



# 2001 ANNUAL REPORT





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ANNUAL REPORT**

**November 13, 2001**

## Board of Directors

Leon Lueke  
*Chairman*

Jerry Pfeil  
*Vice-Chair*

Neil Ketilson  
*Second Vice-Chair*

Cliff Ehr

Judy Ulrich

Walter Yates

## Sask Pork Staff

Jerome Warick  
*General Manager*

Joan Steckhan  
*Director of Finance and Industry Development*

Betty Anne Stevenson  
*Director Communications*

Kim Browne  
*Executive Assistant/Product Promotion/  
Research Program Administration*

Catriona Shinkewski  
*National Services Coordinator*

Patty Riley  
*Accounting Technician*

Shannon Morisseau  
*Administrative Assistant*

## LETTER FROM THE CHAIRMAN

In February 2001, amendments to our regulations changed operational reporting from the end of December to the end of July. The change will facilitate better reporting to both the Provincial Auditor and the Agri-Food Council. This change also affects our Annual Report and producer reporting for this current year. I am therefore pleased to present this report to you as it reflects operations and activities of the organization for the period beginning January 1, 2001 and ending July 31, 2001.

The first part of this year saw the finalization and approval by the Government of the governance review process undertaken last year. This allowed Sask Pork to move forward with a new election process and, in April, a new Board of Directors, the first since the governance review, was elected. The Board now represents all production levels and is more representative of our industry.

From an operational side, work began on a strategic planning process to chart the direction and focus of Sask Pork for the next three years. Sessions were conducted with producers and industry stakeholders. The Board of Directors approved the strategic plan in July and the staff was asked to implement the plan and budget for the coming year. This has been a major initiative for the organization and we are confident that this plan will better serve producers and make our organization more responsive to the needs of producers and our industry.

Work also continued on a number of other fronts. The Canadian Quality Assurance™ program gained acceptance in the Canadian packing industry and increased the number of producers participating across the province. A major commitment was also made on behalf of producers to better industry communications with our publics. The Sask Pork Viewing Gallery, the main component of the new Pork Industry Interpretive Centre to be built at the Prairie Swine Centre farm at Elstow next year, was launched along with an industry wide fundraising campaign by PSCI on May 31<sup>st</sup>. In July, Sask Pork hosted the Canadian Pork Council Annual Meeting in Cypress Hills. This meeting was an opportunity to meet producers from across Canada, participate in discussions and make decisions on issues affecting our industry.

Operational activities from August 1, 2001 to July 31, 2002 will be reported to you next November. In the meantime, I draw your attention to the Sask Pork website, [www.saskpork.com](http://www.saskpork.com), launched on November 1, 2001. Our site will bring information and updates to you over the coming year.



Leon Lueke, Sask Pork Chair

## PROGRAM UPDATES

Sask Pork is committed to providing program and service excellence to its producers and publics. Additionally through its membership in the Canadian Pork Council and Canada Pork International, Sask Pork is able to deliver services to producers that assist in the operations of their businesses and the marketing of pork to the global consumer. The following is an update of these key areas for this reporting period❖

### Quality Assurance



To the end of July 2001, 673 production units have been registered in the program, with 90% delivered and 23% validated under the program. Recently packers have announced that the program will become mandatory for those producers seeking contracts. It is anticipated that this requirement will eventually extend to all producers wishing to market their hogs.

As packer requirements become more stringent, Sask Pork has prepared itself to guide producers through the validation process. One of the services provided is to assist producers in filling out the Assessment Form and records. Sask Pork also reviews these forms and records prior to forwarding them to the validator. This ensures that concerns are addressed prior

to validation, saving producers time and money during the validation process. Sask Pork also works with veterinarians, validators and packers to ensure proper communication with producers, thereby reducing problems for producers as the program progresses.

After validation, producers continue to have access to a trained staff person to assist with program updates. Sask Pork also continues to track the progress of producers validated under the CQA™ program, reminding them of upcoming partial validations and answering questions to ensure that they maintain their validated status.

Another component of the CQA™ program is to work at the national level, representing the needs and concerns of producers. The CQA™ program is an elastic program, changing to meet federal regulations, and is subject to amendments. As program changes are proposed, Sask Pork continues to be the voice of producers, helping to ensure that the program does not become too cumbersome or restrictive as to exclude any producer. Sask Pork continues to lobby to have national programs be reflective of producers' economic realities and reasonably reflect production practices and requirements❖

### Research

Sask Pork has, through levy dollars and the Pork Industry Sustainability Fund, provided funding to researchers in areas that directly affect producers' profitability: herd health, production costs, occupational health and safety, manure management and the environment. During 2001, funding has been provided as follows:

## Levy Funded Research

<b>Project name</b>	<b>Researcher(s)</b>	<b>2001 Funding</b>	<b>Project total</b>
Prairie Swine Centre – base funding	Various	214,713	5 year, production based contract commencing in 2001
Influence of Hog Manure Application on Water Quality and Soil Productivity	Charles Maule U of S	5,833	50,000
Airborne Bacteria Study	Phil Wilson VIDO	3,375	3,375
Manure Generation	Marten Wright Quadra Group	4,387	7,800
Prairie Feed Resource Centre	Base Funding	5,000	5,000
Swine Pathogen Network	Mario Jacques	4,000	12,000
<b>Totals</b>		<b>*\$237,308</b>	<b>Production based</b>

## Pork Industry Sustainability Fund Research

<b>Project name</b>	<b>Researcher(s)</b>	<b>2001 Funding</b>	<b>Project total</b>
Sask Pork Research Chair in Environmental Engineering for the Pork Industry	Claude Lague U of S	46,667	320,000
Control of Strep Suis Using Needleless Vaccinations	Phil Wilson VIDO	18,000	\$54,000
Greenhouse Gas Emissions	Claude Lague U of S	14,015	36,900
Investigation of Immunoglobulin	Elemir Simko U of S	11,874	35,622
Longer Term Effects of Liquid Swine Effluent on Soil Physical Properties	Michael Greevers U of S	12,060	23,900
H <sub>2</sub> S Risk Assessment	Stephane Lemay PSCI	20,350	20,350
Sask Pork Viewing Gallery	Western Canadian Pork Industry	160,000	215,000
Manure as a Sustainable Source of Plant Nutrients	Jeff Schoenau U of S	33,500	63,000
<b>Total</b>		<b>*\$316,466</b>	<b>\$768,772</b>

Research abstracts are available to producers for their information. Full progress and research reports are provided upon request with the intention of having producers access and use research results for their benefit❖

\* Total does not include \$7006.80 related to Research Committee expenses.

## Industry Communications

Sask Pork continues to advance communications support, services and programs to better position the organization and the Saskatchewan pork industry.

During this reporting period, communications support was developed to assist the implementation of Sask Pork's new governance structure, the strategic planning process, the Sask Pork Chair for Environmental Engineering, and the new Pork Industry Interpretive Centre.

To further advance better industry relations with our key publics, Sask Pork continued to develop strategic communications partnerships with other provincial pork organizations, as well as the CPC, the Prairie Swine Centre, Agrivision, and FACS. In addition, *The Quality Producers...Quality Pork* print advertising campaign was also placed for a second run of six weeks in twenty-three Saskatchewan weekly newspapers during May and June. The ad campaign explains the role pork producers have in providing a safe, quality food product, being an economic driver of the rural and provincial economies and contributing to a healthy and managed environment.

Work also began during this reporting period on the development of the Sask Pork website❖

## Promotions

The product promotion program focuses on positioning pork as a wholesome, nutritious part of a healthy diet. Sask Pork is a member of the Heart and Stroke Foundation's "Health Check" program that is based on Canada's Food Guide to Healthy Eating. Foods that qualify to carry the

Health Check logo have met specific nutrient criteria established by the Heart and Stroke Foundation and are consistent with Health Canada's nutrient content claims.

Activities in 2001 have included sponsorship of agricultural functions throughout the province, participation in food industry and consumer trade shows that showcase Saskatchewan grown products and provide an opportunity to sample pork products; continued participation in the annual Agri-Ed Showcase and sponsorship of special events at Agribition.

Ongoing work on the retail promotion area includes continued development of print materials, point of sale and promotional items. Emphasis is placed on positioning pork as a healthy choice at the retail counter and providing consumers with current information on food safety and handling, cooking temperatures and nutrition.

In addition to consumer and retail initiatives, up-to-date nutrition information is provided regularly to all Saskatchewan physicians, dietitians and nutritionists❖

## Canadian Pork Council and Canada Pork International

The Canadian Pork Council (CPC) is a federation for provincial hog producer associations. To assist CPC to focus on issues and opportunities that face our industry at a national and international level, Sask Pork provided \$79,558.60 for membership fees and services to CPC on behalf of producers in the reporting period of January 1 to July 31, 2001.

CPC continues to work on behalf of all producers in the key areas of: animal welfare, Bill C-15, the environment

(national environmental standards, food safety), farm income risk management including safety nets and animal health nutrition such as medicated feed regulations.

National co-ordination of the Canadian Quality Assurance™ program remains a major initiative. CPC is also engaged in several initiatives to increase awareness and assure immediate response to any occurrence of foreign animal disease in Canada.

Work continues with the Canadian Standards Association (CSA) on developing a national hog environmental standard.

Sask Pork is represented on the national committee by Marten Wright.

Market access is the key focus for Canada Pork International (CPI) who continues to work closely with federal agencies such as the Canadian Food Inspection Agency and the Department of Foreign Affairs and International Trade to promote and market Canadian pork to the global consumer.

On July 5 and 6, Sask Pork hosted the CPC annual meeting in Cypress Hills. Leon Lueke, Chair of the Sask Pork Board, was re-elected to the CPC Board/Executive Committee ❖



## FINANCIAL ACCOUNTABILITY

It is the fiduciary responsibility of management to ensure proper and responsible administration of Sask Pork's finances and to report the financial results to producers. We are pleased to present our audited financial statements to you. The reporting period for 2001 only covers a seven-month period due to the change in our year-end. This makes it difficult to present a clear comparative to 2000 or to the budget for producers. However, the clean audit report received again this year indicates Sask Pork's continued fair representation of our financial management❖

### 2001 Budget

The Board of Directors approves an annual budget at the beginning of the fiscal year. The original 12 month 2001 budget was based on \$2,314,746 in revenue from government grants, hog check-off, conference fees, interest and other sources. Prior to accounting for deferred revenue and partnership program reserve allocations, expenses for programs, operations and governance were budgeted at \$2,300,646. Ultimately, the 12-month budget was balanced❖

### Balance Sheet

The strong position of Sask Pork's balance sheet assures producers that staff can devote their time and energy to the provision of programs and services rather than concentrating on administration and finances for the organization.

Of particular note is the value of Sask Pork's retained earnings. A reserve has been set aside for use within the

partnership program agreement with Saskatchewan Agriculture and Food. The Board of Directors has also developed a complete policy with respect to excess earnings. Fiduciary management dictates that an organization should have cash available in the event of unforeseen circumstances or unbudgeted opportunities arising. A potential circumstance could be a new, short-term activity for which the Board does not wish to increase the amount of the levy to fund. There is no desire however to have an extremely high level of retained earnings and, as such, the Board approved that a maximum of 10% surplus be budgeted annually and that the unrestricted retained earnings be built to an approximate value of \$1,000,000. It is anticipated Sask Pork will reach this maximum value by the end of fiscal year 2002❖

### Revenue

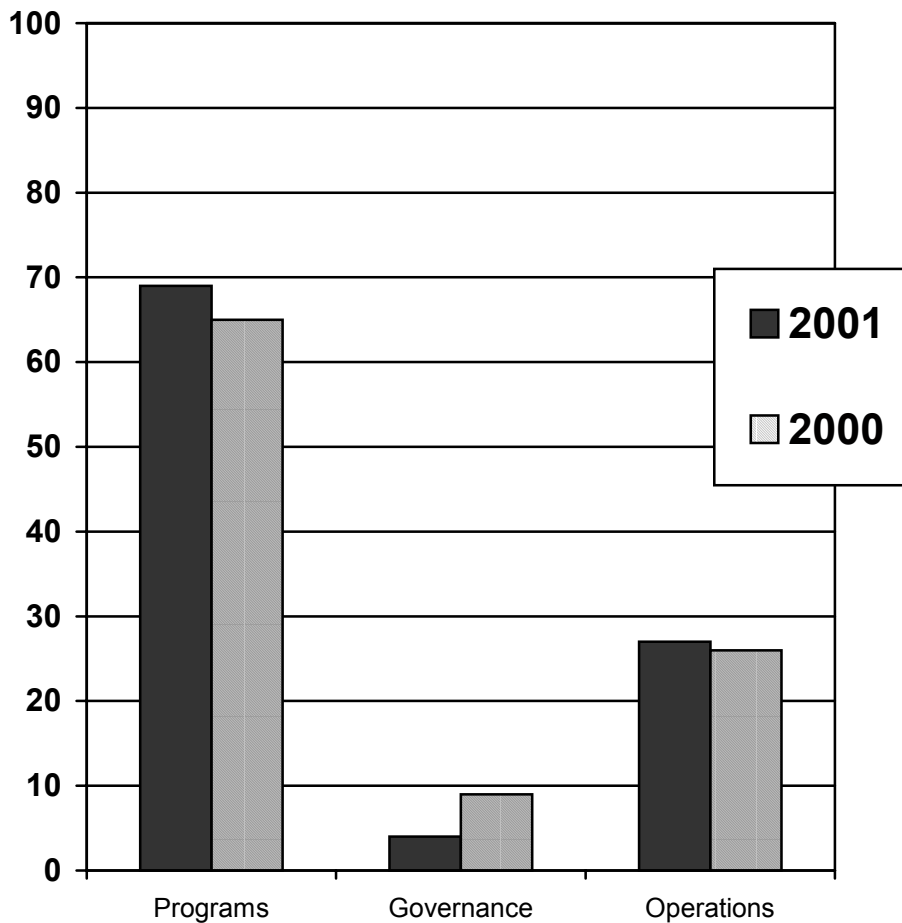
Changes in revenue reported on the financial statements from 2000 to 2001 are largely reflective of the shortened fiscal year. If the hog check-off revenue for the seven-month period was annualized, it would reflect a 9% increase over 2000. Further, with new production coming on-stream this fall, it is likely Sask Pork would have met the original budget target of 1.7 million hogs produced in the province during the 2001 calendar year.

The Partnership program, which carries out Pork Expo and Pork Symposium, continues to be self-sustaining. Pork Expo revenue increased 14.50% over 2000. Due to the shortened year, Symposium revenue is not included in the 2001 statements.

Government grant revenue largely relates to funding payments made through the Pork Industry Sustainability Fund as reported in the research section of this report❖

## Expenses

Sask Pork's mandate is to carry out communications, research and public policy activities in a variety of respects, for the benefit of producers. It is the desire of both the Board and staff to channel the majority of producers' levy dollars into programming. Where comparisons can be made, there was an increase in the percentage of dollars channeled into programming. The following table reflects the change from 2000 to 2001 ❖



## Payee List

The Provincial Auditor requires organizations to identify in their annual report, specific payees over the course of the year. Sask Pork has disclosed in the body of this report specifics where payments in excess of \$50,000 have been made to a single organization ❖

## DIRECTORS' AND COMMITTEE MEMBERS' REMUNERATION AND DISBURSEMENTS

Sask Pork directors and committee members are compensated for the time contributed to the organization and are reimbursed for mileage and expenses incurred while on corporate business during the course of the year. The following chart breaks down payments made to directors for their service.

Board Member	Per Diem	Expenses	Total
Cliff Ehr (April – July)	300.00	130.84	430.84
Neil Ketilson (January – July)	200.00	98.13	298.13
Leon Lueke (January – July)	*7,836.00	1,471.48	9,307.48
Don Neter (January –April)	2,200.00	1,727.75	3,927.75
Raymond Parent (January – April)	2,800.00	1,372.33	4,172.33
Jerry Pfeil (January – July)	**5,390.00	2,923.22	8,313.22
Judy Ulrich (April – July)	1,500.00	874.51	2374.51
Peter Unger (January – April)	1,000.00	218.51	1218.51
Walter Yates	6,110.00	4,037.74	10,147.74
<b>Total</b>	<b>\$27,336.00</b>	<b>\$12,854.51</b>	<b>\$40,190.51</b>

\* Included in the per diem was a monthly honorarium of \$600 paid to the Chairman.

\*\* Included in the per diem was a monthly honorarium of \$150 paid to the Vice-Chair.

In addition to director payments, Sask Pork compensates committee members for attendance and expenses incurred to attend meetings. Committee members were paid a total of \$3,731.54 in per diem and expenses. Other payments, totaling \$5,408.49 were made to facilitate meetings and communications with Directors and Committee Members❖

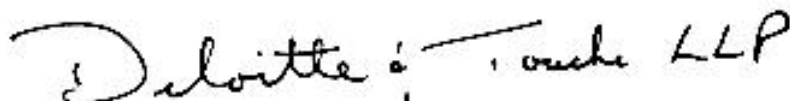
## AUDITORS' REPORT

### TO THE DIRECTORS OF SASK PORK

We have audited the statement of financial position of Sask Pork as at July 31, 2001 and the statement of operations, changes in net assets and of cash flows for the seven month period then ended. These financial statements are the responsibility of Sask Pork's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sask Pork as at July 31, 2001 and the results of its operations and its cash flows for the seven month period then ended in accordance with Canadian generally accepted accounting principles.



**Chartered Accountants**

September 28, 2001

**SASK PORK**  
**STATEMENT OF OPERATIONS**  
seven month period ended July 31, 2001

	July 31, 2001	Year ended December 31, 2000
<b>REVENUE</b>		
Hog check-off	\$ 959,966	\$ 1,508,833
Conference fees	50,334	147,099
Government grants	362,890	370,210
Interest	14,691	27,124
Other	2,275	9,543
	<u>1,390,156</u>	<u>2,062,809</u>
<b>EXPENSES</b>		
Research, including Prairie Swine Centre	560,781	660,899
Salaries and benefits	218,417	329,036
Industry association	77,926	132,835
Operations / office	77,224	130,448
Communications	58,451	105,277
Conferences	56,307	140,562
Directors and delegates / committees	49,332	117,541
Organizational development	24,193	20,346
Travel		
National services	8,645	20,279
Industry development	2,927	4,434
Organizational development	1,901	3,313
Communications	1,592	3,125
Industry association	2,594	2,535
Promotions	-	548
Special projects	2,997	-
Promotions	17,944	64,279
National services	17,910	49,063
Bad debts	17,691	13,720
Industry development	14,735	17,530
Depreciation	13,442	10,694
Special projects		
CPC Annual General Meeting	6,469	-
Governance review	4,107	56,929
Levy integrity	4,180	3,477
Strategic plan	1,767	-
	<u>1,241,532</u>	<u>1,886,870</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 148,624</u>	<u>\$ 175,939</u>

**SASK PORK**  
**STATEMENT OF FINANCIAL POSITION**  
as at July 31, 2001

	July 31, 2001	December 31, 2000
<b>CURRENT ASSETS</b>		
Cash	\$ 220,554	\$ 301,750
Short-term investments	316,999	495,247
Accounts receivable	394,861	349,971
Receivable re Pork Industry Sustainability Project	223,629	-
Prepaid expenses	37,522	17,714
	<u>1,193,565</u>	<u>1,164,682</u>
<b>CAPITAL ASSETS (Note 3)</b>	<u>14,315</u>	<u>19,690</u>
	<u>\$ 1,207,880</u>	<u>\$ 1,184,372</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 196,077	\$ 209,987
Deferred revenue (Note 5)	61,036	172,242
	<u>257,113</u>	<u>382,229</u>
<b>NET ASSETS</b>		
Internally restricted net assets (Note 6)	31,258	37,230
Unrestricted net assets	919,509	764,913
	<u>950,767</u>	<u>802,143</u>
	<u>\$ 1,207,880</u>	<u>\$ 1,184,372</u>

APPROVED ON BEHALF OF THE BOARD

... *Dean Duicke* ..... Director

... *Jerry P. Ford* ..... Director

**SASK PORK**  
**STATEMENT OF CHANGES IN NET ASSETS**  
seven month period ended July 31, 2001

	July 31, 2001	Year ended December 31, 2000
<b>UNRESTRICTED NET ASSETS</b>		
Balance, beginning of period	\$ 764,913	\$ 626,204
Excess of revenue over expenses	148,624	175,939
Transfer from (to) internally restricted net assets (Note 6)	5,972	(37,230)
Balance, end of period	<u>919,509</u>	<u>764,913</u>
<b>INTERNALLY RESTRICTED NET ASSETS</b>		
Balance, beginning of period	37,230	-
Transfer from (to) unrestricted net assets (Note 6)	(5,972)	37,230
Balance, end of period	<u>31,258</u>	<u>37,230</u>
<b>NET ASSETS, END OF PERIOD</b>	<b>\$ <u>950,767</u></b>	<b>\$ <u>802,143</u></b>

**SASK PORK**  
**STATEMENT OF CASH FLOWS**  
seven month period ended July 31, 2001

	July 31, 2001	Year ended December 31, 2000
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Excess of revenues over expenses	\$ 148,624	\$ 175,939
Adjustment for		
Depreciation	13,442	10,694
	<u>162,066</u>	<u>186,633</u>
Changes in non-cash operating working capital items		
Accounts receivable	(44,890)	(51,450)
Receivable re Pork Industry Sustainability Project	(223,629)	
Inventory	-	5,314
Prepaid expenses	(19,808)	2,047
Accounts payable and accrued liabilities	(13,910)	349
Deferred revenue	(111,206)	131,641
	<u>(251,377)</u>	<u>274,534</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of capital assets	(8,067)	(8,623)
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>(259,444)</u>	265,911
<b>CASH POSITION, BEGINNING OF PERIOD</b>	<u>796,997</u>	<u>531,086</u>
<b>CASH POSITION, END OF PERIOD</b>	<u>\$ 537,553</u>	<u>\$ 796,997</u>
<b>CASH POSITION COMPRISED OF</b>		
Cash	\$ 220,554	\$ 301,750
Short-term investments	316,999	495,247
	<u>\$ 537,553</u>	<u>\$ 796,997</u>



**SASK PORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**seven month period ended July 31, 2001**

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**1. DESCRIPTION OF BUSINESS**

Sask Pork is a producer managed organization operating programs and research for the development of the Saskatchewan pork industry and the promotion of hogs and pork produced in Saskatchewan. Sask Pork was established by the Pork Industry Development Plan Regulation pursuant to The Agri-Food Act. Sask Pork is subject to supervision by the Agriculture and Food Products Development and Marketing Council, appointed by the Government of the Province of Saskatchewan.

The Pork Industry Development Plan Regulations allows Sask Pork to set and collect non-refundable check-offs from any person engaged in the marketing of hogs in Saskatchewan. Effective April 5<sup>th</sup>, 1998 Sask Pork established a hog check-off at \$1.00 per hog. As of October 1, 2001 a hog check-off was reduced to \$0.90 per hog.

Sask Pork is exempt of income taxes in accordance with Section 149 of the Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

*Use of Estimates*

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

*Financial Instruments*

Financial instruments included in current assets and current liabilities are all short term in nature and as such, their carrying value approximates fair market value.

**SASK PORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**seven month period ended July 31, 2001**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Short-term Investments*

Short-term investments are money market instruments, which are redeemable on demand. They are recorded at cost which approximates fair market value.

*Capital Assets*

Capital assets are stated at cost. Depreciation is computed using the straight-line method at rates calculated to amortize the cost over their estimated useful lives at the following rates:

Computer equipment	3 years
Furniture and equipment	5 years

*Grant Revenue and Research Expenses*

Grants are recognized when approved and eligibility criteria, if any, have been met.

Research expenses are recognized when grants are approved and the recipient has met eligibility criteria.

**3. CAPITAL ASSETS**

	Cost	Accumulated Depreciation	Net Book Value	
			July 31, 2001	December 31, 2000
Computer equipment	\$ 30,482	\$ 22,961	\$ 7,521	\$ 9,821
Furniture and equipment	17,029	10,235	6,794	9,869
	<u>\$ 47,511</u>	<u>\$ 33,196</u>	<u>\$ 14,315</u>	<u>\$ 19,690</u>

**4. RELATED PARTY TRANSACTIONS**

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to Sask Pork by virtue of common control by the Government of the Province of Saskatchewan and non-Crown corporations and enterprises subject to joint control

**SASK PORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**seven month period ended July 31, 2001**

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**4. RELATED PARTY TRANSACTIONS (continued)**

and significant influence by the Government of the Province of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are settled on normal trade terms. These transactions and amounts outstanding at period end, are as follows:

	<u>July 31, 2001</u>	<u>December 31, 2000</u>
Accounts payable	\$ 1,183	\$ 1,271
Operating expenses	8,998	16,793

The following table summarizes transactions with related parties that are settled based on specified agreements between the parties:

	<u>July 31, 2001</u>	<u>December 31, 2000</u>
Accounts receivable	\$ 223,629	\$ 12,600
Accounts payable	44,515	40,000
Deferred revenue	20,676	156,072
Government grants	360,516	304,027
Operating expenses	146,742	222,037

The following funds have been committed to related parties:

	<u>July 31, 2001</u>	<u>December 31 2000</u>
Saskatchewan Pork Industry Sustainability Program	\$ 279,092	\$ 343,308
Other committed funds	73,167	54,000

**SASK PORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**seven month period ended July 31, 2001**

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**5. DEFERRED REVENUE**

Deferred revenue represents unspent resources received in the current period that are related to the subsequent period. Externally restricted revenues are recognized when the related expenses are incurred.

	<u>July 31, 2001</u>	<u>December 31, 2000</u>
Deferred revenue, beginning of period	\$ 172,242	\$ 40,601
Amounts received during the period	44,224	474,000
Less amounts recognized as revenue during the period	<u>(155,430)</u>	<u>(342,359)</u>
Deferred revenue, end of period	<u>\$ 61,036</u>	<u>\$ 172,242</u>

The deferred revenue at the period end related to the following projects:

Partnership Funding	\$ 40,360
Quality Control Program	20,676

**6. INTERNALLY RESTRICTED NET ASSETS**

Sask Pork made an internal restriction of the net assets earned by the Partnership program, commencing in 1998. Surpluses generated from the joint programming of Sask Pork and Livestock Development Branch of Saskatchewan Agriculture and Food (formerly Pork Central) have been segregated for use to finance future projects as mutually agreed by the Partners.

**SASK PORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**seven month period ended July 31, 2001**

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**7. RESEARCH COMMITMENTS**

Saskatchewan Pork Industry Sustainability Program

The Province of Saskatchewan's Agri-Food Innovation Fund (AFIF), a related party, is committed to contribute up to \$582,000 to Sask Pork under the Saskatchewan Pork Industry Sustainability Program Agreement. The funding under this project will be used to support research and development projects. As of July 31, 2001, Sask Pork was committed to provide the following funding to other parties to carry out research and development projects:

2002	\$ 125,316
2003	108,443
2004	<u>45,333</u>
	<u>\$ 279,092</u>

Prairie Swine Centre Inc.

On June 22, 2000, Sask Pork signed the agreement with Prairie Swine Centre Inc. (PSCI), whereby Sask Pork will provide funding for PSCI's swine research programs. Sask Pork has committed to pay to PSCI the amount set out below for each market hog sold by a Saskatchewan hog producer in the previous year:

April 1, 2001- December 31, 2001	\$ 0.24 per pig
January 1, 2002 - December 31, 2002	\$ 0.23 per pig
January 1, 2003 - December 31, 2003	\$ 0.22 per pig
January 1, 2004 - December 31, 2004	\$ 0.21 per pig
January 1, 2005 - December 31, 2005	\$ 0.20 per pig

Other Committed Funding

The Board of Directors have also committed to provide research funding as follows:

2002	\$ 43,663
2003	40,250
2004	23,167
2005	19,000
2006	<u>7,000</u>
	<u>\$ 133,080</u>

**SASK PORK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**seven month period ended July 31, 2001**

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**9. LEASE COMMITMENTS**

Certain office equipment is leased from various suppliers. Future lease payments are as follows over the next four years.

2002	\$	4,457
2003		3,126
2004		3,126
2005		1,302

**10. COMPARATIVE FIGURES**

Certain of the prior year's figures have been reclassified to conform to the current period's presentation.

October 9, 2001

Mr. Fred Wendel, CMA, CA  
Acting Provincial Auditor  
1500 Chateau Tower  
1920 Broad St  
Regina SK S4P 3V7

Dear Mr. Wendel:

We have examined the system of internal control of Sask Pork in effect as at July 31, 2001. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in The Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of Sask Pork is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in a) to d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Pursuant to your responsibilities under Section 11(1) of The Provincial Auditor Act, you are required to determine if there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- b) all public money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- c) transactions are executed in accordance with management's authorization, public money expended is applied to the purpose for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and

Mr. Fred Wendel, CMA, CA

October 9, 2001

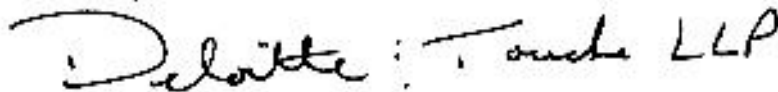
Page 2

- d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, based upon the above criteria, the system of internal control of Sask Pork in effect as at July 31, 2001, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to Sask Pork.

Yours truly,



Chartered Accountants

Ross M. Harwood, FCA

Partner

/fh

document 2451 opinion on internal control



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**Deloitte  
& Touche**

October 9, 2001

Mr. Fred Wendel, CMA, CA  
Acting Provincial Auditor  
1500 Chateau Tower  
1920 Broad St  
Regina SK S4P 3V7

Dear Mr. Wendel:

We have made an examination to determine whether Sask Pork complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue raising, borrowing and investing activities during the period ended July 31, 2001:

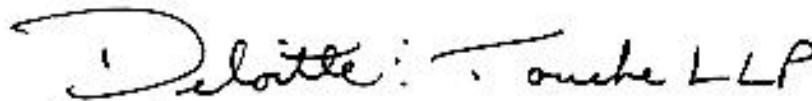
*Agri Food Act*

*The Pork Industry Development Plan Regulations*

Our examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, Sask Pork has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the period ended July 31, 2001 except the registered producers had not approved the per diem rates for the Board of Directors.

Yours truly,



Chartered Accountants  
Ross M. Harwood, FCA

/s/

document is 2453 opinion on compliance with legislated authorities

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