

DRAFT Financial Statements of

**CITY OF SASKATOON
DEFINED CONTRIBUTION PENSION PLAN
FOR SEASONAL AND NON-PERMANENT
PART-TIME EMPLOYEES**

Year ended December 31, 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees

We have audited the accompanying financial statements of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees, which comprise the statement of financial position as at December 31, 2013, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations 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 accounting standards for pension plans, 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 City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees as at December 31, 2013, and the changes in its net assets available for benefits and the changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Chartered Accountants
Saskatoon, Saskatchewan
June X, 2014

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Statement of Financial Position
(in thousands of dollars)

As at December 31, 2013, with comparative figures for 2012

	2013	2012
Assets		
Investments (note 4)	\$ 8,512	\$ 7,906
Contributions receivable:		
Employee	5	3
Employer	9	9
GST recoverable	1	1
Prepaid expenses	–	1
	8,527	7,920
Liabilities		
Accounts payable and accrued liabilities	\$ 4	\$ –
Bank indebtedness	17	3
	21	3
Net assets available for benefits	\$ 8,506	\$ 7,917

See accompanying notes to financial statements.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Statement of Changes in Net Assets Available for Benefits
(in thousands of dollars)

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
Investments:		
Investment income	\$ 2	\$ 2
Change in fair value:		
Net realized gain (loss) on investments	216	220
Change in net unrealized gains on investments	807	379
	1,023	599
Contributions:		
Employee contributions	243	247
Employer contributions	243	247
	486	494
Increase in net assets before expenses and benefits	1,511	1,095
Expenses:		
Investment management fees	74	71
Administration	20	7
	94	78
Benefit payments:		
Retirement benefits	8	-
Refunds and transfers:		
Termination benefits	795	388
Death benefits	25	138
	820	526
Total expenses, payments and transfers	922	604
Increase in net assets	589	491
Net assets available for benefits, beginning of year	7,917	7,426
Net assets available for benefits, end of year	\$ 8,506	\$ 7,917

See accompanying notes to financial statements.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements

Year ended December 31, 2013

1. Description of the plan:

The following description of the City of Saskatoon Defined Contribution Pension Plan for Seasonal and Non-Permanent Part-Time Employees (the "Plan") is a summary only. For more information reference should be made the Plan Agreement.

a) General:

The Plan is a defined contribution pension plan covering certain part-time and seasonal employees of the City of Saskatoon. Under the Plan, contributions are made by the Plan members and the City of Saskatoon. The Plan is registered under The Pension Benefits Act, 1992 (Saskatchewan) registration #06885529.

b) Funding policy:

The Plan requires that the City of Saskatoon contribute an amount equal to the amount that the member is required to contribute as disclosed in note 5.

c) Retirement benefits:

The benefit payable to a member is a life annuity in the form elected by the member that can be purchased by the sum of the amounts in their required account and City of Saskatoon account.

d) Death benefit:

In the event of the death of an active member prior to retirement, an amount equal to the value of the member's required account plus City of Saskatoon account at the date of death is paid to the member's beneficiary.

e) Termination benefits:

Upon termination of employment, a member may transfer the value of the member required account and the value of the employer account to a Locked-In Retirement Account in accordance with the requirements of The Pension Benefits Act, 1992 (Saskatchewan).

f) Income taxes:

The Plan is a Registered Pension Trust as defined in the Income Tax Act and is not subject to income taxes.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the Sponsor and Plan members. These financial statements do not portray the funding requirement of the Plan or the benefit security of individual plan members.

The Plan is a defined contribution plan. For a defined contribution pension plan, pension benefits are determined by the sponsor's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits.

(b) Valuation of investment assets:

Investment assets are stated at their fair values in the Statement of Financial Position. Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction. If the financial instrument has a quoted price in an active market, the quoted price is the fair value of the financial instrument. If the market for a financial instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, that technique is used. A valuation technique incorporates all factors that market participants would consider in setting a price. Fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Significant accounting policies (continued):

Fair value hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 - inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If different levels of inputs are used to measure the fair value of an investment, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. See note 4 (g) for this disclosure.

(c) Trade date accounting:

Purchases and sales of financial instruments are recorded on their trade dates.

(d) Interest and dividends on investments and changes in fair value of investments :

Interest and dividends from investments are recorded separately from the change in fair value of such investments as investments income in the Statement of Changes in Net Assets Available for Benefits.

The realized and unrealized gains and losses are determined using the average cost basis.

(e) Foreign exchange:

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange in effect on the dates of the transactions. At each reporting date, the market value of foreign currency denominated assets and liabilities is translated using the rates of exchange at that date. The resulting gains and losses from changes in these rates are recorded as part of the change in fair values of investments in the Statement of Changes in Net Assets Available for Benefits.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Significant accounting policies (continued):

(f) Contributions:

Contributions due to the Plan are recorded on an accrual basis. Transfers to the Plan and purchases of prior service, if any, are recorded when cash is received.

(g) Benefits:

Payments of pensions, refunds and transfers out of the Plan are recorded in the period in which they are paid.

(h) Use of estimates:

Preparation of the financial statements requires management to make estimates and assumptions, based on the information available as at the date of the financial statements, which effect the reported value of assets and liabilities, and related income and expenses. Such estimates and assumptions effect primarily the value of investments. Actual results could differ from those presented.

3. New accounting standards:

(a) Standards adopted in the current year:

IFRS 13, *Fair Value Measurement* (IFRS 13)

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

3. New accounting standards (continued):

In accordance with the transitional provisions of IFRS 13, the Plan has applied the new fair value measurement guidelines prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Plan's assets and liabilities.

(b) Future accounting changes:

IAS 32, *Financial Instruments: Presentation* (IAS 32)

In December 2011, the IASB issued amendments to IAS 32. The amendment is effective for periods beginning on or after January 1, 2014 and is to be applied retrospectively. The amendment clarifies matters regarding offsetting financial assets and financial liabilities as well as related disclosure requirements. The Plan intends to adopt the amendments to IAS 32 in its financial statements for the annual reporting period beginning January 1, 2014 and does not expect the amendments to have a material impact on the financial statements.

4. Investments:

Investment management duties of the Plan are performed by Integra Capital Management Corporation ("the Manager"). CIBC Mellon Trust acts as the custodian of the investment accounts and BMO GRS performs the record keeping function and are responsible for the member booklets, retirement tools, member records, website access, member statements, etc. Plan participants are able to direct their investments to the fund(s) of their choice whereas the contributions made by the City are invested in the Integra Balanced Fund.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Investments (continued):

Investments consists of units held in various investment funds (the "Funds"). These Funds include:

	2013	2012
Integra Growth Allocation Fund (Lifecycle #1)	\$ 78	\$ 59
Integra Strategic Allocation Fund (Lifecycle #2)	72	85
Integra Conservative Allocation Fund (Lifecycle #3)	11	13
Integra Balanced Fund	8,065	7,471
Integra U.S. Value Growth Fund	16	14
Integra Canadian Value Growth Fund	111	106
Integra International Equity Fund	26	22
Integra Bond Fund	30	24
Integra Short-term Investment Fund	28	24
5-Year GIC's	75	88
	\$ 8,512	\$ 7,906

a) Risk management:

The investment objective of most of the Plan is to achieve a long-term superior rate of return with moderate risk and also to provide long-term capital appreciation and income through a constant mix of stocks and bonds while managing short-term preservation of capital.

The Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations. In some cases, the Funds are advised by "sub-advisors".

b) Credit risk:

Credit risk on financial instruments is the risk of a loss occurring as a result of the default of an issuer on its obligation to a Fund. Credit risk is managed by dealing with issuers that are believed to be creditworthy and by regular monitoring of credit exposures. Additionally, credit risk is reduced by diversification of issuer, industry and geography.

The investment portfolio of the Plan is directly exposed to credit risk in respect of its receivables and money market instruments and bonds within each Fund.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Investments (continued):

c) Foreign exchange risk:

The Plan is exposed to foreign currency risk through any foreign securities held within the Funds where the investment values may fluctuate due to changes in foreign exchange rates.

d) Interest rate risk:

Changes in market interest rates expose fixed income securities such as bonds, treasury bills, commercial paper, bankers acceptances and short-term income securities to interest rate risk. Funds that hold fixed income investments are exposed to this risk since changes in prevailing market interest rates will affect the value of fixed income securities.

e) Equity price risk:

Equity price risk is the risk that the fair value or future cash flows on an equity investment will fluctuate because of changes in market prices (other than those arising from interest rate risk and foreign currency risk), whether those changes are caused by factors specific to the individual equity instrument, or factors affecting similar equity instruments traded in the market.

The investment portfolio is exposed to equity price risk in respect of its investment in stocks.

f) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Plan's Statement of Investment Policies and Goals sets out requirements for the Plan to maintain an adequate amount of liquid assets with varying maturities in order to ensure that the Plan can meet all of its financial obligations as they fall due.

As at December 31, 2013, the Plan holds mutual funds of \$8,437 (2012 - \$7,818). Unit holders of the Funds may redeem their units on each valuation date, and therefore, the Plan's investments in these Funds are traded in active markets and can be readily disposed of.

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Investments (continued):

g) Fair value hierarchy:

	Level 1	Level 2	Level 3	Balance at December 31, 2013
Integra Growth Allocation Fund	\$ 78	\$ -	\$ -	\$ 78
Integra Growth Strategic Allocation Fund	72	-	-	72
Integra Conservative Allocation Fund	11	-	-	11
Integra Balance Fund	8,065	-	-	8,065
Integra U.S. Value Growth Fund	16	-	-	16
Integra Canadian Value Growth Fund	111	-	-	111
Integra International Equity Fund	26	-	-	26
Integra Bond Fund	30	-	-	30
Integra short-term Investment Fund	28	-	-	28
5-Year GIC's	-	75	-	75
	\$ 8,437	\$ 75	\$ -	\$ 8,512

CITY OF SASKATOON DEFINED CONTRIBUTION PENSION PLAN FOR SEASONAL AND NON-PERMANENT PART-TIME EMPLOYEES

DRAFT Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Investments (continued):

	Level 1	Level 2	Level 3	Balance as at December 31, 2012
Integra Growth Allocation Fund	59	-	-	59
Integra Growth Strategic Allocation Fund	85	-	-	85
Integra Conservative Allocation Fund	13	-	-	13
Integra Balance Fund	7,471	-	-	7,471
Integra U.S. Value Growth Fund	14	-	-	14
Integra Canadian Value Growth Fund	106	-	-	106
Integra International Equity Fund	22	-	-	22
Integra Bond Fund	24	-	-	24
Integra Short-term Investment Fund	24	-	-	24
5-Year GIC's	-	88	-	88
	\$ 7,818	\$ 88	\$ -	\$ 7,906

There were no significant transfers of investments between Level 1 and Level 2 during 2013 and 2012.

5. Funding policy:

In accordance with the Plan Agreement, employees are required to contribute 4.8% of the portion of salary which is less than the earning ceiling under the Canada Pension Plan (CPP) and 6.4% of the excess salary. The City of Saskatoon is required to match the employee contribution.