

FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Financial and Consumer Affairs Authority of Saskatchewan, which comprise the statement of financial position as at March 31, 2015, and the statements of operations, changes in net financial assets, and 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 for Treasury Board's approval, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Consumer Affairs Authority of Saskatchewan as at March 31, 2015, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson, FCPA, FCA
Provincial Auditor

Regina, Saskatchewan
July 9, 2015

Statement 1

Financial and Consumer Affairs Authority of Saskatchewan Statement of Financial Position As at March 31

	2015	2014
Financial Assets		
Cash	\$ 1,015	\$ 150
Due from General Revenue Fund (Note 4)	19,174,166	18,747,927
Accounts receivable	38,286	59,874
Prepaid expenses	6,341	15,172
Total financial assets	19,219,808	18,823,123
Liabilities		
Accounts payable and accrued liabilities	602,763	815,092
Dividend payable to General Revenue Fund (Note 5)	16,501,154	14,991,214
Unearned revenue (Notes 2 and 12)	2,115,891	2,016,817
Total liabilities	19,219,808	17,823,123
Net Financial Assets (Statement 3)	-	1,000,000
Non-Financial Assets	-	-
Accumulated Surplus (Statement 2)	\$ -	\$ 1,000,000

(See accompanying notes to the financial statements)

Statement 2

Financial and Consumer Affairs Authority of Saskatchewan Statement of Operations for the Year Ended March 31

	<u>Annual Budget 2015</u>	<u>Actual 2015</u>	<u>Actual 2014</u>
Revenue			
Revenue (Notes 2 and 11)	<u>\$ 19,557,000</u>	<u>\$ 23,430,163</u>	<u>\$ 22,453,169</u>
Expenses			
Salaries and benefits	6,024,000	5,853,616	5,326,334
Travel (Note 13)	84,970	73,462	83,337
Contract services	803,775	783,306	834,010
Communications	23,540	23,606	26,097
Rent, supplies and services	1,061,755	1,070,977	977,908
Minor asset purchases	29,660	29,042	30,269
Information System Development (Note 17)	653,000	-	-
Transfers (Note 15)	<u>157,300</u>	<u>95,000</u>	<u>184,000</u>
Total expenses	<u>8,838,000</u>	<u>7,929,009</u>	<u>7,461,955</u>
Annual Surplus (Note 10)	10,719,000	15,501,154	14,991,214
Accumulated Surplus, beginning of year	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Less:			
Dividend to General Revenue Fund (Note 5)	<u>(11,719,000)</u>	<u>(16,501,154)</u>	<u>(14,991,214)</u>
Accumulated Surplus, end of year (Statement 1)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,000,000</u></u>

(See accompanying notes to the financial statements)

Statement 3

**Financial and Consumer Affairs Authority of Saskatchewan
Statement of Changes in Net Financial Assets
for the Year Ended March 31**

	2015	2014
	<hr/>	<hr/>
Annual Surplus	\$ 15,501,154	\$ 14,991,214
Dividend to the General Revenue Fund (Note 5)	(16,501,154)	(14,991,214)
	<hr/>	<hr/>
Decrease in net financial assets	(1,000,000)	-
Net financial assets, beginning of year	<hr/> 1,000,000	<hr/> 1,000,000
Net financial assets, end of year (Statement 1)	<hr/> \$ -	<hr/> \$ 1,000,000

(See accompanying notes to the financial statements)

Statement 4

Financial and Consumer Affairs Authority of Saskatchewan Statement of Cash Flows for the Year Ended March 31

	2015	2014
Cash Flows From Operating Activities		
Annual Surplus	\$ 15,501,154	\$ 14,991,214
Changes in non-cash working capital		
Accounts receivable	21,588	(28,731)
Prepaid expenses	8,831	(15,172)
Accounts payable and accrued liabilities	(212,329)	177,194
Unearned revenue	99,074	(63,948)
Cash provided by operating activities	<u>15,418,318</u>	<u>15,060,557</u>
Cash Flows From Financing Activities		
Dividend to the General Revenue Fund	(14,991,214)	(10,503,057)
Net Increase in Cash	<u>427,104</u>	<u>4,557,500</u>
Cash and cash equivalents, beginning of year	<u>18,748,077</u>	<u>14,190,577</u>
Cash and cash equivalents, end of year	<u><u>19,175,181</u></u>	<u><u>18,748,077</u></u>
Cash and cash equivalents consists of:		
Cash	1,015	150
Due from General Revenue Fund	<u>19,174,166</u>	<u>18,747,927</u>
	<u><u>\$ 19,175,181</u></u>	<u><u>\$ 18,748,077</u></u>

(See accompanying notes to the financial statements)

**Financial and Consumer Affairs Authority of Saskatchewan
Notes to the Financial Statements
for the Year Ended March 31, 2015**

1. Authority and Purpose

The Financial and Consumer Affairs Authority of Saskatchewan (FCAA) was established under the provisions of *The Financial and Consumer Affairs Authority of Saskatchewan Act* (the FCAA Act) being Chapter F13.5 of The Statutes of Saskatchewan, proclaimed in force on October 1, 2012.

FCAA is a Treasury Board Crown corporation within the meaning of *The Crown Corporations Act, 1993*.

The mandate of FCAA is to oversee the protection of consumer and public interests and support economic well-being through responsive marketplace regulation. FCAA enhances consumer protection through licensing and registration, audit and compliance, market conduct, complaint handling, and enforcement activities pursuant to various provincial statutes.

FCAA has five divisions to carry out its mandate.

- Consumer Credit Division - regulates and supervises Saskatchewan credit unions; trust, loan and finance companies; loan and mortgage brokers; and payday lenders. The Division protects the public interest and enhances public confidence by encouraging sound and ethical business practices.
- Insurance and Real Estate Division - licenses all companies which transact insurance in Saskatchewan. It protects insurance policyholders through solvency regulation of provincial insurance companies and market conduct regulation of federal and provincial companies. The Division oversees the Insurance Councils of Saskatchewan with respect to rules applied to insurance agents and brokers. The Insurance and Real Estate Division also protects real estate buyers and sellers by overseeing the Saskatchewan Real Estate Commission regarding the rules for real estate brokers and salespersons.
- Securities Division – protects investors by regulating the sale of securities, without undue restrictions, to ensure that those who sell securities to investors are honest and competent; investors are provided with selling documents that contain truthful, complete, and understandable information on which to base their investment decisions; buyers and sellers have equal access to information about companies trading in the secondary markets; and those who take undue advantage of investors are held to account.
- Pensions Division – protects Saskatchewan employees' pensions. The Division establishes standards for the structure, administration, investment, and ongoing funding of plans. The division bolsters public confidence in the pension system by identifying and managing risks and problems while allowing the market to develop to meet the retirement needs of Saskatchewan workers and employers.

- Consumer Protection Division – supports and promotes fair trading in goods or services purchased or acquired from a business for personal, household and family purposes. It strives to protect consumers and maintain a fair trading and business environment through: market regulation, sector-specific business and salesperson licensing, complaint investigations, information and education initiatives, inter-agency and inter-jurisdictional cooperation, enforcement, research, and by taking action on behalf of vulnerable consumers who have been deceived or misled. The division also supports the Film Classification Board and oversees the Funeral and Cremation Services Council.

In addition, FCAA has a Legal Branch. The Legal Branch provides legal and policy support to FCAA, other than the Securities Division, which has its own legal team.

Refer to Note 18 for anticipated future changes to the capital markets regulatory system.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards published by CPA Canada and reflect the following significant accounting principles:

(a) Revenue Recognition

(i) Fees and Other Sources of Revenue

Fees and other sources of revenue are recognized when earned.

Securities registration fees are, by agreement, collected and remitted to the FCAA by the Investment Industry Regulatory Organization of Canada (IIROC). The fees remitted to FCAA are net of IIROC's administration fees. Commencing with the year ended March 31, 2014, the FCAA records the gross fees collected by IIROC, and records an offsetting expense equal to the IIROC administration charge. For the year ended March 31, 2015, administration fees charged by IIROC totalled \$116,432 (2014 \$116,461).

(ii) Unearned Revenue

The Saskatchewan Insurance Act licence fees collected by the Insurance and Real Estate Division are for five-year licences. The licence fees collected by the Consumer Protection Division are also for a five year period. The revenue from licence fees that relate to future periods are recorded as unearned revenue, and recognized as revenue over the term of the licence.

Fees received by the Consumer Credit Division for trust and loan licences, mortgage broker licences, and payday lender licences are reported as revenue in the fiscal year in which the licence is issued. Fees received in one fiscal period for licences issued in the following fiscal period are treated as unearned revenue.

(b) Expenses

Expenses represent the cost of resources consumed for operations during the year.

Transfers are recognized as expenses in the period during which the transfer is authorized and any eligibility criteria are met.

(c) Use of Estimates

These statements are prepared in accordance with Canadian Public Sector Accounting Standards. These statements require management to make estimates and assumptions that affect the reported amounts of assets/liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates. Differences are reflected in the period when they are identified.

3. Financial Instruments

FCAA's financial instruments include due from and dividend payable to the General Revenue Fund (GRF), accounts receivable, accounts payable and accrued liabilities. The carrying amount of these instruments approximates their fair value due to their short-term nature. These instruments have no material interest rate risk or credit risk.

4. Due from General Revenue Fund (GRF)

FCAA's bank account is included in the GRF and accounted for separately through an accounting segregation. Interest earned on the balance attributed to FCAA is calculated and paid into the account using the Government of Saskatchewan's (the government) 30 day borrowing rate and FCAA's average daily bank account balance. For the year ended March 31, 2015, interest earned totalled \$154,876 (2014 \$104,687). The government's average 30 day borrowing rate for the year ended March 31, 2015 was 0.921% (2014 1.017%).

5. Dividend to General Revenue Fund

In prior years, FCAA had been following a directive from Treasury Board to its predecessor organization, the Saskatchewan Financial Services Commission, to pay any surplus in excess of \$1,000,000 to the GRF as a dividend.

FCAA's budget approved by Treasury Board for the year ended March 31, 2015 required the return of the accumulated surplus, in addition to the annual operating surplus.

For the year ended March 31, 2015, FCAA has recorded the annual operating surplus of \$15,501,154 plus the accumulated surplus of \$1,000,000 as a dividend to the GRF.

6. Employee Future Benefits

FCAA's employees participate in the Public Employees Pension Plan (PEPP), a multi-employer defined contribution pension plan. Pension costs of \$356,193 (2014 \$316,815) are included in salaries and benefits, and comprise the employer contributions for current service of employees during the year. FCAA's liability for PEPP is limited to making its required contributions to the plan.

FCAA provides sick leave benefits for employees. These benefits, if unused, accumulate, but do not vest. The FCAA has not recorded an accrued sick leave benefit obligation, as it has been determined to be immaterial.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the FCAA by virtue of common control by the government, non-Crown corporations, and enterprises subject to joint control and significant influence by the government (collectively referred to as "related parties").

The significant related party transactions incurred by FCAA and reflected in these financial statements were paid to the Ministry of Central Services for information technology equipment and support, and other administrative support services, totaling \$343,641 (2014 \$349,805). These transactions were recorded at mutually agreed upon rates and settled at normal trade terms.

These financial statements reflect the salary costs of FCAA employees and include the costs of employee benefits, including pension costs (Refer to Note 6), incurred for FCAA by the Province of Saskatchewan relating to those employees. FCAA reimburses the Ministry of Finance for these employee benefit costs. For the year ended March 31, 2015, employee benefit costs totalled \$782,724 (2014 \$712,898).

These financial statements do not reflect the costs incurred by a number of related parties on behalf of FCAA. During the period ended March 31, 2015, FCAA received substantial administrative services from the Ministry of Finance without charge. In addition, FCAA, by agreement, received substantial services from the Public Service Commission relating to human resource management and payroll processing without charge.

Other transactions and amounts due to and from related parties are described separately in the financial statements and notes.

8. FCAA's Key Management Personnel Compensation

Key management of the FCAA include members of the board of directors, the executive director, and the seven division/branch directors. Compensation paid to key management personnel is shown below. Members of the board of directors are compensated solely through meeting per diems and annual retainers.

	<u>2015</u>	<u>2014</u>
Salaries and short term employee benefits	\$1,220,885	\$1,169,931
Post employment benefits (PEPP)	84,088	77,977
Board per diems and retainers	117,400	63,010
	<u>1,422,373</u>	<u>1,310,918</u>

9. Contractual Obligations

Effective January 1, 2013, FCAA has a contractual obligation for its premises. The current lease expires December 31, 2017. The future minimum lease payments in each fiscal year are as follows:

2015/16	776,823
2016/17	776,823
9 months 2017	582,618

10. Segmented Disclosure

The following schedule provides the relevant segmented disclosure by division within FCAA:

Year ended March 31, 2015			
<u>Division</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Surplus</u>
Securities Division	\$17,485,732	\$2,482,329	\$15,003,403
Insurance & Real Estate Division	2,558,798	665,731	1,893,067
Consumer Protection Division	882,218	1,232,871	(350,653)
Pension Division	608,348	539,225	69,123
Consumer Credit Division	1,740,191	758,569	981,622
Chair's Office/Administration	154,876	1,323,734	(1,168,858)
Legal Branch	-	926,550	(926,550)
Totals	<u>\$23,430,163</u>	<u>\$7,929,009</u>	<u>\$15,501,154</u>

Year ended March 31, 2014

<u>Division</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Surplus</u>
Securities Division	\$17,267,300	\$2,494,252	\$14,773,048
Insurance & Real Estate Division	2,186,862	588,774	1,598,088
Consumer Protection Division	866,053	1,371,415	(505,362)
Pension Division	610,046	473,609	136,437
Consumer Credit Division	1,418,165	735,106	683,059
Chair's Office/Administration	104,743	1,017,957	(913,214)
Legal Branch	-	780,842	(780,842)
Totals	<u>\$22,453,169</u>	<u>\$7,461,955</u>	<u>\$14,991,214</u>

Expenses relating to the operations of FCAA incurred by certain related parties are not reflected in these financial statements. Refer to Note 7 for additional details.

11. Revenue by category within each division

Sources of revenue by division are as follows:

	<u>2015</u>	<u>2014</u>
Securities Division		
• Prospectus Fees	\$9,302,300	\$9,084,950
• Registration Fees	5,382,923	5,366,589
• Exemption Fees	270,806	258,315
• Continuous Disclosure Filing Fees	2,511,550	2,462,550
• Administrative Penalties/Costs of Investigations	13,700	90,000
• Other	<u>4,453</u>	<u>4,896</u>
Total	<u>17,485,732</u>	<u>17,267,300</u>
Insurance and Real Estate Division		
• Unlicensed Insurance Fees	2,065,312	1,810,707
• Insurance Company Licences/Other	<u>493,486</u>	<u>376,155</u>
Total	<u>2,558,798</u>	<u>2,186,862</u>
Consumer Protection Division		
• Collection Agents Fees	522,361	528,961
• Motor Dealer Fees	131,637	107,448
• Direct Seller Fees	129,168	135,973
• Other	<u>99,052</u>	<u>93,671</u>
Total	<u>882,218</u>	<u>866,053</u>

Pensions Division

• Pension Plan Registration, Annual Fees, and Other	<u>608,348</u>	<u>610,046</u>
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Consumer Credit Division

• Trust and Loan Licences	1,355,025	1,087,475
• Mortgage Broker Licences	201,060	202,690
• Payday Loan Licence Fees	184,000	128,000
• Other	<u>106</u>	<u>-</u>

Total	<u>1,740,191</u>	<u>1,418,165</u>
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Chair's Office

• Interest from GRF and Other	<u>154,876</u>	<u>104,743</u>
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Total Revenue	<u>\$23,430,163</u>	<u>\$22,453,169</u>
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12. Unearned Revenue

Unearned revenue, by revenue category is as follows:

	<u>March 31 2015</u>	<u>March 31 2014</u>
Saskatchewan Insurance Licence Fees	\$672,995	\$686,651
Trust and Loan Licence Fees	2,500	22,583
Mortgage Broker Licence Fees	5,200	1,500
Payday Loans Licence Fees	6,000	6,000
Consumer Protection Division Licence Fees	<u>1,429,196</u>	<u>1,300,083</u>
Total	<u>\$2,115,891</u>	<u>\$2,016,817</u>

13. Travel

FCAA is an active member of a number of financial regulatory organizations that are comprised of similar provincial and territorial regulators from across Canada. FCAA staff meet with their provincial counterparts through these organizations on a regular basis. Out-of-province travel is required for staff to attend these meetings and for other regulatory matters. Staff are also required to travel within the province in carrying out their regulatory responsibilities. FCAA follows the Government of Saskatchewan's policies and procedures relating to travel. Out-of-province travel is subject to prior review and approval. A delegated signing authority, approved by the Board of Directors, is in place to ensure that staff travel expenditures are subject to review and approval at the appropriate levels.

14. Contingencies

FCAA, along with others, is a defendant to several claims brought against it as a result of its operations. FCAA believes that these claims are without merit. If the court finds that FCAA is liable on the claims, any settlement to the plaintiff would be accounted for by FCAA as a charge against operations in the period in which settlement is made.

15. Transfers

The Consumer Protection Division provides ongoing operational funding (transfers) to permit certain cemeteries to meet their financial obligations.

By appointment under Section 74 of *The Cemeteries Act, 1999*, the FCAA administers three cemeteries located in Estevan, Weyburn, and Moosomin. Being under administration, the operation of these cemeteries is independent of the operations of FCAA. As such, the operating results of the cemeteries are not included in the operating results of FCAA.

16. Budget

The annual budget for FCAA for the year ended March 31, 2015 was approved by Treasury Board.

17. Information Technology System Development

FCAA continues to examine its existing and future information technology system needs. External consultants were engaged to assist staff in this effort. As a result of this work, a request for proposal (RFP) was issued during the year. Responses received have been subject to detailed review, with shortlist candidates subsequently interviewed by a selection committee. A preferred supplier has been chosen, and contract negotiations are in process.

Work on this project remains at a preliminary stage, intended to support the signing of a supply contract with a systems developer. Consultants' costs totalling \$127,315 (\$197,453 in 2014) relating to this preliminary stage of the project have been expensed through the Chair's Office/Administration.

At this time, the total cost of this project is not known.

18. Cooperative Capital Markets Regulatory System

On August 26, 2014, Saskatchewan's Minister of Justice and Attorney General signed a Memorandum of Agreement to join the Cooperative Capital Markets Regulatory System (CCMR), bringing Canada a step closer to a national regulator.

The implementation of the CCMR will occur in several phases which will include amending provincial and federal legislation, and establishing a common regulator,

the Capital Markets Regulatory Authority (CMRA), for participating jurisdictions that will create important national reforms while still allowing provinces to promote local needs.

On the operational launch date (yet to be determined) for the CCMR, the Securities Division of the FCAA will, by service agreement, begin working on behalf of the CMRA. Under this agreement, revenues collected by the Securities Division will be on behalf of and belong to the CMRA, and certain agreed expenses incurred by the Securities Division will be recoverable from the CMRA. After a period of three years from the launch date, the Securities Division may, by agreement, transfer to and become part of the CMRA.

It is expected that the agreement will impact the FCAA's financial statements in the 2016/17 fiscal year (Notes 10 and 11).