

Global Transportation Hub



Annual Report for 2017-18

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Letters of Transmittal



His Honour, the Honourable W. Thomas Molloy, Lieutenant Governor of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Global Transportation Hub for the fiscal year ending March 31, 2018.

A handwritten signature in black ink that reads "Don Morgan". The signature is written in a cursive, flowing style.

Honourable Don Morgan
Minister Responsible for the Global Transportation Hub



May it Please Your Honour:

I am dutifully submitting the Annual Report of the Global Transportation Hub (GTH) for the fiscal year ending March 31, 2018.

I take responsibility for the financial administration and management and acknowledge my responsibility for this report and provide assurance on the accuracy, completeness and reliability of the information contained within.

A handwritten signature in black ink that reads "Bryan Richards". The signature is written in a cursive, flowing style.

Bryan Richards
President and Chief Executive Officer Global Transportation Hub

Introduction

This annual report for the Global Transportation Hub (GTH) presents results for the fiscal year ending March 31, 2018. It provides results of key actions and performance. It also reflects progress toward commitments from the Government Direction for 2017-18, the *Saskatchewan Plan for Growth – Vision 2020 and Beyond*.

The annual report demonstrates the GTH's commitment to effective public performance reporting, transparency and accountability to the public.

Overview of the Global Transportation Hub

The Global Transportation Hub was established in accordance with *The Global Transportation Hub Authority Act* in August 2013. A statutory corporation with the mandated purpose of:

(a) to support the economic and social development of Saskatchewan by planning, developing, constructing, managing, regulating, operating, marketing and promoting a competitive, economic, integrated and efficient transportation logistics hub that is consistent with safety and environmental standards;

(b) to perform any other duties and carry out any other functions that may be assigned to the authority by an Act or the Lieutenant Governor in Council.

The role of inland ports and sea ports in supporting Canada's trade and export activities cannot be overestimated. Provincial growth requires infrastructure that meets the needs of modern transport and rail systems. The GTH and the soon to be completed Regina Bypass represent renewal within Saskatchewan's trade and transportation system.

Located about five kilometers west of Regina and minutes from the Regina International Airport, the Global Transportation Hub (GTH) offers efficient rail and road infrastructure adjacent to the CP Rail mainline and between two major highway systems. The GTH seeks to attract investment and offers land for sale or lease to businesses in the following segments: transportation and logistics, warehousing and distribution, as well as light processing and manufacturing.

Over the past year, the GTH has refocused its energy on exploring growth opportunities in agri-food and value-add agriculture, in addition to the above segments.

With a rich storehouse of natural resources, a strong track record of innovation, and a competitive business environment, Saskatchewan punches above its weight when it comes to international trade, exporting to more than 150 countries.

The GTH seeks to do its part to stimulate commerce, create jobs and spur economic activity that assists sustaining a high quality of life for the citizens of Saskatchewan.

Currently, we are working with 12 clients who have made the GTH home.



We believe they recognize, by their investment and commitment, that the GTH has a long-term role to play in supporting Saskatchewan exports.

As Canada's most trade-reliant province, infrastructure is critical to ensure Saskatchewan can connect the world to our abundant industry, food and resources.

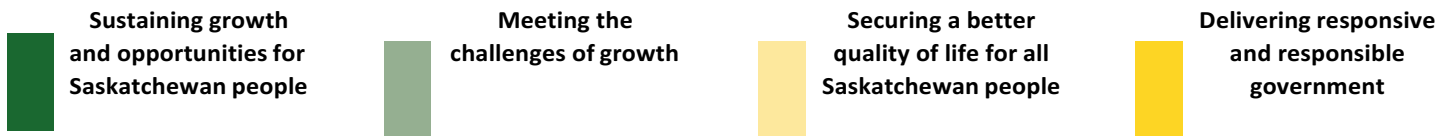
Alignment with Government's Direction

The GTH's activities in 2017-18 align with Government's vision and four goals:

Saskatchewan's Vision

"...to be the best place in Canada – to live, to work, to start a business, to get an education, to raise a family and to build a life."

Government Goals



Together, all ministries and agencies support the Government's four goals and work toward a secure and prosperous Saskatchewan. The GTH contributes to the Saskatchewan Plan for Growth through the following key activities:

- Investing in the infrastructure required for growth;
- Supporting increased trade, investment and exports through international engagement; and
- Assisting in advancing Saskatchewan's natural resource assets and strengths through our transportation design.

Progress in 2017-18

The Road to Growth

Identifying opportunities to drive economic growth has been a fundamental principle of the GTH since our inception. While economic growth remains our destination, the road we travel requires us to be innovative and agile as we address the needs of our economy, our tenants, and our transportation partners.

The GTH has faced strong headwinds over the past two fiscal years. A sluggish industrial development market has impacted sales activity, delayed projects, and in one circumstance, prompted a client to make a business decision to lease land rather than purchase. These economic challenges facing industrial markets across the prairie provinces have resulted in the GTH not meeting its budgeted revenue and income targets.

Our ability to adapt to changing market conditions gained strength in November 2016, with the appointment of four new members to our board of directors. By adding additional expertise in governance, marketing and business development, the GTH has been better able to adapt to changes in its operating environment.

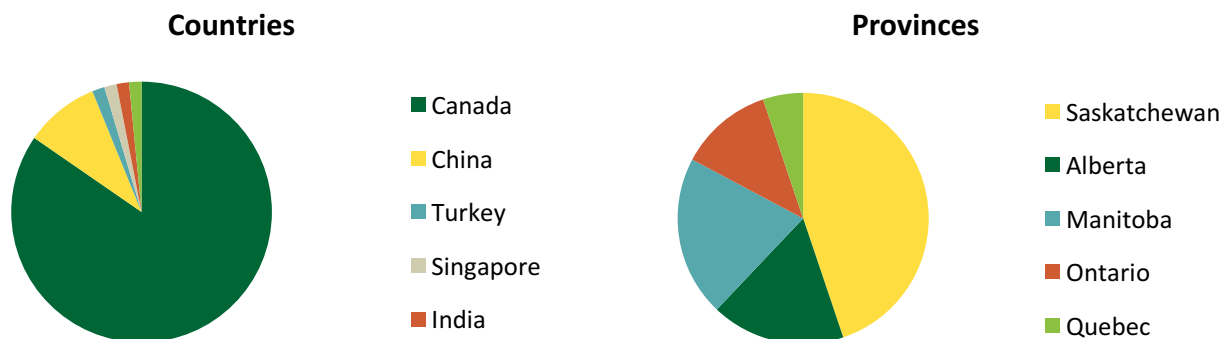
Over the past year, board and management undertook a comprehensive review of the GTH's operations and opportunities – identifying strengths, addressing shortcomings and, most importantly, strengthening the organization's business plan. We continue to work on that plan and develop a roadmap to ensure the GTH is able to succeed.

Building Locally, Nationally and Internationally

Despite challenging conditions in many sectors of Saskatchewan's economy, we continued to pursue opportunities to expand our relationships with current and prospective tenants – locally, nationally and internationally.

Over the past year, the GTH connected with nearly 70 prospective clients representing companies from Canada and around the world. The GTH offers land for sale or lease to businesses involved in transportation and logistics, warehousing and distribution, as well as light processing and manufacturing. Over the past year, the GTH has focused its energy on exploring growth opportunities in agri-food and value-add agriculture.

Location of companies by country and province contacted by the GTH



Specific to local activity within the GTH footprint, Regina-based Sterling Truck and Trailer Sales Ltd. opened the doors to a new service offering at the GTH in October 2017. This family-owned company has been a part of Saskatchewan’s economic story for 45 years, with operations in Regina, Saskatoon and Lloydminster. The company had an established presence at the GTH and added new support services for the transportation industry, including truck and trailer repairs, parts, leasing, a wash bay and customer service support. The company also owns an additional six acres of land at the GTH, which they lease to Slinkemo Enterprises Ltd., a container handling, dray and transport company.

The GTH also welcomed Future Transfer Co., a part of Univar Canada Ltd., in April 2017. The Ontario-headquartered company is active in third-party logistics, warehousing, packaging and distribution services. Future Transfer identified the efficient infrastructure at the GTH – which includes un-congested access and extra wide roadways – as a key benefit in choosing the GTH for their warehouse. Future Transfer is currently leasing 52,000 sq. ft. in the Translink Logistics Centre – Morguard Development’s existing “ready-to-lease” warehouses.

The GTH also serves as an access point for international companies looking to enter the North American market. In May 2017, Brightenvue Developments International Inc. broke ground on an 80,000 square-foot facility that will be part of its Global Trade and Exhibition Centre (GTEC) at the GTH. The \$45 million project will be home to Chinese wholesalers looking to market their products to North American retailers. All 120 condo units in this phase of the project have been sold. In the same way Saskatchewan provided opportunity to newcomers a century ago, GTEC will open doors for businesses and entrepreneurs who will support growth in Saskatchewan.

In addition to the original 10-acre land purchase, Brightenvue leased 10 acres of land to build a two-story sales and administrative office adjacent their trade complex. More than a dozen staff work in the new Saskatchewan headquarters, supporting Chinese wholesalers looking to market their products to North American retailers, as well as North American enterprises who want to export to Asia.

Even as we recruit new tenants to the GTH, we remain vigilant in meeting the needs and expectations of companies who have invested at the GTH. Each arrival at the GTH represents the beginning of a long-term partnership that strengthens the GTH and the economy of Saskatchewan – financially and by becoming a part of the network of partners committed to the movement of goods across Western Canada.

As an example, Canadian Pacific Railway recently reached its five-year anniversary at the GTH. With an estimated 60,000 container lifts per year, this GTH partner has been a part of approximately 300,000 rail containers entering or exiting our property. In the years ahead, we will explore new opportunities to expand this (and other) partnerships. As demonstrated by inland ports operating in other jurisdictions, development requires patience and a long-term commitment.

A Focus on Our Future

As we look to 2018-19 and beyond, we see an opportunity for the GTH to play an important role in supporting growth opportunities in an area of strength for our province: agriculture. With our ability to facilitate manufacturing and improvements in transportation efficiency, we believe there is potential in value-added agriculture and agri-food supply chains that can be unlocked at the GTH.

The GTH signed on as one of the founding members of the Protein Industries Canada (PIC) – one of four “super-clusters” to receive funding from the Federal Government. This initiative, which is being led by a consortium of

private sector companies, is looking to advance agri-food innovation across the prairie provinces. It was announced in February 2018 that the PIC will share in \$950 million in federal funding. The GTH continues to work with project leaders to support logistics and processing capabilities and help advance development and add value to Western Canada's crop production.

The GTH represents a unique opportunity for value-added producers – with available land and proximity to large, high-quality crops; access to high-quality services and water through the City of Regina; relationships with leading research facilities; and efficient transportation by road or rail to markets around the world.

An important component to ensuring a safe, reliable water supply for current clients and future prospects was achieved this past year when the GTH and City of Regina reached an agreement in principle on water and wastewater servicing. The agreement identifies costs associated with increased impact on Regina's water, wastewater and road infrastructure as a result of the GTH. As the GTH explores new avenues for growth, including the potential for increased value-added agriculture processing, ensuring a reliable water supply and stable roads was a major priority. A final agreement is anticipated in 2018-19.

The ongoing construction of the Regina Bypass is an important step in the further development of the GTH. In 2019, manufacturers and transportation companies will be able to move goods across Saskatchewan without the delay of travelling through Regina. It will be another important link in the evolution of our inland port. As we work toward delivering those benefits, we continue to look for meaningful ways to serve our stakeholders – our industry partners, governments and citizens of Saskatchewan. We represented Saskatchewan at industry events, including the Canadian Transportation Research Forum. Speaking as part of a panel discussion, the GTH noted that for economies in Western Canada to grow, they need to optimize the way goods are moved. The GTH brings transportation providers together with warehouse and distribution partners to maximize efficiency and improve competitiveness. Saskatchewan has the food, fuel and fertilizer that the world needs now and will need more of in the future. Partnerships and investment in infrastructure are critical to growth. While it takes vision and time to enable expanded trade to happen, the GTH is well on its way.

For the second consecutive year, the GTH was invited to speak about the role inland ports play in supporting Canada's trade and export activities. Experts from across North America were invited to the 2017 Inland Ports Conference hosted by the Van Horne Institute in Calgary. In Saskatchewan, 75 per cent of what we produce needs to reach export markets, so efficiency is critical to our growth. While the GTH may be far from tide water, we are close to resources, offer less congestion and are less expensive to operate in.

The GTH also recognizes a responsibility to participate in our community and we choose to focus on the areas of safety and health. With extra-wide roads and 4,600 trucks moving through the inland port weekly, the GTH has become a natural training location for many Saskatchewan law enforcement agencies. New recruits with the province's commercial vehicle enforcement branch spent time at the GTH everything from radar speed enforcement and weight regulations, to cargo securement and commercial driver log books. In addition to the traffic enforcement training, the RCMP and Saskatchewan Government Insurance spent a week at the GTH undertaking skid-testing research on commercial vehicles. The GTH played host to the Canadian Mental Health Association's Regina Branch Ride Don't Hide event in June, giving cyclists that chance to ride on 7.5 km of paved, extra-wide roadways at our facility.

Today, and into the future, the GTH will play a role in the development of Saskatchewan and the provincial economy. The journey will take time, but we continue to make progress and are on a path that will deliver results.

Governance

The GTH board of directors (board) is responsible for setting direction and guiding the inland port authority in fulfilling its mandate as well as setting goals and objectives for corporate performance. The board reviews performance and assists in the development of key strategic and development priorities.

In December, the GTH announced the retirement of Captain Gordon Houston. The GTH would like to recognize and thank Captain Gordon Houston for his many years of service on the board of directors. As a founding board member, he has taken a great deal of pride watching the hub grow from canola fields, to a thriving facility with multiple clients.

Board members

Doug Moen, Chair – Mr. Doug Moen, Q.C. brings an impressive resume of public and private service to this role. Mr. Moen began his career at a private law firm in Prince Albert, SK. He worked on Parliament Hill for a time before starting a successful 33-year career with the Government of Saskatchewan which culminated with a seven-year stint as Deputy Minister to the Premier and head of the Saskatchewan public service. Mr. Moen’s management skill and leadership experience greatly benefits the GTH.

Zahra Al-Harazi – Ms. Al-Harazi has unparalleled leadership, entrepreneurship, and global business experience. Among her professional resume, Ms. Al-Harazi is the former CEO of Foundry Communications, the Canadian Ambassador to UNICEF, and co-founder of the tech start-up, Elangogo. In addition to serving on numerous boards and organizations, she has achieved international recognition and countless awards including being recognized as Woman of the Year by Chatelaine magazine, Canada’s Most Powerful Women by WXN and received the Queen Elizabeth II Diamond Jubilee medal for contributions to Canada in 2012.

Terry Baker – Mr. Baker, ICD.D is the President of Franklin Land & Cattle Co., a century old mixed farm located in West Central Sask. A non-practicing Civil Engineer, he was the former Chair of the Saskatchewan Wheat Pool, the founding Chair of Viterra, and the former chair for the Saskatchewan Health Research Foundation. Mr. Baker has recently been appointed as Chair of Agrivita, Canada’s national not-for-profit corporation promoting health and safety research and its effective application to the agricultural sector.

Lionel LaBelle – Mr. LaBelle has an extensive entrepreneurial background having assumed a leadership and ownership role in a cross-section of public and private corporations focused on agribusiness, construction and manufacturing. Most recently, he was President and CEO of the Saskatchewan Trade and Export Partnership (STEP), a member-based public/private partnership focused on assisting Saskatchewan exporters in national and international markets.

Sandip Lalli – Dr. Lalli, FCPA, ICD.D is a senior executive with a vast array of financial management and global business experience. Currently, she serves as President and CEO of the Calgary Chamber of Commerce. Prior to that, she was the CEO of a leading Alberta construction company; was an Asia Pacific operational risk advisor based in Singapore; founder & executive leader of a Calgary-headquartered industrial gas manufacturing firm; and has also held a number of financial management positions in the U.S.

Brian Manning – Mr. Manning brings an impressive resume of public service leadership and advisory skills spanning the Canadian prairies. Most recently, he served as the Deputy Minister to the Premier of Alberta before assuming advisory roles for a number of provincial enterprises. His career in the Alberta public service began as

President and Managing Director of Alberta's Agriculture Financial Services and went on to include serving as deputy minister in four ministries. Prior to that, Mr. Manning spent 21 years working with the Manitoba Department of Agriculture.

David Sutherland – Mr. Sutherland brings a wealth of private business expertise following a 30-year career with one of North America's most successful steel manufacturers. He is the former president and CEO of IPSCO Inc - a Regina-based steel and pipe company acquired by SSAB. In leading the company, he gained acclaim as one of the top Industry CEOs in North America. He is currently Chairman of United States Steel Corp. and Graham Construction, Director for GATX Corporation, and a Member of the Board of Directors of Imperial Oil Ltd. He is a former member of the Board of Governors of the University of Saskatchewan.

David Watson - Mr. David Watson is the former President of Orient Overseas Container Line (OOCL) Canada, a large integrated International container transportation, logistics and terminal company. His 43 years' tenure with OOCL and their associated companies saw him in numerous senior executive management positions in Canada, Hong Kong, Australia and Europe with extended experience in the Trans-Atlantic, Trans-Pacific and Asia-Europe trades. His knowledge of the international maritime industry and network of contacts, including major importers, exporters, freight forwarding and global supply chain logistics are of particular benefit to the GTH.



Left to right - Gordon Houston, Sandip Lalli, Lionel LaBelle, Zahra Al-Harazi, Terry Baker, Brian Manning, David Watson. Sitting David Sutherland and Doug Moen.

2017-18 Financial Overview

Global Transportation Hub
Management's Responsibility for the Financial Statements
For the Twelve Month Period Ended March 31, 2017

The accompanying financial statements are the responsibility of the management of the Global Transportation Hub (GTH). They have been prepared in accordance with generally accepted accounting principles for the public sector, using management's best estimates and judgments, where appropriate. Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements and other financial information contained in this report.

Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The GTH board of directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The GTH's external auditor, Deloitte LLP, expresses an independent opinion on these statements and their report follows.

On behalf of the GTH,

A handwritten signature in black ink, appearing to read 'B. Richards', written over a horizontal line.

Bryan Richards
President and Chief Executive Officer

Independent Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the accompanying financial statements of the Global Transportation Hub Authority, which comprise the statement of financial position as at March 31, 2018, and the statement of revenue, expenses and change in accumulated surplus, statement of change in net financial liabilities and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's 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, 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.

Auditor's 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 auditor's 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 Global Transportation Hub Authority as at March 31, 2018, and the results of its operations, changes in its net liabilities and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants
Licensed Professional Accountants
June 27, 2018
Regina, Saskatchewan

Statement 1

**GLOBAL TRANSPORTATION HUB AUTHORITY
STATEMENT OF FINANCIAL POSITION**

As at March 31, 2018

(thousands of dollars)

	<u>2018</u>	<u>2017</u>
Financial assets		
Cash held in trust	\$ -	\$ 258
Accounts receivable	599	608
	<u>599</u>	<u>866</u>
Financial Liabilities		
Bank indebtedness (note 4)	7,105	7,086
Accounts payable	2,714	1,603
Payable to Ministry of Highways and Infrastructure(note 9)	2,860	-
Deferred revenue (note 9)	3	3,124
Term debt (note 4)	28,000	24,000
	<u>40,682</u>	<u>35,813</u>
Net financial liabilities	<u>(40,083)</u>	<u>(34,947)</u>
Non-financial assets		
Prepaid expenses	114	148
Inventory of land (note 5)	25,481	25,481
Tangible capital assets (note 8)	32,424	32,112
	<u>58,019</u>	<u>57,741</u>
Accumulated surplus (Statement 2)	<u>\$ 17,936</u>	<u>\$ 22,794</u>

(See accompanying notes to the financial statements)

APPROVED BY THE BOARD



..... Chairman, Audit & Finance Committee



..... Director

Statement 2**GLOBAL TRANSPORTATION HUB AUTHORITY
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN ACCUMULATED SURPLUS
For the Year Ended March 31, 2018
(thousands of dollars)**

	2018 Budget (Note 3)	2018	2017
Revenue			
Land sales	\$ 10,000	\$ -	\$ 2,555
Land leases (Note 7)	-	231	-
Property tax	2,263	2,109	1,892
Transit	244	130	221
Permits and fees	74	83	15
Other	24	28	171
	<u>12,605</u>	<u>2,581</u>	<u>4,854</u>
Expenses (Note 11)			
Land and development costs	3,320	1,207	433
Authority management	1,911	1,497	1,599
Permits and fees	61	60	13
Professional services	154	427	270
Operating expenses	4,388	4,248	4,050
	<u>9,834</u>	<u>7,439</u>	<u>6,365</u>
Annual (deficit) surplus	<u>2,771</u>	<u>(4,858)</u>	<u>(1,511)</u>
Accumulated surplus, beginning of year	29,692	22,794	24,305
Accumulated surplus, end of year (Statement 1)	<u>\$ 32,463</u>	<u>\$ 17,936</u>	<u>\$ 22,794</u>

(See accompanying notes to the financial statements)

Statement 3

GLOBAL TRANSPORTATION HUB AUTHORITY
STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES
For the Year Ended March 31, 2018
(thousands of dollars)

	2018 Budget (Note 3)	2018	2017
Annual (Deficit) Surplus	\$ 2,771	\$ (4,858)	\$ (1,511)
Acquisition of tangible capital assets	(3,432)	(1,190)	(3,302)
Disposal of tangible capital assets	-	88	-
Amortization of tangible capital assets	1,001	790	754
	<u>(2,431)</u>	<u>(312)</u>	<u>(2,548)</u>
Purchase of inventory of land	-	-	(217)
Sale of inventory of land	607	-	153
Decrease (increase) of prepaid expenses	(151)	34	-
	<u>(151)</u>	<u>34</u>	<u>-</u>
(Increase) decrease in net financial liabilities	796	(5,136)	(4,123)
Net financial liabilities – beginning of year	<u>(34,947)</u>	<u>(34,947)</u>	<u>(30,824)</u>
Net financial liabilities – end of year	<u>\$ (34,151)</u>	<u>\$ (40,083)</u>	<u>\$ (34,947)</u>

(See accompanying notes to the financial statements)

Statement 4

GLOBAL TRANSPORTATION HUB AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2018
(thousands of dollars)

	<u>2018</u>	<u>2017</u>
Cash used in operations		
Annual deficit	\$ (4,858)	\$ (1,511)
Non-cash items in annual deficit		
Amortization expense	790	754
Changes in working capital		
Accounts receivable	9	(75)
Inventory of land	-	(64)
Accounts payable	1,111	70
Payable to Ministry of Highways and Infrastructure	2,860	-
Customer deposit	-	(52)
Deferred revenue	(3,121)	261
Prepaid expenses	34	-
	<u>(3,175)</u>	<u>(617)</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	(1,190)	(3,302)
Proceeds on sale of tangible capital assets	88	-
	<u>(1,102)</u>	<u>(3,302)</u>
Cash flows from financing activities		
Issuance of term debt	4,000	-
	<u>4,000</u>	<u>-</u>
Total cash outflows during year	(277)	(3,919)
Bank indebtedness, beginning of year	<u>(6,828)</u>	<u>(2,909)</u>
Bank indebtedness, end of year	<u>\$ (7,105)</u>	<u>\$ (6,828)</u>
Bank indebtedness consists of:		
Cash held in trust	-	258
Line of credit operating loan	<u>(7,105)</u>	<u>(7,086)</u>
	<u>(7,105)</u>	<u>(6,828)</u>
Interest paid	\$ 845	\$ 635

(See accompanying notes to the financial statements)

1. Status of Global Transportation Hub Authority

The Global Transportation Hub Authority (the "GTHA") was established as a Treasury Board Crown corporation by Order in Council 492/2009 dated June 24, 2009. Effective August 6, 2013 the *Global Transportation Hub Authority Act* was passed and gives the GTHA authority over land use, planning and regulation, infrastructure asset ownership and rights to property taxes.

The GTHA holds a mandate to advise on, plan, develop, construct, operate, manage, and promote Saskatchewan's Global Transportation Hub in a manner that:

- creates an investment and operating environment for business that is secure, efficient, coordinated, and orderly; and,
- is consistent with the social and economic development of the province.

2. Significant Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board, the GTHA is classified as an other government organization. These financial statements are prepared using Canadian public sector accounting standards. The statement of re-measurement gains and losses has been omitted as there were no relevant transactions to report.

The following policies are considered significant:

a) Revenue

Land sales are recognized as revenue when the risk and rewards of ownership are transferred and the amount can be reasonably estimated and collectability is reasonably assured. Property tax revenues are recognized as they are earned. Land lease revenues are recognized over the term of the lease in the period they are earned. Topsoil movement, transit, permit and other revenue is recognized as revenue in the year it is earned.

Deferred revenue relating to building and development permits is billed at the outset of construction and is recognized into revenue as the permitting process occurs throughout construction.

b) Land and Development Costs

Land and development cost expense are recognized in the year that the associated land sales revenue is recognized.

The cost of land sales relate to the initial purchase, grading costs and contributions to regional infrastructure improvements directly associated with the land sold. Costs related to land development for roads, undergrounds and other infrastructure constructed on common lands are capitalized and amortized over their useful lives.

c) Inventory of Land

Inventory of land consists of the costs of acquiring land held for sale, grading, utility connections, and municipal reserve costs incurred on any land to be sold. All inventories are held at the lower of cost or net realizable value. Land is held for sale in future periods.

2. Significant Accounting Policies (continued)

d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Tangible capital assets, excluding land, with a life exceeding one year, are amortized on a straight-line basis over their estimated useful lives as follows:

Roadways	40 years
Undergrounds	75 years
Storm water management	100 years
Fixtures and equipment	1 – 20 years

Leasehold improvements are amortized over the remaining lease period.

e) Pensions

GTHA employees participate in the Public Employees' Pension Plan (PEPP) which is a defined contribution pension plan. The GTHA follows defined contribution plan accounting for its participation in the plan. Accordingly, the GTHA expenses all contributions (7.25% of employee salaries) it is required to make in the year.

f) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Revenue, Expenses and Change in Accumulated Surplus in the period in which they become known.

g) Financial Instruments

All financial instruments are measured at amortized cost.

h) Amendments to Standards

Effective April 1, 2017 the following new standards were adopted:

PS 2200, Related Party Disclosures
PS 3210, Assets
PS 3320, Contingent Assets
PS 3380, Contractual Rights
PS 3420, Inter-Entity Transactions

There was no significant impact to the financial statements or notes upon adoption of these new standards.

2. Significant Accounting Policies (continued)

Standard amendments that may impact GTHA and are not yet effective for the year ended March 31, 2018 have not been applied in preparing these financial statements. In particular the following standard amendment is effective for fiscal years beginning on or after April 1, 2018:

PS 3430, Restructuring Transactions

The following standard amendments are effective for fiscal years beginning on or after April 1, 2019:

PS 1201, Financial Statement Presentation
PS 3450, Financial Instruments

The GTHA is currently evaluating the impact of these amendments on the financial statements, however does not anticipate a significant impact on operations from adoption.

3. Budget Approval

The budget figures are presented for comparison purposes. The GTHA's 2017-18 budget was approved by the Board of Directors on December 15, 2016.

4. Bank Indebtedness and Term Debt

A line of credit operating loan (\$10 million at prime rate less .50%) has been approved. The balance outstanding as at March 31, 2018 is \$7,105 (March 31, 2017 – \$7,086), and is repayable on demand. Prime rate at March 31, 2018 is 3.45% (March 31, 2017 – 2.70%).

Term debt is as follows:

	<u>2018</u>	<u>2017</u>
Royal Bank Loan with interest at prime rate less .50%	\$ 28,000	\$ 24,000

The loan term was extended during the year; the loan is repayable in full on the earlier of receipt of the net proceeds on sale of developed land or March 31, 2019.

5. Inventory of Land

Of the estimated remaining 714 acres to be sold or leased, 508 acres were assembled and are currently held by the Ministry of Highways (MHI). As this land is sold to clients, MHI is compensated by the GTHA for all costs incurred. The remaining 206 acres are held by the GTHA.

6. Contractual Obligations

Contractual obligations include:

	<u>2018</u>	<u>2017</u>
Clean Landscapes (EcoCare)	\$ 1,713	\$ 376
Accurate HD	-	67
ASL Paving	-	790
Walker Projects	318	336
Total	\$ 2,031	\$ 1,569

6. Contractual Obligations (continued)

The above contractual obligations do not include those contracts which are paid on a usage basis. The GTHA has entered into a five year contract with First Canada for the provision of transit service that is paid on a usage basis and expires on May 4, 2019. The GTHA has also entered into two separate five year contracts with the City of Regina expiring December 31, 2019 for the provision of fire services and assessment and collection of property taxes for which a service fee is calculated based on up to date information each year.

During 2014-15 the GTHA entered into a 15 year lease for head office space. Non-cancellable operating lease payments are as follows (thousands of dollars):

2019	\$	94
2020		97
2021		101
2022		101
2023		101
Thereafter		705
Total	\$	1,199

During the year ended March 31, 2018 the Authority recognized \$115 (2017 - \$120) as rent expense related to operating leases. This expense includes common area and property tax expenses, which vary from year to year.

7. Land Leases Including Contractual Rights

The GTHA received this revenue in 2017-18 pursuant to land lease agreements which expire in 2027, with remaining minimum lease payments of \$3,094 to the end of the lease term.

8. Tangible Capital Assets

	Net Book Value, beginning of year	Cost, beginning of year	Additions	Disposals	Cost, end of year
Leasehold improvements	\$ 1,092	\$ 1,310	\$ -	\$ -	\$ 1,310
Roadways	16,234	17,764	850	3	18,611
Undergrounds	11,550	12,125	40	15	12,150
Storm water management	2,787	2,892	29	-	2,921
Fixtures and equipment	449	703	11	147	567
Leased land	-	-	260	-	260
	\$ 32,112	\$ 34,794	\$ 1,190	\$ 165	\$ 35,819

	Accumulated Amortization, beginning of year	Amortization, current year	Disposals	Accumulated Amortization, end of year	Net Book Value, end of year
Leasehold improvements	\$ 218	\$ 88	\$ -	\$ 306	\$ 1,004
Roadways	1,530	453	-	1,983	16,628
Undergrounds	575	162	-	737	11,413
Storm water management	105	28	-	133	2,788
Fixtures and equipment	254	59	77	236	331
Leased land	-	-	-	-	260
	\$ 2,682	\$ 790	\$ 77	\$ 3,395	\$ 32,424

9. Payable to Ministry of Highways and Infrastructure

The amount payable to the Ministry of Highways and Infrastructure (MHI) was formerly held as deferred revenue for the use of land to obtain borrow material to be used in road construction. During 2017-18 the MHI relinquished this right and the Authority agreed to repay this amount as designated parcels of land are sold.

10. Financial Instruments

The GTHA's financial assets consist of cash and accounts receivable. Financial liabilities consist of accounts payable, customer deposits and debt.

Financial risk management

The Board of Directors ensures that the GTHA has identified its major risks and ensures that management monitors and controls them. The Board of Directors oversees the GTHA's systems and practices of internal control, and ensures that these controls contribute to the assessment and mitigation of risk.

The GTHA has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk and liquidity risk.

a) Credit risk

The GTHA is exposed to credit risk from the potential non-payment of accounts receivable. The GTHA's receivables are primarily from the companies who have purchased land or property tax revenues receivable.

The carrying amount of accounts receivable represents the maximum credit exposure as follows:

	2018
Accounts receivable	\$ 599

The GTHA manages its credit risk surrounding accounts receivable by dealing solely with reputable customers and ensuring security.

b) Interest rate risk

Financial liabilities with variable interest rates expose the GTHA to cash flow interest rate risk. The GTHA's debt outstanding as at March 31, 2018 has a variable interest rate.

Although management monitors exposure to interest rate fluctuations, it does not employ any interest rate management policies to counteract interest rate fluctuations.

As at March 31, 2018 had prevailing interest rates increased or decreased by 1% it would result in a change in annual interest payments of \$351.

c) Liquidity risk

Liquidity risk is the risk that the GTHA will not be able to meet its financial obligations as they become due.

10. Financial Instruments (continued)

The GTHA manages liquidity risk by continually monitoring actual and forecasted cash flows from operations and anticipated investing and financing activities.

The term debt and line of credit operating loan are the principal instruments used to monitor and manage the liquidity risk, as discussed in note 4.

11. Expenses by Object

	2018		
	Budget	2018	2017
Salaries & benefits	\$ 1,792	\$ 1,797	\$ 1,788
Purchased goods and services	6,436	4,007	3,188
Interest	605	845	635
Amortization	1,001	790	754
Total	\$ 9,834	\$ 7,439	\$ 6,365

12. Pension Contributions

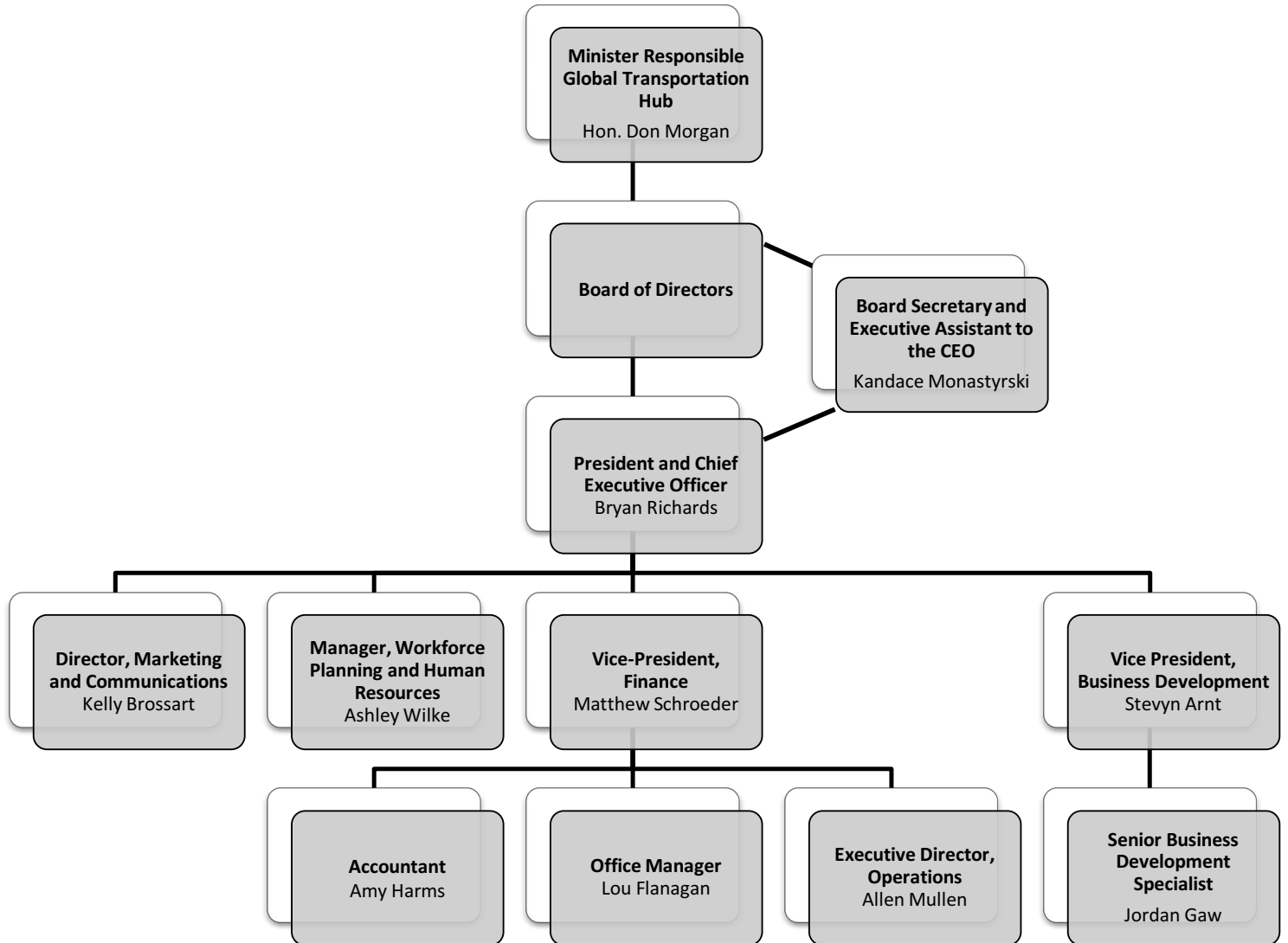
During the year, the GTHA contributed \$99 (2017 - \$93) to PEPP.

13. Contingent Liabilities

The GTHA has accrued a contingent liability relating to matters outstanding with the Ministry of Highways and Infrastructure.

The GTHA has accrued a contingent liability related to a draft agreement with the City of Regina to provide water, wastewater and transportation services to the extent the amount of the contingent liability can be reasonably estimated. No liability has been recognized in these financial statements for the portion of contribution to regional infrastructure improvements that is not determinable reliably.

Appendix A: GTH Organizational Chart



Appendix B: Payee Report

Employees

Individual payees are reported where remuneration paid to them totals at least \$50,000. Remuneration includes salaries, wages, bonuses, payments in lieu of notice, vacation payouts and other taxable benefits paid to employees with a minimum threshold of \$50,000.

Payments of pension funds to, or on behalf of, active or retired employees are not reported.

Employee	Remuneration
BENESH-REDLER, MELANIE.....	67,294
BROSSART, KELLY	106,352
EKSTROM RHONDA	385,781
FLANAGAN, LOU	59,470
HARMS, AMY	66,480
MONASTYRSKI, KANDACE	77,749
MULLEN, ALLEN.....	159,157
SCHROEDER, MATTHEW.....	171,075
RICHARDS, BRYAN	253,716
TUCHSCHERER, BRENDAN.....	57,748
WILKE, ASHLEY	90,745

Suppliers and Other Payments

Individual payees are reported where the sum of payments to them total at least \$50,000.

Vendor	Remuneration
ASL PAVING LTD	1,105,974
CITY OF REGINA.....	290,405
CPCS TRANSCOM LTD.....	181,825
CREATIVE FIRE LP.....	91,721
ECOCARE LTD.	615,033
FIRST CANADA ULC.....	222,478
GOVINDASAMY, NITHI.....	55,979
HOOPP REALTY INC.	120,961
MINISTRY OF CENTRAL SERVICES.....	102,063
MINISTRY OF FINANCE.	217,282
MINISTRY OF HIGHWAYS & INFRASTRUCTURE	1,567,654
PROFESSIONAL BUILDING INSPECTIONS, INC.....	62,058
RBC ROYAL BANK VISA	88,304
RECEIVER GENERAL.....	66,356
SASKPOWER	53,041
WALKER PROJECTS INC.....	415,817
YELLOW PENCIL.....	68,434

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