 in accordance with *The Saskatchewan Grain Car Corporation Act*. The Financial Statements are in the form approved by Treasury Board and have been duly certified by auditors for the Corporation.

Respectfully submitted,

David Marit
Minister Responsible for the
Saskatchewan Grain Car Corporation

Government of Saskatchewan

President's Message

October 2, 2016

The Honourable David Marit
Chairperson of the Board

As President of the Saskatchewan Grain Car Corporation (SGCC), I am pleased to present the annual report for the fiscal year ending July 31, 2016.

Our mandate of "maximizing economic benefits to Saskatchewan agriculture, industry, and the province in general through effective and efficient utilization of our resources" has continued through this year and remains our primary focus as it has in the past.

Once again for the second year in a row the SGCC witnessed record lease revenues as a result of a very competitive leasing marketplace and well managed lease agreements with customers. A highly competitive per car revenue rate has also been retained, positioning the Corporation to lead in per car revenues amongst the overall government owned fleets. The entire fleet continues to be committed to the movement of western grains through both Saskatchewan shortlines and Class 1 railways.

Responsible, proactive management of the fleet ensures that orderly maintenance is accomplished and market demands are consistently being met. Continued awareness and education with respect to industrial changes and regulatory advancements remain key objective of staff to ensure the Corporation and the fleet are well positioned to meet the challenges of the future.

Although the unprecedented grain movement and rail network challenges experienced in the past couple of years seemed to have dissipated somewhat, demand for SGCC fleet and its utilization remains consistent.

While the fleet is utilized for grain movements throughout North America, the majority of car movements are still accounted for in the shipments of grain to port. Whether in times of high or low markets, car availability is consistently top of mind in the industry. Shippers and producers alike must have a stable and secure supply of railcars to move product and the SGCC is well positioned to contribute in addressing these needs.

Our staff continues to work constructively with our stakeholders and industry colleagues, nurturing and building our relationships as we eagerly look forward to the promise of tomorrow.

Robert (Bob) Mason
President and CEO

Government of Saskatchewan

SGCC Facts

Cars in service
900

Car Volume
128.8 m³
(4550 ft³)

Cars destroyed to date
100

Service Life Remaining
15 Yrs

Record Revenue
$2.7 Million

Dividends paid to GRF to date
$20.5 Million

Hopper car Revenues earned to date
$35.2 Million

Shortline Railway Grant Payments to date
$4.7 Million

Government of Saskatchewan

Corporate Profile

Board of Directors

Honourable David Marit, Chairperson
Honourable Lyle Stewart, Vice Chairperson

Business Profile

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

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

Mission

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

Vision

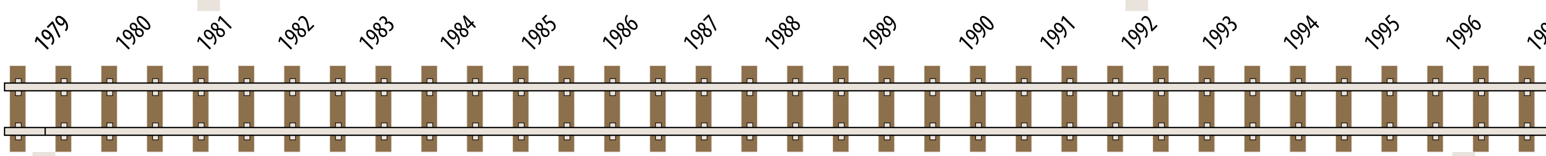
To have an effective, efficient and affordable grain handling and rail transportation system that is the best in the world.

Mandate

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

Government of Saskatchewan

History



1979

The Saskatchewan Grain Car Corporation (SGCC) is established by Order-in-Council 1787/79 on October 2, 1979 and continues under the provision of The Saskatchewan Grain Car Corporation Act.

1981

1,000 hopper cars are purchased for $55 Million.

First year of operation.

SGCC head office opens in Melville, SK.

SGCC signs operating agreement with CN, CPR, and Canadian Wheat Board.

1989

SGCC receives $1.1 Million in Alternate Use Revenues for movement of potash and other fertilizers to port and grain movements to the various points in the US.

1992

The Minister Responsible for the SGCC changes from the Minister of Agriculture and Food to the Minister of Highways and Transportation.

1996

SGCC begins providing technical advice to the Farmer Rail Car Coalition in its efforts to acquire the federal hopper car fleet.

2001

SGCC acquires 4,000 shares of capital stock in West Central Road and Rail Ltd. The investment represented the commitment to the Grain Logistics Pilot Project.

2006

Completion of the largest upgrade and refurbishment project ever conducted by SGCC. The carrying capacity for each hopper car is increased from 263,000 lbs to 286,000 lbs.

Installation of reflectorization on the SGCC fleet. First government owned hopper car fleet in Canada to complete the safety reflectorization.

2011

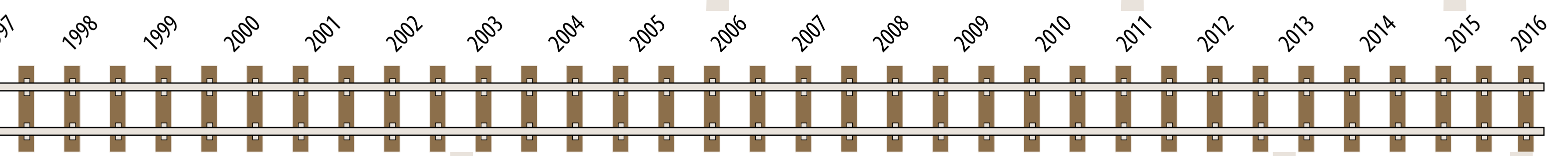
SGCC announces that Saskatchewan Shortline Railways will be given priority to lease hopper cars.

The Shortline Railway Sustainability Program financial administration is transferred to the SGCC.

2015

SGCC earns record hopper car leasing revenues of $2.21 Million.

SGCC redeems the remaining 2,000 shares in West Central Road & Rail Ltd.



2003

SGCC head office moves to Regina, SK.

$11 Million Dividend is paid to the General Revenue Fund.

SGCC participates in the Anti-dumping and Countervailing duties of imports of durum and hard red spring wheat from Canada.

2007

SGCC begins the hopper car blast, paint and decal program with 110 cars painted.

SGCC transports 1,140,000 tonnes of grain.

2013

$3.5 Million Dividend is paid to General Revenue Fund. Dividend payments to date of $18.5 Million.

SGCC redeems 2,000 shares in West Central Road & Rail Ltd.

2016

SGCC earns record hopper car leasing revenues of $2.66 Million.

Government of Saskatchewan

Corporate Overview

This annual report for the Saskatchewan Grain Car Corporation (SGCC) presents the activities for the fiscal year ended July 31st, 2016. It reports to the public and elected officials the year's accomplishments, results and responsibilities of the Corporation.

The SGCC is a self - sustaining Treasury Board Crown Corporation responsible for the management of the Provincial hopper car fleet. As such, the Corporation ensures the province's asset is creating economic benefits and is being maintained for long term viability.

Hopper cars are an essential component in the Grain Handling and Transportation System (GHTS). Whether the SGCC hopper cars are actively moving grains to port position, inland processing or being used for collecting grains before being transloaded, they are valuable assets in the GHTS.

The SGCC hopper cars are inspected on a regular basis to ensure that lessees are maintaining the fleet as per their contractual arrangements. The reliability and condition of the fleet are extremely important and contribute to the overall efficiency and effectiveness of the GHTS.

In addition to managing the provincial hopper car fleet, the Corporation also provides financial assistance to the Saskatchewan shortline industry with the matching grant funding for the Shortline Railway Sustainability Program (SRSP). This program is used for the repairs and maintenance of the shortline railway track infrastructure.

As an expert in fleet management and grain logistics, the SGCC shares information and provides assistance to various stakeholders and other jurisdictions.

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

2015-16 Key Activities

Customers - Leasing

- Record hopper car leasing revenues of $2.66 Million.
- Leasing (415) hopper cars to Last Mountain Railway (LMR) under a commercial agreement.
- Leasing (485) hopper cars to Canadian Pacific Railway (CPR) under a commercial agreement.

Asset Management – Hopper Cars

- Completed 81 random mechanical inspections.
- No hopper cars destroyed in 2015-16.
- To date a total of 100 cars have been destroyed.
- Member in good standing of the Association of American Railroads.
- Member in good standing of the Railway Association of Canada.

Shortline Railway Sustainability Program

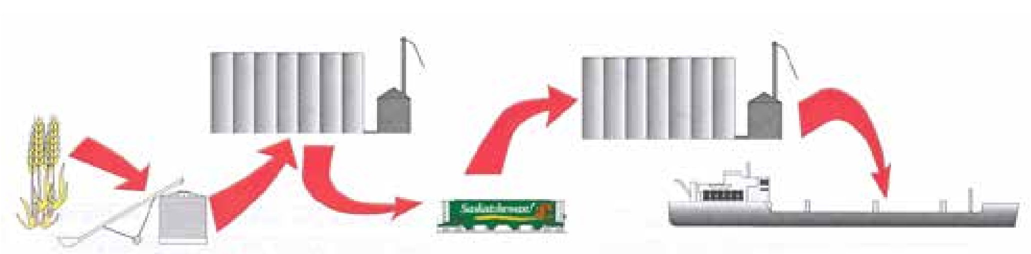
- Financial administration of grant funding for Saskatchewan shortlines.
- Saskatchewan shortlines hauled 27,200 car loads in the 2015 calendar year.

Advisory Services

- Provide advice and ongoing assistance to stakeholders and other jurisdictions on hopper car asset management and grain transportation issues.

Corporate Administration

- Financial management – Budgets, Audits, Reporting, Summary Financial Statements.
- Legal obligations – Access to Information, Records Management, Tabling of Documents, etc.



Year in Review

Grain transportation assets are an essential component in the western Canadian Grain Handling and Transportation System (GHTS). In 2015-16, the grain hopper car leasing market remained competitive. For a second consecutive year, the SGCC realized record breaking leasing revenues of $2.66 million. Throughout the year, the SGCC continued to focus on fleet management including asset management and lease negotiations.

The Corporation provided financial assistance to Saskatchewan shortlines with the matching grant funding for maintenance and repairs of the shortline railway network. In addition to the financial assistance, the SGCC provided intellectual capital to stakeholders and other government jurisdictions in the areas of fleet management and the GHTS.

Customers

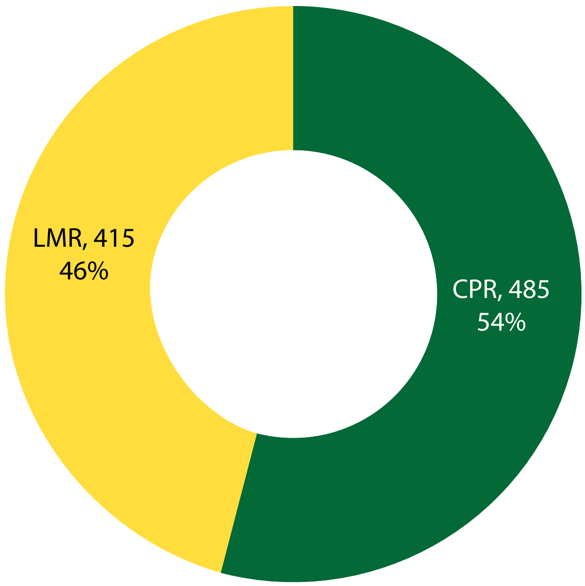
The SGCC leases hopper cars to both Saskatchewan shortlines and Class 1 Railways. When hopper cars are available for lease the SGCC gives priority to Saskatchewan Shortlines.

Last Mountain Railway (LMR) is currently the only shortline leasing SGCC hopper cars. LMR is leasing 415 hopper cars under a commercial arrangement. LMR uses the hopper cars in a number of ways such as collectors for grain along the shortline, transloading into railway supplied equipment and transporting grains to port position. LMR's business operations are dependent on moving grain as such hopper cars are an essential tool in meeting their business needs.

Canadian Pacific Railway (CP) has been a long time customer of the Corporation. The GHTS has seen many changes over the years but hopper cars remain essential in transporting western Canadian grains. In 2015-16, CP leased 485 SGCC hoppers cars under a commercial agreement. The hopper cars were used to transport western Canadian grains to port position and inland processing facilities through North America. The hopper cars leased to CP have SKPX or CP markings. The change to CP markings promotes quicker turnaround of hopper cars when delivered to inland destinations in the United States.

The SGCC stays current on the trends in the hopper car leasing market by liaising with industry representatives and engaging AllTranstek LCC, the largest railroad management and consulting firm in North America, to prepare a report on the lease market rates for covered hopper cars. The SGCC uses this information during lease negotiations.

Hopper Car Allocation as of July 31, 2016



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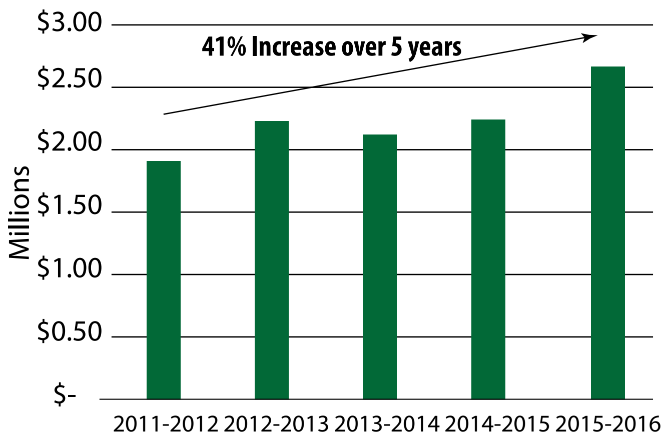
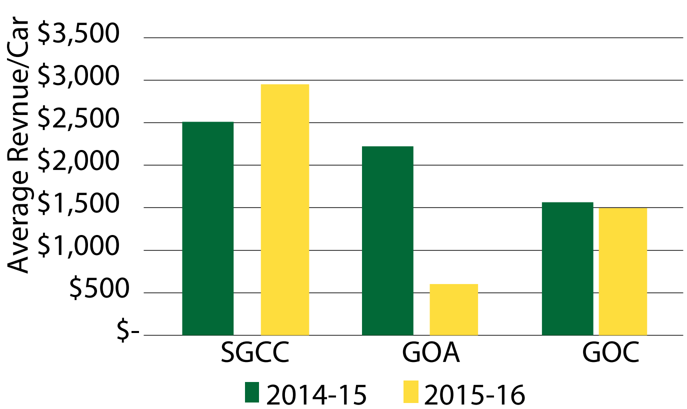
In 2015-16, the SGCC realized record hopper car lease revenues totaling $2.66 million. Over the past five years, leasing revenues have increased 41%. Lease rates continued to be impacted by the backlog of the 2013-14 record crop production. This trend is not expected to extend into the 2016-17 year as the lease rate market has softened.

5 Year Comparion of Leasing Revenues



The SGCC average per car revenue significantly out performs the Government of Canada (GOC) and Government of Alberta (GOA). The GOC has approximately 8,406 hopper cars and the GOA has approximately 900 hopper cars. The GOA information is reported as of March 31st, 2016 and total hopper car revenue includes damage settlements. The GOC information is reported on the 2015 calendar year and includes only lease revenues.



Asset Management

The SGCC's hopper car fleet is a valuable asset in the Grain Handling and Transportation System (GHTS). The SGCC takes a proactive approach to maintenance by conducting regular inspections and communicating any deficiencies or concerns with lessees. Proactive asset management ensures that the assets remain reliable and safe for their useful life.

The SGCC's current lease arrangements are net service leases. This means the lessee assumes the responsibility for the maintenance of the asset. The Association of American Railroads (AAR) is the regulating body with respect to rail car maintenance. Lessees are required to perform the maintenance, servicing and repair of the cars under Railway Freight Car Inspection and Safety Rules of the Railway Safety Act and all applicable Association of American Railroads (AAR) rules.

The SGCC completed random mechanical inspections to ensure lessee are maintaining the hopper cars as per their contractual obligations. In addition, SGCC monitors maintenance concerns such as corrosion that are not the contractual responsibility of the lessee.

During the 2015-16 year, SGCC completed eighty one (81) random mechanical hopper car inspections. The number of cars inspected is a representative sample based on generally accepted railway industry standards. Of the cars inspected the following condition ratings were assessed:

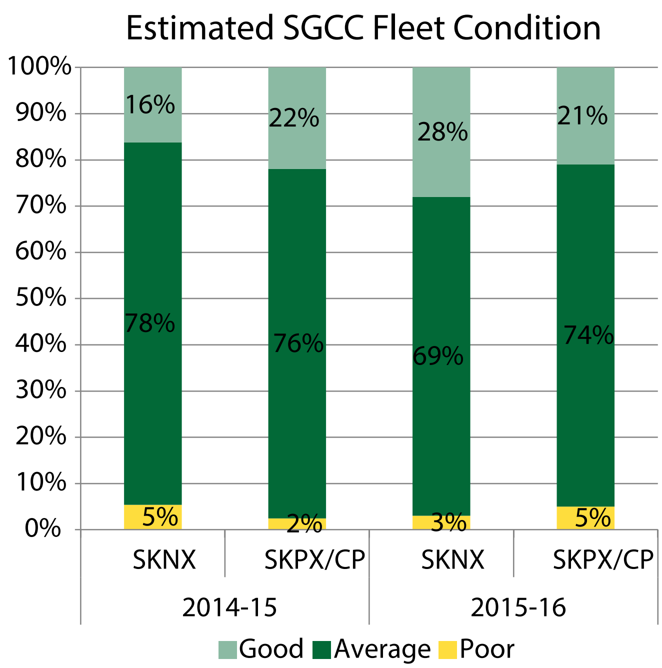
Cars leased to LMR - 39 Inspections Completed (9.4% of 415 cars)

- 11 - Good
- 27 - Average
- 1 - Poor

Cars leased to CPR - 42 Inspections Completed (8.7% of 485 Cars)

- 9 - Good
- 31 - Average
- 2 - Poor

The fleet condition is consistent with the previous year inspection with the overall condition of the fleet in the average to good category. This is to be expected for an asset which is thirty-five (35) years old and has been utilized in a non-corrosive service. Of the cars that were rated poor, the primary area that reduced the inspection rating was truck condition being below a generally accepted railway standard.



Proactive maintenance management requires that SGCC has the best available information on changes in the industry on maintenance rules and regulations. The SGCC remains a member in good standing of the Association of American Railroads (AAR) and the Railway Association of Canada (RAC), keeping up to date on important industry changes and maintenance requirements. In addition, the SGCC also stays current on rules and regulations governed by Transport Canada and the Federal Railway Administration.

Occasionally, the SGCC has a hopper car that is damaged beyond economic repair due to derailments, sideswipes, etc. The SGCC is compensated based on the AAR Rule 107. In the 2015-16 fiscal year, SGCC had no hopper cars damaged beyond economic repair. Total hopper cars destroyed to date remains at 100.

Graffiti continues to be a problem in the railway industry. The SGCC has a policy to remove graffiti that impacts the safety or is offensive, racist, sexist and/or politically motivated. In 2015-16, there were no SGCC cars repainted due to graffiti.

In addition to mechanical inspections, the hopper cars are monitored for paint condition. In the 2015-16 fiscal year, the SGCC did not complete a specific paint inspection but rather gathered information on paint condition during regular mechanical inspections. Paint condition is generally rated as average meaning no visible corrosion with only some minor paint fading. However, in some cases there are signs of surface corrosion.

Shortline Railway Sustainability Program

Shortline railways in Saskatchewan are an important piece of the province's transportation and economic development strategy for rural Saskatchewan.

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

The Saskatchewan shortline railways are connectors into the Class 1 Railway lines. Shortlines in the province provide an alternative to trucking products to the Class 1 Railway lines. In the 2015 calendar year, Saskatchewan shortline railways hauled approximately 27,200 car loads this was down significantly from 2014 (42,000 car loads). The economic slowdown in the resource sector resulted in a significant drop in total car loads in 2015.

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

	Eligible Track KM	**2015-16 Grant Amount**
Southern Rails	71	$35,000
Carlton Trail Railway	184	$77,694
Red Coat Road & Rail	115	$48,558
Great Western Railway Ltd.	508	$214,502
Thunder Rail	31	$35,000
Wheatland Railway	74	$35,000
Fife Lake Railway	97	$40,958
Torch River Rail	45	$35,000
Great Sandills Railway	189	$79,805
Last Mountain Railway	136	$57,426
Stewart Southern Railway	132	$55,737
Long Creek Railroad	66	$35,000
Big Sky Rail	356	$150,320
	2004	**$900,000**

In 2015-16, thirteen Saskatchewan shortlines were eligible for the funding. The total funding granted by SGCC was $982,702

Shortline Railway Sustainability Program Payments	
2015-16 (Aug 2015 to March 2016)	$352,329
2016-17 (April to July 2016)	$630,374
	$982,702

Stakeholder Relations and Advisory

Advisory and Knowledge Sharing

- The SGCC met with various industry representatives and railways throughout the 2015-16 fiscal year providing insight into hopper car leasing and grain handling and transportation issues in general.
- The SGCC provided technical assistance to other government jurisdictions related to fleet management strategies, lease structures, rules and regulations, industry trends, etc.

2015-16 Financial Overview

In 2015-16, the SGCC earned record breaking revenues of $2.66 Million. Of the revenues recorded, 99% were attributed to hopper car leasing. The 2015-16 expenditures totaled $2.9 Million resulting in a deficit of $221,000 (including amortization). The SGCC realized a surplus of over $1.02 Million with the adjustment for non-financial expenditures.

Leasing revenues are up 7% from budget as lease rate continued to remain strong with the grain transportation backlog of 2013-14. The SGCC had budgeted for a lease turnback of hopper cars with lease turnback settlement revenue and offsetting expenditures. However, the lease turnback was not completed in the 2015-16 year. Overall, expenditures are below budgeted amounts.

Revenues

	(in thousands of dollars)			
	2016 Budget	2016 Actual	Variance	2015 Actual
Car leasing	$ 2,463	$ 2,565	$ 193	$ 2,213
Compensation from destroyed cars	$ 25	$ -	$ (25)	$ 29
Interest	$ 30	$ 21	$ (9)	$ 29
Lease turnback settlement	$ 2,000	$ -	$ (2,000)	$ -
Model car royalties	$ 1	$ 1	$ -	$ 7
Gain on sale of shares	$ -	$ -	$ -	$ 44
Other	$ 1	$ 1	$ -	$ 1
Total Revenue	$ 4,519	$ 2,678	$ (1,841)	$ 2,323

Expenditures

	(in thousands of dollars)			
	2016 Budget	2016 Actual	Variance	2015 Actual
Administration	$ 195	$ 141	$ (54)	$ 156
Amortization	$ 1,245	$ 1,243	$ (2)	$ 1,244
Destroyed grain cars	$ 18	$ -	$ (18)	$ 17
Fleet repair and maintenance	$ 38	$ -	$ (38)	$ -
Grants	$ 900	$ 983	$ 83	$ 884
Lease turnback	$ 2,325	$ 14	$ (2,311)	$ -
Salaries and benefits	$ 540	$ 518	$ (22)	$ 507
	$ 5,261	$ 2,899	$ (2,362)	$ 2,808
(Deficit) Surplus for the year	$ (742)	$ (221)	$ 521	$ (485)

Government of Saskatchewan

Management's Report

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

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

Management believes that the financial statements in this Annual Report present fairly the financial position of the Corporation for the year ending July 31, 2016.

The Board of Directors has fulfilled its responsibility with respect to the financial position of the Corporation by reviewing and approving the financial statements for the year ending July 31, 2016.

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

Robert Mason
Regina, Saskatchewan
September 30, 2016

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Saskatchewan Grain Car Corporation, which comprise the statement of financial position as at July 31, 2016 and the statements of operations and net assets, change in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Grain Car Corporation as at July 31, 2016 and the results of its operations and net assets, change in net financial assets, and cash flows for the year then ended in accordance with Canadian public sector accounting standards for other government organizations.

Miller Moar Grodecki Kreklewich & Chorney

MILLER MOAR GRODECKI KREKLEWICH & CHORNEY
Chartered Professional Accountants

Melville, Saskatchewan
September 30, 2016

Government of Saskatchewan

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2016

STATEMENT 1

		2016		2015
FINANCIAL ASSETS				
Cash	$	24,750	$	96,083
Due from General Revenue Fund (Note 4)		2,672,102		3,604,084
Accounts receivable		238,131		205,978
TOTAL FINANCIAL ASSETS	$	2,934,983	$	3,906,145
LIABILITIES				
Accounts payable and accrued liabilities	$	56,381	$	50,154
Accrued Sick Leave		2,302		3,193
Goods and services tax payable		11,063		9,159
Provincial sales tax payable		3,367		3,367
Security deposit		68,805		68,805
TOTAL LIABILITIES	$	141,918	$	134,678
NET FINANCIAL ASSETS - STATEMENT 3	$	2,793,065	$	3,771,467
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 5)	$	6,326,815	$	7,569,706
Prepaid expense		4,728		4,395
TOTAL NON-FINANCIAL ASSETS	$	6,331,543	$	7,574,101
NET ASSETS - STATEMENT 2	$	9,124,608	$	11,345,568

Approved on behalf of the Board:

Honourable David Marit
Chairperson of the Board

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF OPERATIONS AND NET ASSETS
FOR THE YEAR ENDED JULY 31, 2016

STATEMENT 2

	2016 Budget	2016	2015
REVENUES			
Car leasing (Note 3)	$ 2,462,540	$ 2,655,600	$ 2,213,488
Compensation from destroyed cars (Note 3)	25,000	-	28,878
Interest (Notes 4 & 7)	30,000	20,958	28,880
Lease turnback settlement	2,000,000	-	-
Model car royalties	700	1,116	6,689
Gain on sale of shares (Note 6)	-	-	44,146
Other	660	681	681
TOTAL REVENUES	$ 4,518,900	$ 2,678,355	$ 2,322,762
EXPENSES			
Administration (Schedule 1)	$ 195,200	$ 140,819	$ 118,208
Amortization (Notes 2 & 5)	1,245,000	1,242,891	1,244,042
Destroyed grain cars	18,000	-	17,462
Fleet repair and maintenance	38,100	-	-
Grants (Note 9)	900,000	982,702	883,946
Lease turnback	2,325,000	14,089	
Salaries and benefits (Notes 7 & 8)	540,000	518,814	506,618
TOTAL EXPENSES	$ 5,261,300	$ 2,899,315	$ 2,807,670
(DEFICIT) FOR THE YEAR	(742,400)	(220,960)	$ (484,908)
Accumulated surplus, beginning of year		11,345,568	11,830,476
Dividends paid to the General Revenue Fund		(2,000,000)	-
ACCUMULATED SURPLUS, END OF YEAR		$ 9,124,608	$ 11,345,568

(See Accompanying Notes to Financial Statements)

Government of Saskatchewan

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED JULY 31, 2016

STATEMENT 3

	2016 BUDGET	2016	2015
Deficit for the year	$ (742,400)	$ (220,960)	$ (484,908)
Change in non-financial assets			
Tangible capital assets			
Amortization	1,245,000	1,242,891	1,244,042
Destroyed grain cars	18,000	-	17,462
(Increase) decrease in prepaid expenses	-	(333)	(1,005)
Net change in non-financial assets	$ 1,263,000	$ 1,242,558	$ 1,260,499
Increase in net financial assets	520,600	1,021,598	775,591
Net financial assets, beginning of year	3,771,467	3,771,467	2,995,876
Dividends paid to the General Revenue Fund	(2,000,000)	(2,000,000)	-
NET FINANCIAL ASSETS, END OF YEAR	$ 2,292,067	$ 2,793,065	$ 3,771,467

(See Accompanying Notes to Financial Statements)

Government of Saskatchewan

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2016

STATEMENT 4

	2016	2015
OPERATING ACTIVITIES		
Deficit for the year	$ (484,908)	$ (484,908)
Non-cash items included in surplus (deficit) for the year:		
Amortization	1,242,891	1,244,042
Gain on disposal of destroyed grain cars	-	(11,416)
Change in non-cash operating activites:		
Increase in accounts receivable	(32,153)	(16,853)
Increase (Decrease) in accounts payable and accrued liabilities	6,227	(196,401)
Decrease in accrued sick leave	(891)	(9,559)
Increase (Decrease) in goods and services tax payable	1,904	(4,638)
Increase in provincial sales tax payable	-	-
Increase in prepaid expenses	(333)	(1,005)
Cash provided by operating activities	$ 996,685	$ 519,262
CAPITAL ACTIVITIES		
Proceeds from destroyed grain cars	$ -	$ 28,878
INVESTING ACTIVITIES		
Proceeds from sale of shares (Note 6)	$ -	$ 203,674
FINANCING ACTIVITIES		
Dividends paid to the General Revenue Fund	$ (2,000,000)	$ -
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	$ (1,003,315)	$ 751,814
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,700,167	2,948,353
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,696,852	$ 3,700,167

SUMMARY OF CASH AND CASH EQUIVALENTS

	2016	2015
Cash	$ 24,750	$ 96,083
Due from General Revenue Fund	2,672,102	3,604,084
	$ 2,696,852	$ 3,700,167

(See Accompanying Notes to Financial Statements)

Government of Saskatchewan

1. Status of the Corporation

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

The Corporation's mission is to maximize the economic benefits to Saskatchewan agriculture as a first priority, other Saskatchewan industries as a second priority, and the Province in general, through the effective and efficient use of its resources.

2. Significant Accounting Policies

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

a) Basis of Accounting

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

b) Measurement Uncertainty and the Use of Estimates

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

c) Financial Instruments

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

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

d) Financial Assets

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

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

ii) Accounts receivable includes receivables from the lease of the Corporation's hopper cars, royalties from the sale of model replica grain cars and accrued interest. All receivables are recorded at cost less any valuation allowance used to reduce the amount reported to the estimated net recoverable amount. The allowance at July 31, 2016 was $Nil (2015 - $Nil).

e) Non-Financial Assets

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

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

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

Rolling Stock (hopper cars) - 40 years

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

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

f) Liabilities

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

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

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

g) Revenue Recognition

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

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

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

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

h) Foreign Currency

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

3. Commercial Lease Agreements

a) Canadian Pacific Railway (CPR)

The Corporation entered into a Master Agreement on November 25, 2011 and most recently amended on July 7, 2015 with an effective date of August 1, 2015.

Significant terms of the lease of the 485 cars are as follows:

A one year lease term of 200 cars expired August 1, 2016. On March 1, 2016, CPR advised the Corporation that they will be turning back the 200 cars. The Corporation is currently finalizing a lease turn back settlement.

A two year lease term of 285 cars expired July 31, 2016.

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

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

b) Last Mountain Railway (LMR)

The Corporation entered into a five year lease agreement effective October 3, 2011 for 415 hopper cars.

The Corporation received on March 24, 2016 notification to further renew the lease for an additional five year term.

Significant terms of the lease are as follows:

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

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

In the event that LMR does not enter into a subsequent lease agreement, the hopper cars will be returned at a mutually agreed upon interchange located within Saskatchewan on LMR trackage.

4. Due From General Revenue Fund

Most of the Corporation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Corporation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into their bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank balance. The Government's average thirty day borrowing rate for 2016 was 0.55% (2015 - 0.83%).

5. Tangible Capital Assets

Rolling Stock		Accumulated	Book
Balance, beginning of year	Cost	Amortization	Value
Current amortization	$ 49,715,659	$ 42,145,953	$ 7,569,706
Balance, end of year	Nil	1,242,891	1,242,891
	$ 49,715,659	$ 43,388,844	$ 6,326,815

6. Investment in Shares of West Central Road & Rail Ltd.

As per the Agreement, the Corporation redeemed all of their shares of West Central Road & Rail Ltd. The shares were sold at their fair market value as of May 31, 2013. The shares were redeemed on May 31, 2013 (2,000 shares) and on November 1, 2014 (2,000 shares).

7. Related Party Transactions

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

		2016		2015
Revenues				
Government of Saskatchewan				
General Revenue Fund Interest	$	20,958	$	28,880
Expenses				
Ministry of Government Services				
Rent of office space	$	56,345	$	56,924
Printing and copying	$	784	$	754
Consulting services	$	7,961	$	551
Central vehicle agency	$	13,901	$	18,512
Information technology services	$	9,142	$	8,537
Telecommunications	$	-	$	551
Saskatchewan Telecommunications				
Telecommunications	$	3,446	$	3,681
Workers' Compensation Board (Saskatchewan)				
Salaries and benefits	$	2,873	$	2,639
Provincial Archivist of Saskatchewan				
Administration fees	$	30	$	-
Training	$	150	$	-

8. Employee Pension Plans

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan (CPP) and Public Employee Pension Plan (PEPP) (related parties) is limited to making payments to match the amounts contributed by employees for current service. The pension expense for 2016 for CPP was $Nil (2015 - $26,249) and for PEPP was $31,797 (2015 - $5,325). The CPP funds were transferred to the PEPP funds on June 25, 2015.

9. Shortline Railway Sustainability Program (SRSP)

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

Government of Saskatchewan

10. Risk Management

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

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

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

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

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

SASKATCHEWAN GRAIN CAR CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED JULY 31, 2016

SCHEDULE 1

	2016 Budget	2016	2015
Advertising and promotion	$ 4,000	$ 400	$ 1,653
Bank charges	200	401	123
Computer software	1,500	1,049	1,049
Conferences and professional development	10,000	465	3,130
Consulting services (Note 7)	15,000	19,555	13,666
Information technology services (Note 7)	13,000	9,142	8,537
Memberships and subscriptions	10,000	12,931	10,898
Miscellaneous (Note 7)	2,000	1,802	1,216
Office equipment and supplies	2,500	872	1,264
Printing, copying, postage and courier (Note 7)	4,500	3,541	3,619
Professional services	15,000	9,030	8,873
Rent - office space (Note 7)	65,000	59,545	60,024
Telecommunications (Note 7)	4,500	3,398	4,156
Travel and sustenance	48,000	18,688	37,394
TOTAL EXPENSES TO STATEMENT 2	$ 195,200	$ 140,819	$ 155,602

Statistical Summary

As of July 31, 2016

Year	Total Cars			Destroyed Cars			Leasing Revenues	
	SKNX	SKPX/CP	Total	SKNX	SKPX/CP	Total		
1980/81	477	273	750	-	-	-	-	
1981/82	477	523	1,000	-	-	-	$56,294	
1982/83	477	523	1,000	-	-	-	$11,850	
1983/84	475	523	998	2	-	2	-	
1984/85	475	523	998	-	-	-	-	
1985/86	475	523	998	-	-	-	-	
1986/87	474	523	997	1	-	1	-	
1987/88	474	523	997	-	-	-	-	
1988/89	474	523	997	-	-	-	$1,099,441	
1989/90	474	523	997	-	-	-	$92,310	
1990/91	474	523	997	1	-	1	$146,343	
1991/92	473	522	995	-	1	1	$268,342	
1992/93	473	522	995	-	-	-	$326,047	
1993/94	472	522	994	1	-	1	$816,083	
1994/95	472	518	990	-	4	4	$628,807	(See note 1)
1995/96	470	514	984	2	4	6	$946,233	
1996/97	468	514	982	2	-	2	$991,526	(See note 2)
1997/98	468	509	977	-	5	5	$1,089,116	
1998/99	468	509	977	-	-	-	$1,305,593	
1999/00	464	508	972	4	1	5	$1,189,104	
2000/01	458	498	956	6	10	16	$1,304,835	
2001/02	455	498	953	3	-	3	$1,033,158	
2002/03	454	497	951	1	1	2	$1,315,865	
2003/04	442	497	939	12	-	12	$1,766,041	
2004/05	440	494	934	2	3	5	$1,543,736	
2005/06	434	494	928	6	-	6	$1,064,115	
2006/07	429	493	922	5	1	6	$1,629,790	
2007/08	424	491	915	5	2	7	$1,864,169	
2008/09	419	491	910	5	-	5	$1,093,967	
2009/10	417	490	907	2	1	3	$1,244,944	
2010/11	416	488	904	1	2	3	$1,470,636	
2011/12	416	488	904	0	0	0	$1,883,919	
2012/13	415	488	903	1	0	1	$2,205,005	
2013/14	415	487	902	0	1	1	$2,087,804	
2014/15	415	485	900	0	2	2	$2,213,488	
2015/16	415	485	900	0	0	0	$2,655,600	
Total	**415**	**485**	**900**	**62**	**38**	**100**	**$35,276,017**	

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

Government of Saskatchewan

Notes to Statistical Summary

1. Revenue adjustments for 1997/98 fiscal year

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

2. Revenue adjustments for 1999/00 fiscal year

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

Government of Saskatchewan

Corporate Information

DEFINITIONS

Gross Weight

Total of weight of car, net load, and dunnage.

Light Weight (LT WT)

Weight of empty railroad car expressed in pounds. This figure is stenciled on the car. Also referred to as Tare Weight.

Load Limit (LD LMT)

Absolute maximum allowable weight of load, including both net weight and dunnage, that a freight car is authorized to carry. This figure is stenciled on the car.

Metric tonne

A metric tonne equals 2,204.6 pounds or 1000 kilograms, and is 10 percent larger than a 2000 pound short ton.

For additional information:

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