

Province of
Newfoundland and Labrador



**Public Accounts
Consolidated Summary
Financial Statements**

FOR THE YEAR ENDED
MARCH 31, 2019





Province of Newfoundland and Labrador

Public Accounts

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2019**

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MESSAGE FROM THE MINISTER OF FINANCE AND PRESIDENT OF TREASURY BOARD

I hereby present the financial statements - the Public Accounts of the province of Newfoundland and Labrador for the 2018-19 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements contained herein are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a deficit of \$552.1 million for the 2018-19 fiscal year, which reflects a \$130.8 million decrease as compared with the original forecasted deficit of \$682.9 million or an increase of \$30.6 million from the revised estimate published in Budget 2019. The final budget number for 2018-19 is revised based on slightly higher than anticipated revenues of \$7.83 billion (from a revised projection of \$7.75 billion), based on higher-than anticipated revenue associated with offshore revenues, investment revenue, as well as various other sources. In addition, expenses of \$8.38 billion were slightly higher than anticipated (from a revised projection of \$8.27 billion), which is primarily attributable to actuarial adjustments.

Government remains committed to its balanced approach to fiscal management, with a focus on cost-reductions that grow over time, more efficient and effective operations and maintaining services that are important to the people of Newfoundland and Labrador.

Despite facing significant external and internal pressures over the past four years, we have maintained a steady course of deficit reduction and have met our fiscal targets each year. Government remains committed to its balanced approach to fiscal management.

A handwritten signature in black ink, appearing to read 'Tom Osborne', is positioned above the printed name and title.

**TOM OSBORNE
MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD**

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**Understanding the Financial Health of the Province of
Newfoundland and Labrador**

For the Fiscal Year Ended 31 March 2019

INTRODUCTION

This financial statement discussion and analysis report precedes the Public Accounts to provide an overview of changes in government's financial position and highlight key figures and comparatives. The report is prepared by the Office of the Comptroller General and is not subject to an audit opinion; however, the information analyzed in the report is based on what is reported in the audited Public Accounts.

FINANCIAL REPORTS

The Public Accounts are the audited consolidated summary financial statements of the Province. They are prepared using the **accrual basis** of accounting in accordance with standards established by the Public Sector Accounting Board (PSAB) and audited by the Auditor General. The financial statements contain Original Budget figures for comparison purposes, where applicable.

Within the annual Original Budget Speech is a series of statements which are comparable to the Public Accounts as both are prepared using the accrual basis of accounting and both consolidate the financial statements of core government departments with that of various Crown Corporations, Boards and Authorities, as approved by Treasury Board. These organizations are controlled by government and are accountable to either a Minister of the government department or directly to the Legislature for the administration of their financial affairs and resources.

The Public Accounts also contain supplemental financial information of the Consolidated Revenue Fund. The Consolidated Revenue Fund is comprised of all public money that is controlled by government. This financial information is essentially the unaudited financial statements of the aggregate core government departments. These statements are prepared on an accrual basis in accordance with standards established by the PSAB and can be found as an appendix within the Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund is an additional annual financial report prepared during the Public Accounts process. It is prepared using the modified **cash basis** of accounting. It presents the details of the actual revenues and expenditures of core government departments that were receipted and disbursed in the fiscal year. It is the companion document to the Estimates as it portrays actual cash revenues received and compares amounts spent against the amounts appropriated. This report is not subject to an audit opinion, but is tabled in the House of Assembly and is published on the Department of Finance website.

The Public Accounts of the Province are tabled in the House of Assembly in accordance with Section 60 of the *Financial Administration Act*.

All of these, as well as other financial reports can be found on the Department of Finance website at:

<http://www.fin.gov.nl.ca/fin/publications/index.html>

WHAT TO EXPECT IN THIS REPORT

In this report you can expect to find variance analysis between the Original Budget deficit as per the Original Budget Speech and the actual deficit as per the Statement of Operations found in the Public Accounts. The Original Budget Speech represents government's forecast for the fiscal year while the Public Accounts report the financial results of that fiscal year. The comparison of Original Budget to actual promotes accountability and provides explanations of significant variances.

A comparison of current and previous year financial results and trend analysis is included to illustrate how the financial results of the current year relate to the results of prior years. It demonstrates government's position and highlights any significant changes that have occurred.

A summary of risks that may impact the financial position of the Province is presented to highlight potential changes and government's plans to mitigate them.

The financial statement discussion and analysis report will also summarize an outlook on 2019 by providing available information on what can be expected to impact government's financial position in the future.

Refer to the glossary of terms on page 41 for definitions and explanations of key terms that have been bolded throughout the document.

FINANCIAL HIGHLIGHTS

The Public Accounts contains five financial statements. Each statement includes important information that is necessary to obtain a complete understanding of the Province's financial position. The financial statements present prior year results and Original Budget figures, where possible, for comparative purposes. Certain comparative figures have been reclassified to conform to the basis of presentation adopted during the current reporting period. This section provides a summary of key financial statement highlights of the Public Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- Presents **financial assets**, liabilities and **non-financial assets** at a point in time. The statement calculates **net debt**, the difference between financial assets and liabilities; and **accumulated deficit**, the net financial position of government from all years of operations at a point in time.
- Net debt for the 2018-19 fiscal year is \$15.4 billion. The accumulated deficit is \$10.8 billion.
- As at 31 March 2019, both net debt and accumulated deficit are larger than they were at the end of the previous fiscal year. This is primarily due to an 11.1% increase in **net borrowings** during the fiscal year as well as the \$552.1 million **annual deficit** for the period.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

- Highlights the changes in Net Debt from the previous fiscal year and provides a comparison to Original Budget figures.
- This statement shows that net debt totaled \$15.4 billion in the 2018-19 fiscal year and increased 4.8% in comparison to the prior year (31 March 2018 - \$14.7 billion).
- The assets and liabilities contributing to the change in net debt are presented in the Consolidated Statement of Financial Position. The intent of this statement is to report the extent the surplus/deficit has impacted net debt after removing the effects of changes to non-financial assets (i.e. **tangible capital assets**) from the surplus/deficit. As well, any changes in accounting policy or restatements of prior year's results are also reflected on this statement.

CONSOLIDATED STATEMENT OF OPERATIONS

- Reports the revenues and expenses from operations in a fiscal year, the resulting surplus or deficit and provides a comparison to Original Budget figures and previous year actuals.
- The provincial deficit of \$552.1 million represents a decrease of \$130.8 million compared to the \$682.9 million deficit originally budgeted for 2018-19 fiscal year. Furthermore, the annual deficit in 2018-19 decreased by \$358.7 million from the prior year (31 March 2018 - \$910.8 million).
- For the fiscal year ended 31 March 2019, total revenue was \$7.8 billion (31 March 2018 - \$7.3 billion) and total expenses were \$8.4 billion (31 March 2018 - \$8.2 billion).

- Revenues increased by 7.5% from the prior year and increased by 2.0% from the Original Budget. Expenses increased by 2.3% from the prior year and increased from the Original Budget by only 0.3%.
- Despite the increase in revenues from prior year, they remained less than expenses, resulting in a deficit for the current fiscal year.

CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT

- Highlights the changes in accumulated deficit from the Original Budget and the previous fiscal year.
- Similar to the Statement of Change in Net Debt, the main increase in accumulated deficit in 2018-19 is also due to the deficit for the current year.
- The accumulated deficit of \$10.8 billion for 2018-19 increased by \$0.6 billion in comparison to 2017-18 of \$10.2 billion.

CONSOLIDATED STATEMENT OF CASH FLOWS

- Explains the change in cash and temporary investments from the previous fiscal year to the government generated and disbursed cash in the current fiscal year.
- Cash and temporary investments decreased by 27.5% from the previous fiscal year. Despite an increase in cash and temporary investments resulting from financing activities of \$1.3 billion, including the issuance of additional \$1.5 billion in new debt, overall cash flows declined primarily due to the expenditures exceeding revenues as represented in the annual deficit.

KEY FINANCIAL HIGHLIGHTS

For the fiscal year ended 31 March 2019
(In \$ millions)

	Original Budget 2018-19 ¹	Actual Results 2018-19	Actual Results 2017-18	Change from Original Budget			Change from Prior Year Actual Results		
				\$	%	↕↕	\$	%	↕↕
REVENUE									
Provincial									
Taxation	3,865.1	4,044.2	3,767.1	179.1	4.6	↑	277.1	7.4	↑
Investment	77.2	106.9	103.9	29.7	38.5	↑	3.0	2.9	↑
Fees and fines	338.6	346.0	364.3	7.4	2.2	↑	(18.3)	(5.0)	↓
Offshore royalties	999.9	1,082.5	943.9	82.6	8.3	↑	138.6	14.7	↑
Other	655.1	575.3	543.3	(79.8)	(12.2)	↓	32.0	5.9	↑
Total Provincial	5,935.9	6,154.9	5,722.5	219.0	3.7	↑	432.4	7.6	↑
Federal	1,308.1	1,181.7	1,184.2	(126.4)	(9.7)	↓	(2.5)	(0.2)	↓
Net income of government business enterprises and partnerships	429.4	490.3	373.4	60.9	14.2	↑	116.9	31.3	↑
Total Revenue	7,673.4	7,826.9	7,280.1	153.5	2.0	↑	546.8	7.5	↑
EXPENSE									
Salaries and employee benefits	3,451.3	3,487.2	3,513.4	35.9	1.0	↑	(26.2)	(0.7)	↓
Grants and subsidies	1,771.3	1,644.9	1,585.1	(126.4)	(7.1)	↓	59.8	3.8	↑
Operating costs	1,295.0	1,258.7	1,161.7	(36.3)	(2.8)	↓	97.0	8.3	↑
Debt expenses	1,007.1	1,039.7	997.8	32.6	3.2	↑	41.9	4.2	↑
Professional services	534.7	535.7	528.6	1.0	0.2	↑	7.1	1.3	↑
Other	296.9	412.8	404.3	115.9	39.0	↑	8.5	2.1	↑
Total Expense	8,356.3	8,379.0	8,190.9	22.7	0.3	↑	188.1	2.3	↑
ANNUAL DEFICIT	(682.9)	(552.1)	(910.8)	130.8	(19.2)	↓	358.7	(39.4)	↓

¹ The Budget figures are from pages *ii* and *vii* of the Budget Speech Statements and Schedules.

HISTORICAL DATA

For the past 5 fiscal years
(\$ thousands)

	2015	2016	2017	2018	2019	5 Year Trend
Total Revenue	6,921,117	5,977,155	7,157,066	7,280,145	7,826,842	↑
Total Expense	7,927,021	8,183,214	8,304,838	8,190,895	8,378,965	↑
Surplus (Deficit)	(1,005,904)	(2,206,059)	(1,147,772)	(910,750)	(552,123)	↓
Financial Assets	5,106,497	6,830,115	7,648,635	7,858,667	8,076,375	↑
Liabilities:						
Borrowings	5,427,494	8,974,249	10,415,024	11,505,532	12,797,070	↑
Group Health/ Life Insurance	2,609,492	2,770,744	2,854,068	2,937,396	3,035,970	↑
Pension	4,419,665	4,657,753	4,908,340	4,952,465	4,927,736	↑
Other Liabilities	2,980,321	2,931,422	3,069,009	3,136,990	2,689,570	↓
Net Debt	10,330,475	12,504,053	13,597,806	14,673,716	15,373,971	↑
Non-Financial Assets	4,349,277	4,439,421	4,405,957	4,493,026	4,610,337	↑
Accumulated Deficit	5,981,198	8,064,632	9,191,849	10,180,690	10,763,634	↑

CONSOLIDATED FINANCIAL RESULTS

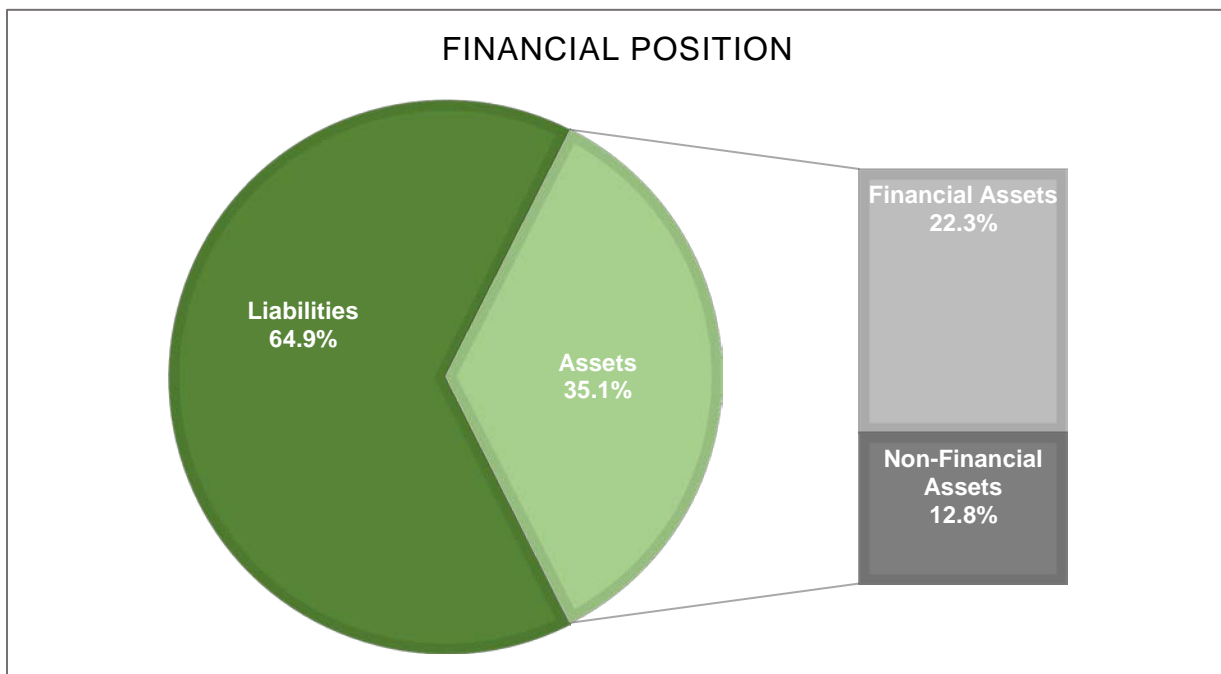
The largest expense variance between actual results and Original Budget figures relates to grants and subsidies. Grants and subsidies were \$126.4 million lower than the projected amount.

Operating costs are the largest variance from the previous fiscal year. The operating costs expense for 2018-19 increased by \$97.0 million from 2017-18.

Further details regarding these and other significant variances can be found later in this report.

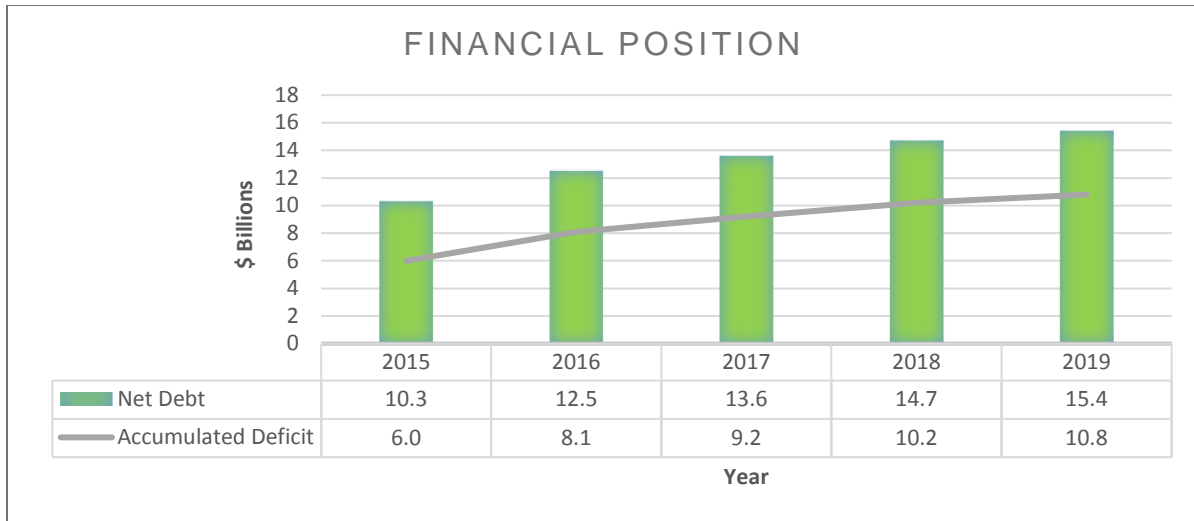
FINANCIAL POSITION

The Province experienced a deficit in 2018-19 for the seventh consecutive year. Newfoundland and Labrador continues to face economic, social and fiscal challenges including a large level of debt. To ensure the future financial health of the Province, it is necessary that we continue to manage our fiscal situation while still focusing on delivery of valuable programs and services; achieve better outcomes for our investments; and create an environment that supports economic development and job creation, and creates opportunities for residents.



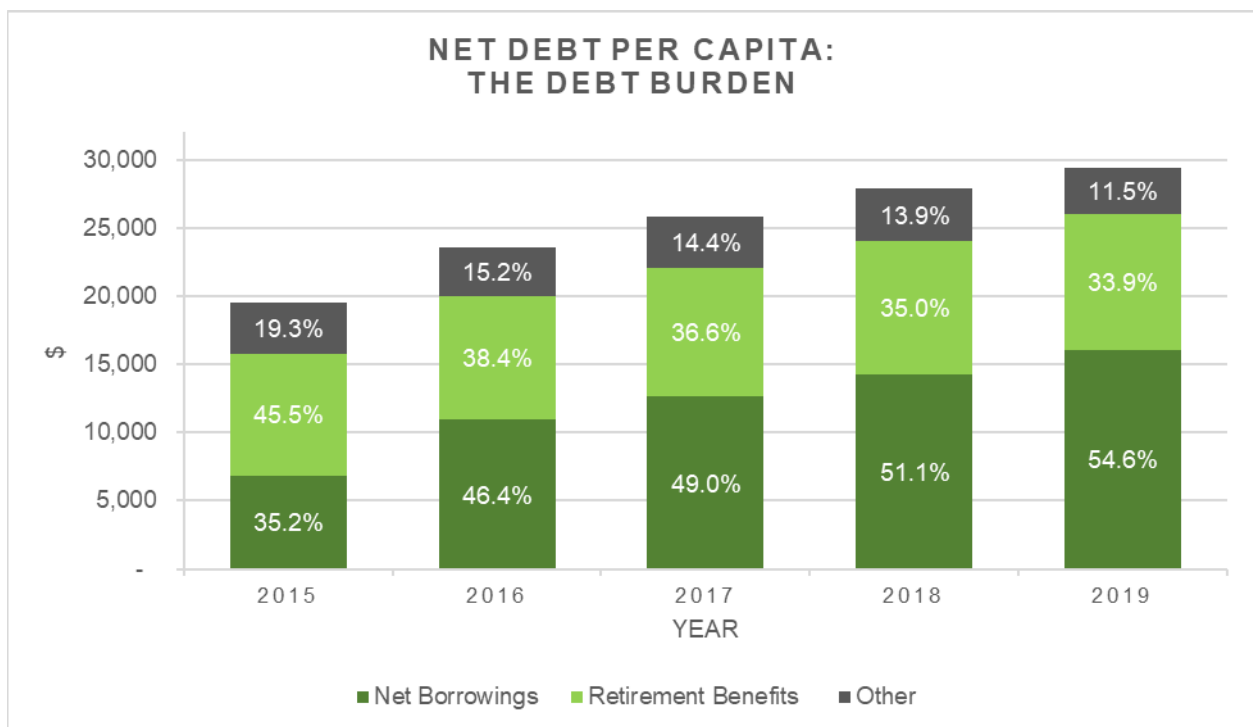
The Province's accumulated deficit position and net debt as at 31 March 2019 is presented in the following chart. The Province's net debt totals \$15.4 billion and represents the amount needed to be funded from future generations to pay for past activities.

Net debt increased by \$0.7 billion and accumulated deficit increased by \$0.6 billion from the previous year mainly due to the annual deficit. Details of the annual deficit will be discussed later in this report.



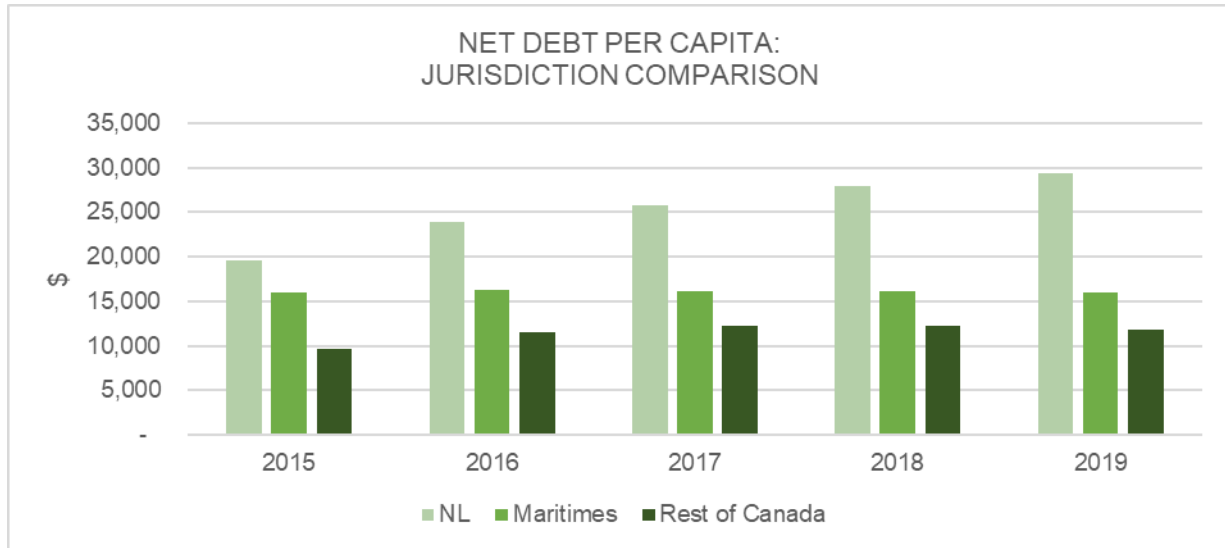
NET DEBT PER CAPITA

Net debt per capita indicates the average amount of the Province’s net debt attributed to each citizen of the Province and is calculated by dividing the net debt by the Province’s population. Each citizen’s share of the net debt increased in 2018-19. As presented in the chart that follows, net debt per capita increased from \$27,898 in 2017-18 to \$29,422 in 2018-19. This increase of \$1,524 per person is primarily the result of the increase in the Province’s net debt combined with a slight decrease in population. The following graph also indicates the portion of each type of debt that makes up the net debt per capita.



The rise in net debt per capita is primarily due to the increases in net debt over the past five years combined with slight decreases in population in the past two years.

The following chart presents the Province's net debt per capita in comparison to the Maritime Provinces and the rest of Canada.



*Note: Original Budget figures were used where the Public Accounts actual results were not available.

Newfoundland and Labrador's net debt per capita has been greater than the average of the other jurisdictions for the past five years. This gap has grown significantly wider since 2015-16. The Maritimes' net debt per capita has decreased slightly from 2017-18. Net debt per capita for the rest of Canada has also decreased slightly and is under half of that of Newfoundland and Labrador.

The Province has a smaller population to carry the net debt burden. The average population for the last five years for the Province, and the Maritimes and the rest of Canada per jurisdiction is presented below. As shown, the average population for the country has remained steady.

<i>Average Population per jurisdiction (in 000's)</i>	2015	2016	2017	2018	2019 ^[1]	5 Year Change
NL	528.7	530.1	527.3	526.0	522.5	(6.2)
Maritimes	614.8	618.3	620.2	624.2	631.7	16.9
Rest of Canada	3,719.5	3,766.8	3,800.2	3,852.0	3,888.3	168.8

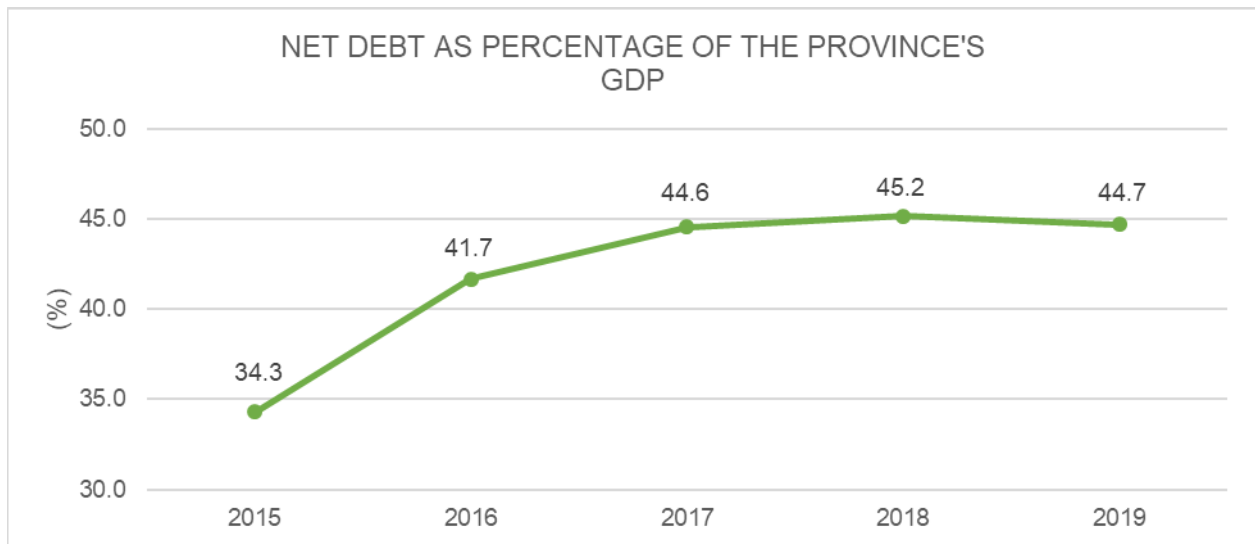
^[1] Source: Statistics Canada, Demography Division

NET DEBT AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT (GDP)

This ratio measures the level of debt that the Province carries as a percentage of its **GDP**. GDP figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest information available as of 31 March 2019.

As presented in the following graph, there has been a decrease in net debt as a percentage of GDP in the current year resulting from an expansion in the economy. On a five-year basis, the relationship implies that the rate of increase in net debt has largely been greater than the rate of economic growth and as such, it indicates that Government has increased its demands on the provincial economy during this time.

The 2018-19 ratio is 44.7%, a decrease of 0.5 percentage points from 2017-18. The average of this ratio over the past five years is 42.1%. Since 2015, it has experienced a significant increase of approximately 10.4 percentage points.



NET DEBT AND ACCUMULATED DEFICIT

For the fiscal year ended 31 March 2019, net debt of \$15.4 billion included net borrowings of \$13.0 billion. Net debt for the fiscal year ended 31 March 2019 increased from the previous year by \$0.7 billion or 4.8% and net borrowings increased by \$1.3 billion which represents an 11.1% increase.

The net debt is the difference between total financial assets of \$8.1 billion and liabilities of \$23.5 billion. The Province's net debt, less non-financial assets of \$4.6 billion, results in an accumulated deficit of approximately \$10.8 billion.

Net debt and accumulated deficit are comprised of the following components:

(\$ billions)	2019	2018	2017	2016	2015
Borrowings (net of sinking funds)	13.0	11.7	10.6	9.1	5.5
Unfunded Pension Liability	4.9	5.0	4.9	4.7	4.4
Group Health and Life Insurance Retirement Benefits	3.0	2.9	2.9	2.8	2.6
Other Liabilities	2.6	2.9	2.8	2.7	2.9
Less: Total Financial Assets	(8.1)	(7.8)	(7.6)	(6.8)	(5.1)
Net Debt	15.4	14.7	13.6	12.5	10.3
Less: Tangible Capital Assets	(4.5)	(4.4)	(4.3)	(4.3)	(4.2)
Less: Other Non-financial Assets	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Accumulated Deficit	10.8	10.2	9.2	8.1	6.0

As shown in the previous table, accumulated deficit and net debt have both increased from 2015 to 2019. This can be attributed primarily due to the additional borrowings of \$7.5 billion obtained by the Province during this period; this amount of additional debt is greater than the total borrowings of \$5.5 billion in 2015.

BORROWINGS

For the fiscal year ended 31 March 2019, net borrowings totaled \$13.0 billion and increased by \$1.3 billion from 2018. For the current fiscal year, borrowings attributed for 55.4% of total liabilities.

DEBT RELATED RISK

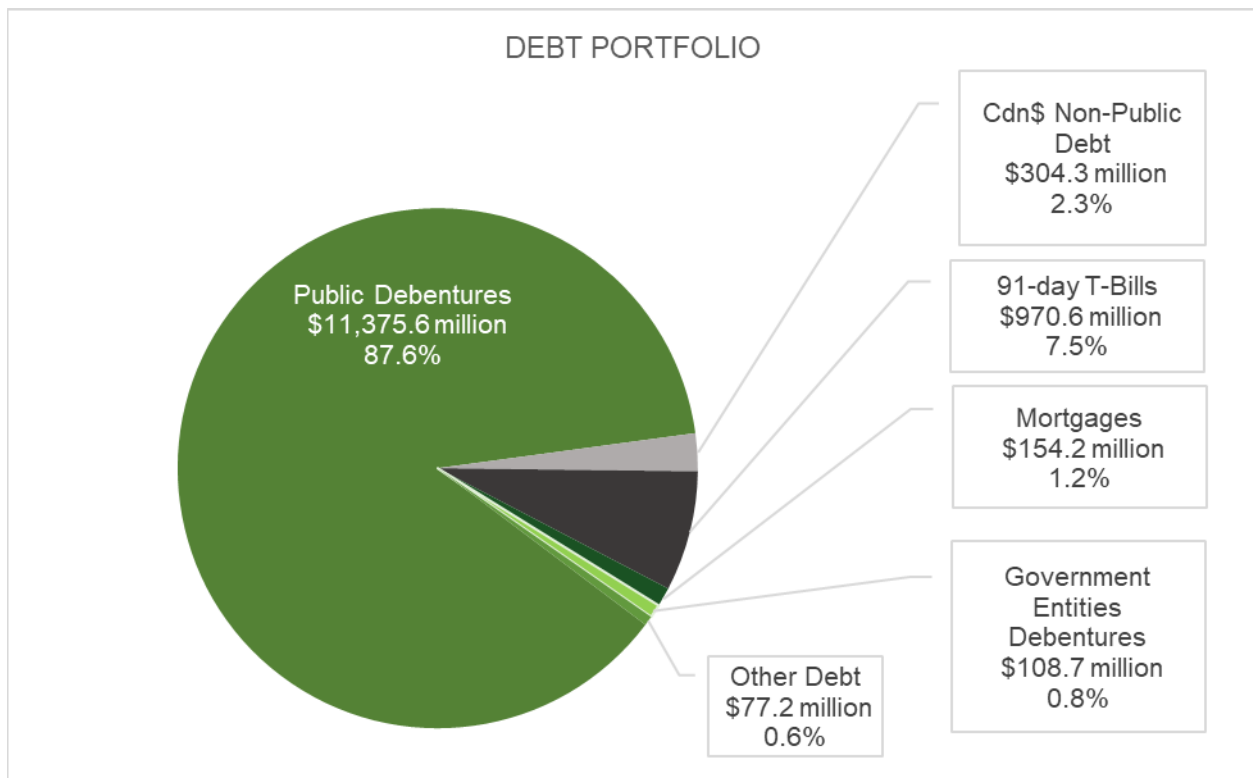
The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including foreign exchange risk, liquidity risk, interest rate risk, and credit risk.

- **Foreign exchange risk:** Foreign exchange risk exists when a financial transaction is denominated in a currency other than that of the base currency of the Province (CAD). While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. An increase/decrease of one cent in the foreign exchange rates at 31 March 2019 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2018 - \$10.5 million). Original Budget 2018-19 forecasts the US-Canada exchange rate to be \$0.79. This estimate is based on an average of eight forecasts and was a prudent estimate based on best available information. The average US-Canada exchange rate for 2018-19 was \$0.76 (2017-18 - \$0.78).
- **Liquidity Risk:** Liquidity risk is the risk that a party cannot meet its short-term debt obligations. Exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.
- **Interest Rate and Credit Risk:** Interest rate risk and credit risk are also a risk factor for the Province of Newfoundland and Labrador. Interest rate risk is the risk that debt-servicing costs will increase due to changes in interest rates. Credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a financial instrument contract. To mitigate these risks, the Province's debt portfolio is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Additionally, the Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy.

DEBT PORTFOLIO

The Province's debt portfolio is comprised of the following:

- \$11.4 billion in public debentures of which 25% are due in 25 years or more, pertaining to the Consolidated Revenue Fund. 88% is Canadian while the remaining 12% is foreign debt (US).
- \$970.6 million of 91-day T-bills (floating-rate revolving debt).
- \$304.3 million of Canadian non-public debentures; Canadian Pension Plan (CPP) related debt.
- \$154.2 million in various mortgages and debt assumed relating to electricity generating assets. Mortgages pertaining to Canada Mortgage and Housing Corporation (CMHC) represents 55% of total mortgages.
- \$108.7 million in debenture debt held by government entities.
- \$62.5 million in various other debt including \$6.0 million in short-term bankers' acceptances which mature during the 2019-20 fiscal year.
- \$14.7 million in loans with both fixed and variable interest rates for the purposes of funding student transportation for schools.



CREDIT RATING

The Province has committed to reducing the annual deficit to sustainable levels, and setting the foundation for a return to surplus which has been reflected in stable credit ratings.

Moody’s Investors Service indicated that while it did lower the province’s credit rating in 2019, it also improved the economic outlook from negative to stable. Although the province is expected to continue to post consolidated deficits which will require debt accumulation, the pace of this will moderate and result in a stabilization of the province’s debt burden over the forecast horizon.

Standard and Poor’s Financial Services (S&P) expects that, as a result of persistent efforts to further lower operating and after-capital deficits, the Province of Newfoundland and Labrador will remain on target to achieve balance in 2022-23. As such, ratings remain stable.

DBRS has also reconfirmed the Province’s credit ratings as stable, stating that following the re-election of the Liberal government in May 2019, the government has maintained its plan to balance the provincial budget by 2022-23. While the fiscal and economic outlook remains challenging, the government’s efforts have significantly reduced annual budget deficits and slowed the pace of debt growth.

The Province’s long-term and short-term ratings were recently affirmed as follows:

	Long-Term	Short-Term	Outlook	Date
S&P	A	A-1	Stable	August 8, 2019
Moody’s	A1	Not rated	Stable	July 24, 2019
DBRS	A (low)	R-1 (low)	Stable	September 26, 2019

NON-FINANCIAL ASSETS

The total non-financial assets of \$4.6 billion in 2018-19 included prepaid and deferred charges of \$45.6 million; inventory of supplies of \$71.1 million; and tangible capital assets of \$4.5 billion, the most significant component.

Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

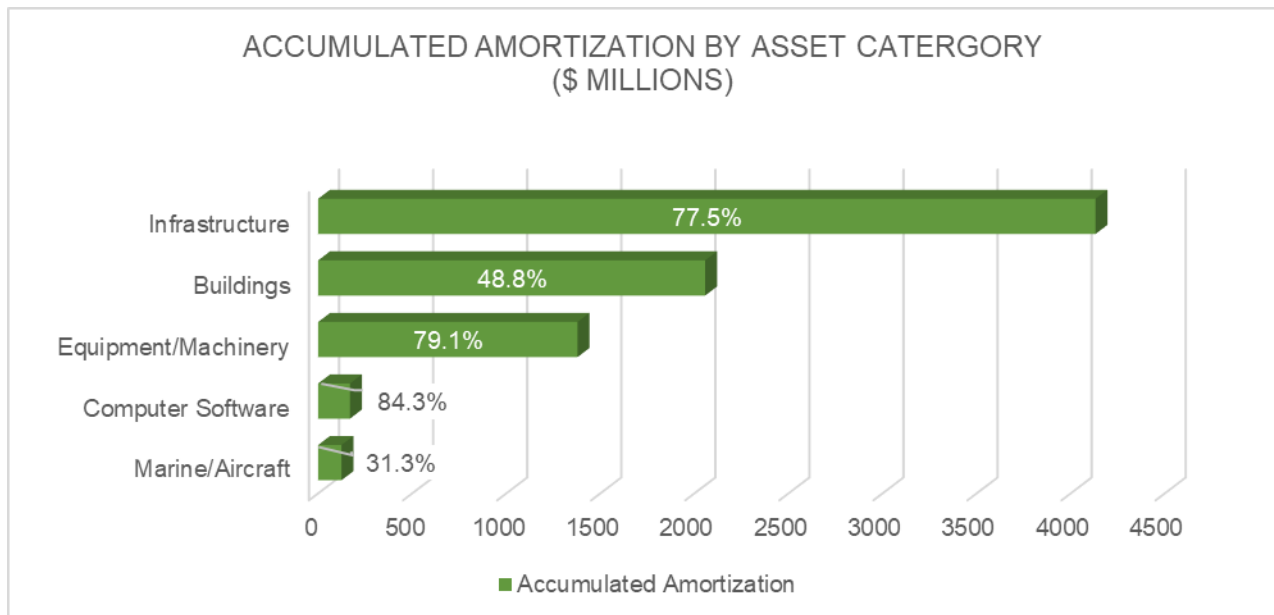
Accumulated Amortization

Total accumulated amortization of tangible capital assets (excluding work in progress assets) represents 66.1% of the cost of tangible capital assets. The most significant of the asset categories that are amortized are computer software and equipment and machinery where 84.3% and 79.1% of the original cost has been amortized respectively.

The Province's infrastructure, such as bridges and roads, has less than one quarter of its useful life remaining. Computer software, as well as equipment and machinery have a relatively short useful life. It is expected that these assets will be replaced more frequently due primarily to changing technologies.

The Province currently has a number of projects under construction or development. Work in progress assets consists of \$468.6 million as at 31 March 2019 which is a \$52.3 million or a 12.6% increase from 2018. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

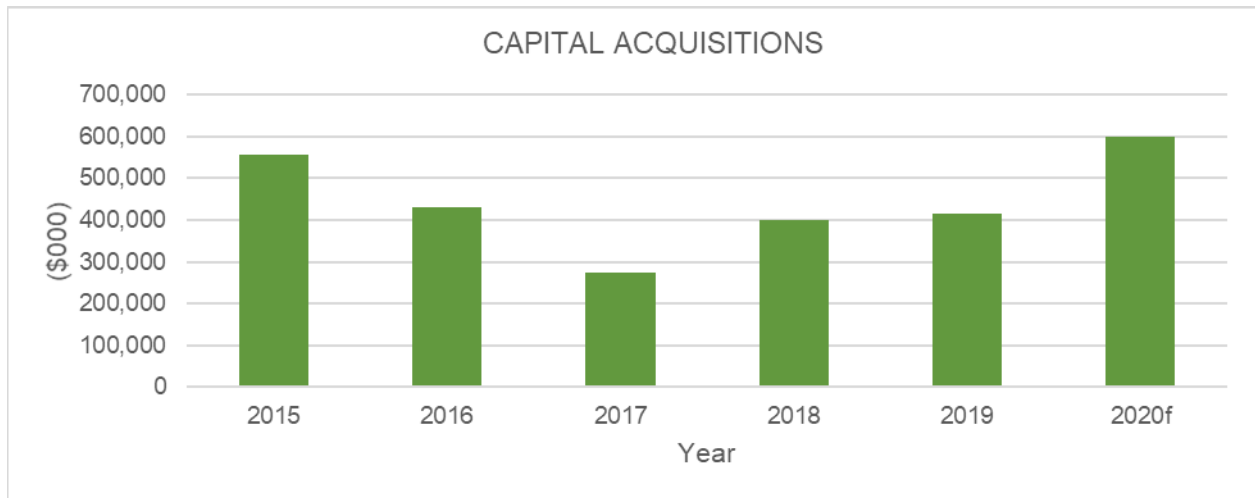
The following chart presents the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2019.



Capital Acquisitions

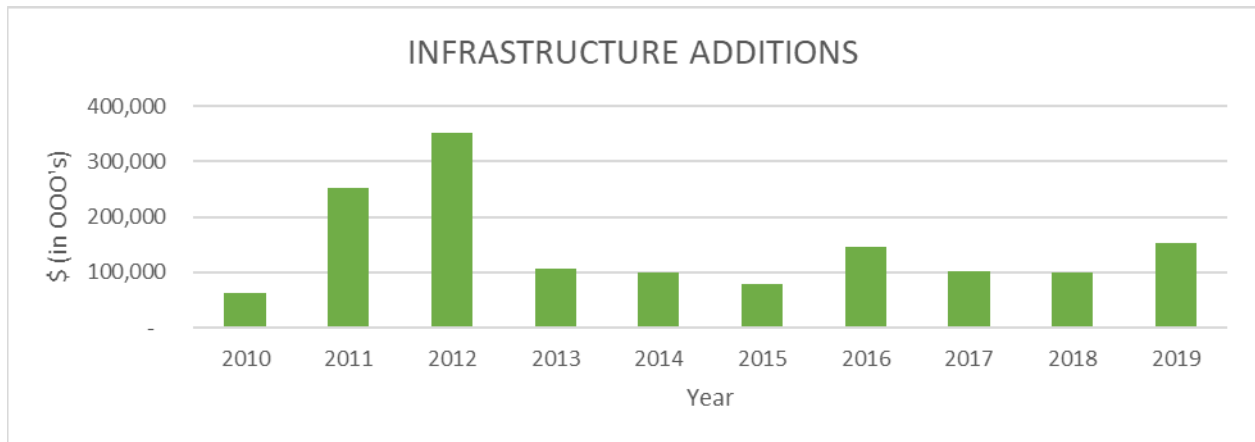
Capital Acquisitions in the current year totaled \$415.1 million and includes capital additions of \$361.1 million, net additions to work in progress assets of \$237.8 million, less \$183.8 million of work in progress assets capitalized in the year. Acquisitions increased in 2018-19 by \$14.2 million from 2017-18 (\$400.9 million). The Province continues to invest in capital assets and is forecasting to increase capital acquisitions by \$182.7 million in 2019-20.

Original Budget for fiscal 2019-20 invests \$594.3 million in key infrastructure areas including roads, schools, health care facilities and municipal infrastructure projects to encourage economic growth and assist with leveraging federal funding. This investment is part of a nearly \$3.0 billion multi-year infrastructure plan. Acquisitions to tangible capital assets for the past five years were reported as follows:



Infrastructure Additions

Although infrastructure is reported as 77.5% amortized, this does not necessarily describe the age of this asset category. The Province continues to invest in roads, bridges, waterways and dams. The following graph presents reported infrastructure additions for the last ten fiscal years. Note that this graph does not include work-in-progress infrastructure.



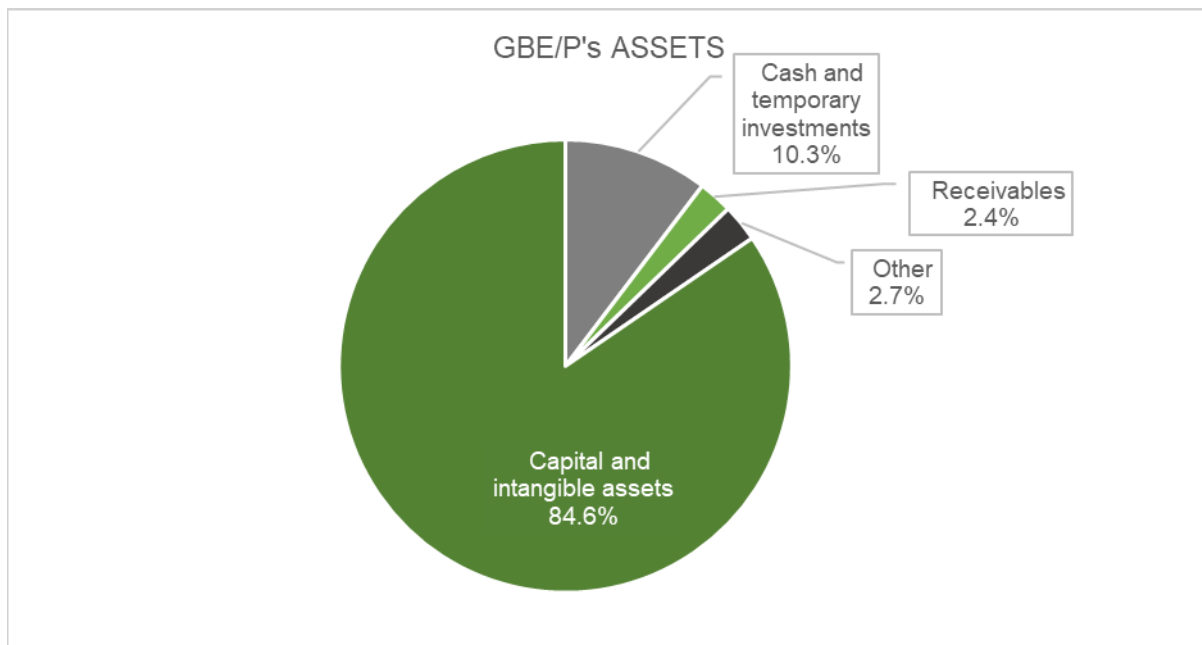
GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP

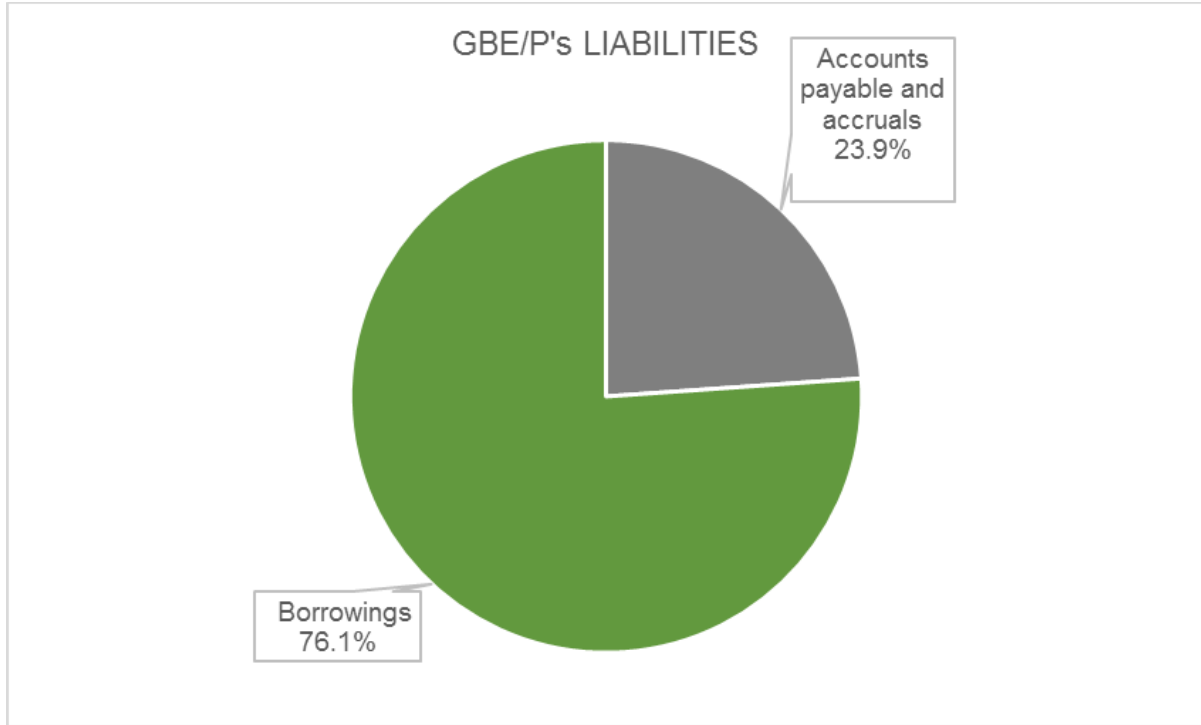
The Province has two Government Business Enterprises (GBEs) including Newfoundland Labrador Liquor Corporation (NLC), and Nalcor Energy (Nalcor); and one Government Business Partnership (GBP), Atlantic Lottery Corporation Inc. (ALC). NLC is a provincial crown corporation responsible for managing the importation, sale and distribution of alcohol beverages and cannabis throughout the Province. Nalcor is incorporated as a crown corporation and its business includes the development, generation, transmission and sale of electricity, oil and gas, industrial fabrication and energy marketing. ALC has been appointed to undertake, conduct and manage lotteries by and on behalf of the Provinces of Newfoundland and Labrador, New Brunswick, Nova Scotia and Prince Edward Island. ALC was consolidated in the Province's Consolidation Summary Financial Statements for the first time in fiscal 2013-14.

Equity In Government Business Enterprises and Partnership

Equity in GBEs and GBPs account for more than half of the Province's consolidated financial assets in 2018-19. Financial figures for ALC, NLC, and Nalcor can be found in Schedules 3 and 4 of the Consolidated Summary Financial Statements.

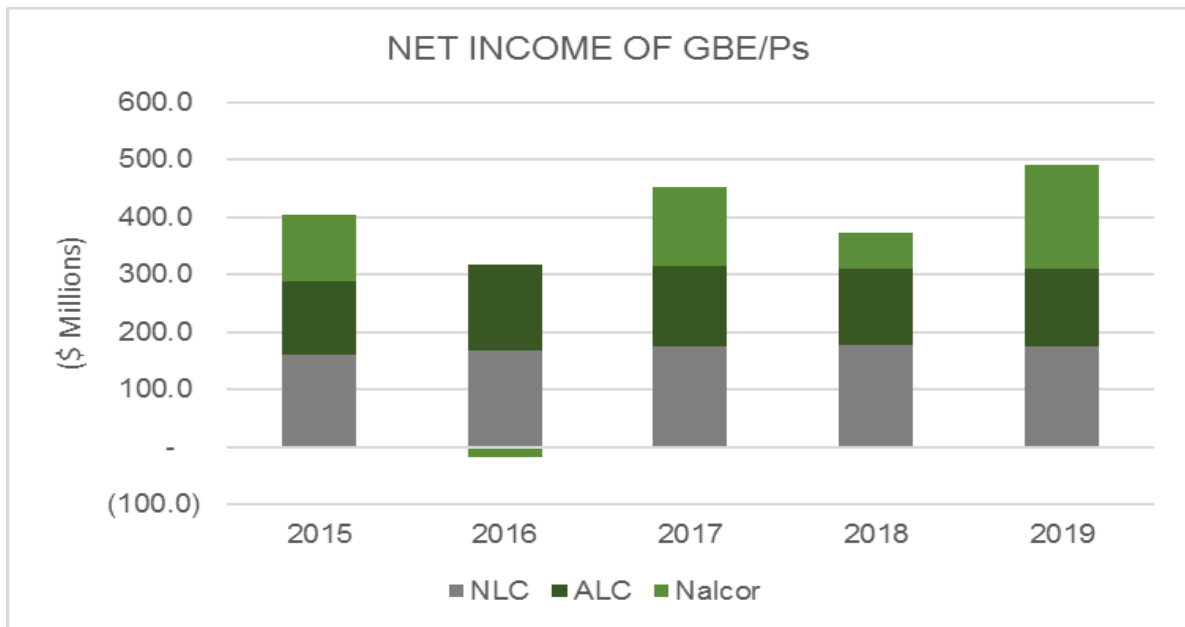
GBEs and GBPs are considered investments therefore their assets and liabilities are not combined with the assets and liabilities of other government entities; they are recorded in one line as 'equity on government business enterprises and partnership' on the Consolidated Statement of Financial Position. To provide further information on the financial position of these organizations the following provides an overview of their asset and liability components. 99.7% of GBE/GBP borrowings relate to Nalcor as does 99.6% of the GBE/GBP capital and intangible assets.





Net Income of Government Business Enterprises and Partnership

The following graph shows the five-year trend in GBEs and GBPs net income. Total net income for the current year from GBE/GBPs was \$490.3 million. This is an increase of \$116.9 million and 31.3% from 2017-18 (\$373.4 million). The increase in net income was mainly due to the financial results from Nalcor, reporting net income of \$180.2 million in the fiscal year, which was an increase in profit of \$117.9 million over 2017-18.



Key drivers relating to the increase of \$117.9 million in net income for Nalcor included:

- Revenue increased by approximately \$88.9 million primarily related to:
 - \$92.0 million increase in Oil and Gas revenue as a result of higher average Dated Brent oil prices and an increase in production volumes.
 - \$53.0 million increase in Hydro revenue attributed to the Rate Stabilization Plan (RSP), combined with the implementation of higher electricity rates.
 - \$56.1 million net decrease in various other sources.
- Expenses decreased by approximately \$29.0 million primarily relating to :
 - \$114.0 million decrease in non-recurring expenses recognized in 2017 related to the impairment of exploration intangible assets and capitalized Gull Island project costs.
 - \$37.0 million decrease in fuel consumption that was partially offset by increases in fuel prices.
 - \$45.0 million increase due to a reduction in regulatory recoveries due to RSP amortization and deferred fuel costs as a result of the normal operation of the RSP, and favourable impacts of the 2013 Amended General Rate Application (GRA) Order approving the 2014-16 cost and energy supply deferrals.
 - \$77.0 million net increase in various other sources.

Investment in Government Business Enterprises and Partnership

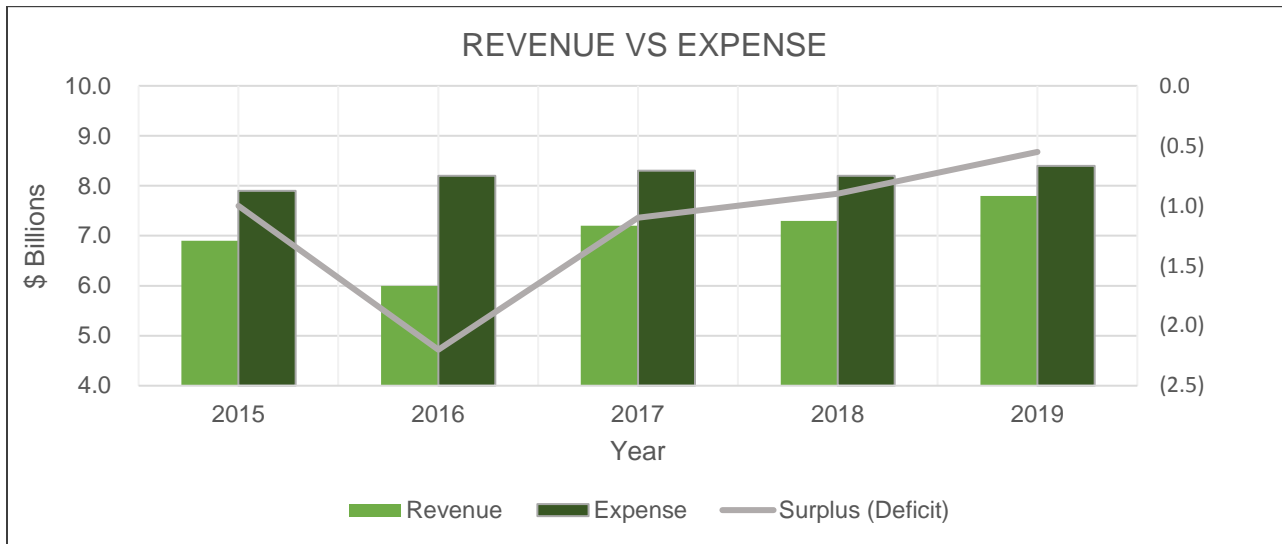
The Province injected \$533.7 million in Nalcor during 2018-19 in the form of equity investments relating to the Lower Churchill Project. ALC and NLC transferred a combined total of over \$315.3 million in dividends to the Province. Greater than 99% of the Province's equity in GBE/GBPs relate to Nalcor.

Capital Transactions

	2015	2016	2017	2018	2019
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity Contributions from the Province:					
Nalcor	337,600	760,004	836,002	589,885	533,658
NLC	-	-	-	-	-
ALC	-	-	-	-	-
Total	337,600	760,004	836,002	589,885	533,658
Dividends Received by the Province:					
Nalcor	-	-	-	-	-
NLC	170,500	158,500	198,000	180,000	183,600
ALC	125,196	144,784	135,193	130,084	131,705
Total	295,696	303,284	333,193	310,084	315,305

FINANCIAL OPERATIONS

For the fiscal year ended 31 March 2019, total revenue was \$7.8 billion (31 March 2018 - \$7.3 billion) and total expenses were \$8.4 billion (31 March 2018 - \$8.2 billion), resulting in a provincial deficit of \$552.1 million (31 March 2018 - \$910.8 million). The Province reported revenues and expenses for the previous five years as follows:



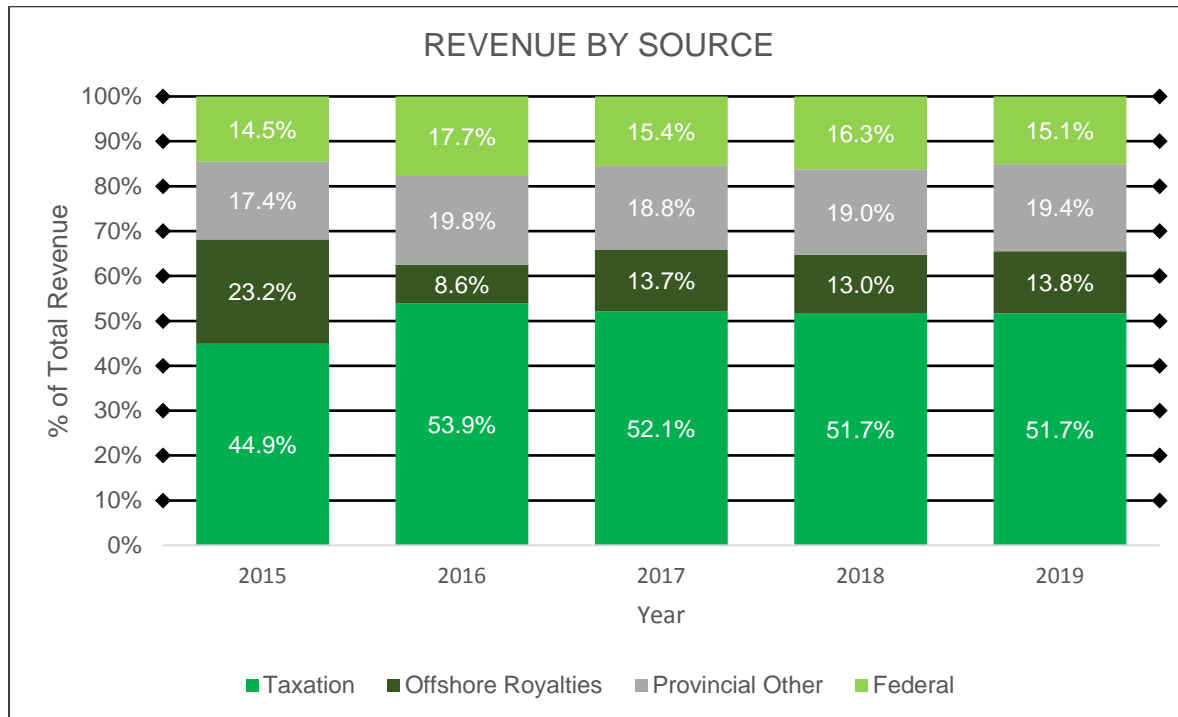
In the previous graph, the five-year trend in surplus (deficit) is shown in relation to revenues and expenses. Since 2015, the Province’s annual deficit continued, reaching a low point of \$2.2 billion in 2015-16. However, the Province has shown somewhat improved financial results since then.

Revenue Highlights

Revenues of \$7.8 billion for 2018-19 were \$153.5 million higher than the Original Budget of \$7.7 billion. Reported revenues in 2017-18 were \$7.3 billion. Compared to the prior year, revenues increased by \$546.8 million. The improvement in the actual results for the fiscal year compared to the previous year is primarily due to higher offshore royalties and increased net income in GBEs.

Revenues by Source – Five Year Trend

The provincial and federal sources that make up total revenues for the past five fiscal periods are presented in the following graph.



Offshore Royalties

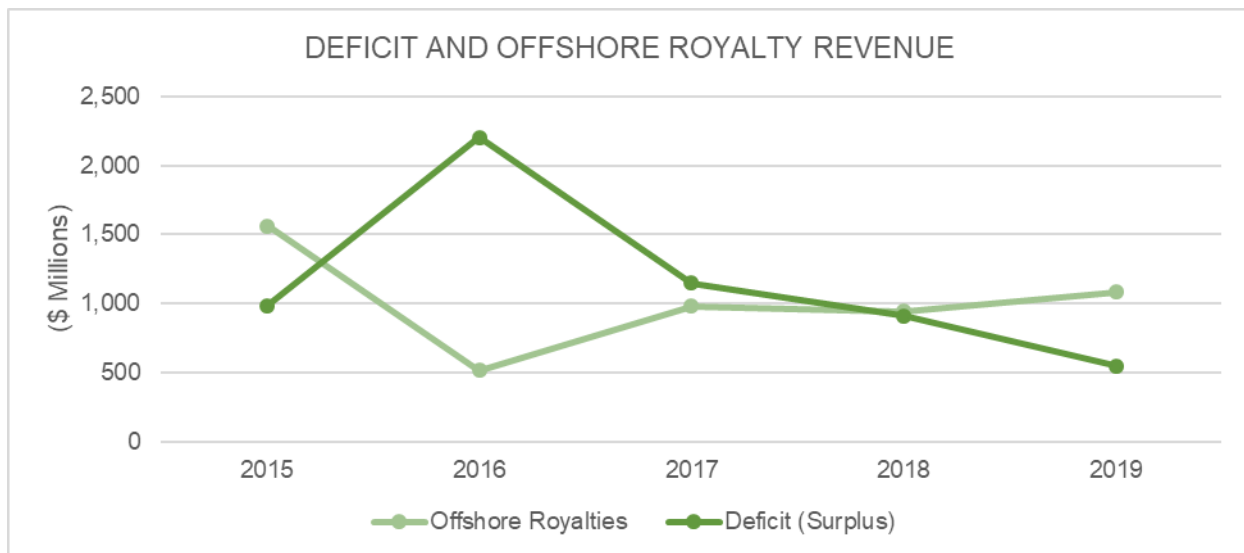
Oil royalties, which were forecast at Original Budget to be \$999.9 million resulted in actuals of \$1,082.5 million. Offshore oil royalty revenue was \$82.6 million higher than projected due to higher oil prices and higher production. Compared to previous year offshore royalties were \$138.6 million higher in 2018-19. The average oil price for the year was \$70.40 US, \$7.40 above the \$63.00 US forecasted at original budget time.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

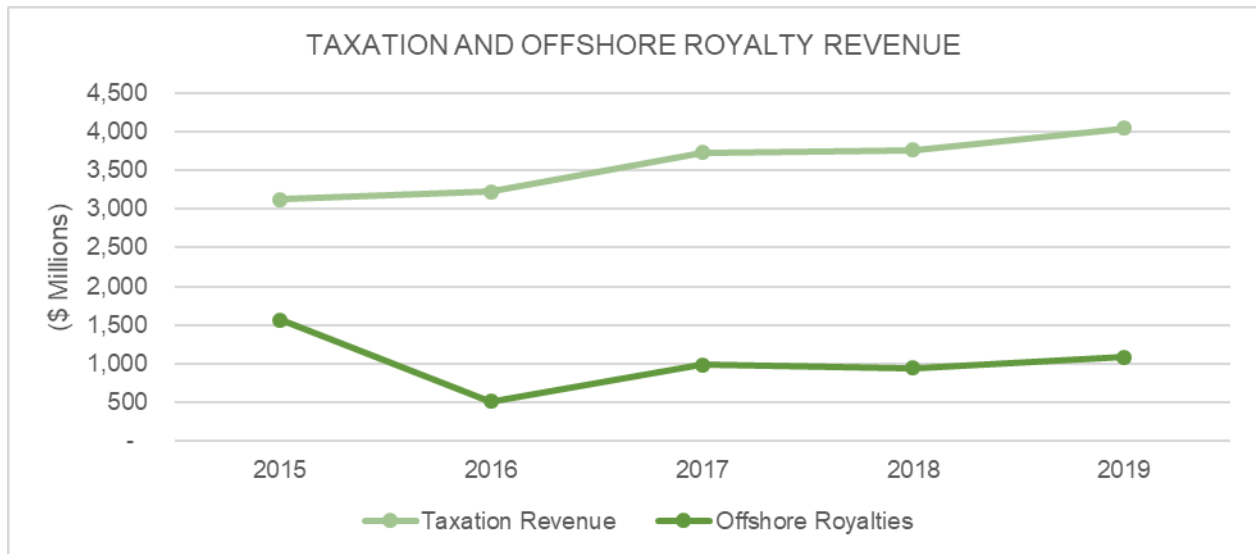
Total oil production was 3.41 million barrels lower than projected primarily due to a halt in White Rose operations in November 2018 because of an oil spill stemming from a failed flowline connector.

Offshore Oil Royalties, Actuals and Original Budget For Fiscal year ended 31 March 2019			
	Actuals	Budget	Variance
Royalties (\$M)	\$1,082.5	\$999.9	\$82.6
Average oil price per barrel (\$US)	\$70.40	\$63.00	\$7.40
Average exchange rate (\$US/\$CA)	0.76	0.79	(0.03)
Production (millions of barrels):			
Hibernia	40.80	45.02	(4.22)
Terra Nova	10.83	10.05	0.78
White Rose	6.48	12.05	(5.57)
Hebron	26.84	21.24	5.60
Total Oil Production	84.95	88.36	(3.41)

Note: Figures shown are for fiscal year 2018-19, and will differ from the calendar year figures presented in *The Economy* publications.



Offshore Royalty and Taxation Revenue – Five Year Trend



Taxation Revenue

- Actual Results 2018-19 in comparison to prior year resulted in increased revenue of \$277.1 million relating to:
 - \$182.8 million increase in revenue attributed to prior year adjustments to taxation revenues administered by the Federal Government on behalf of the province. These revenues include corporate income tax (increase of \$76.6 million), personal income tax (increase of \$74.7 million and sales tax (\$31.5 million).
 - \$141.3 million increase in mining and mineral rights tax primarily due the levying of audit assessments in 2018-19, which was partially offset by a decrease in revenue from iron ore related mining activities.
 - \$5.7 million net increase in Carbon, Cannabis, and other taxes. Carbon and Cannabis taxes were introduced in 2018-19.
 - \$52.7 million decrease in Gasoline tax due lower tax rates in 2018-19, further building upon the tax rate reductions introduced during 2017-18. As well, lower taxable volumes were reported during 2018-19 as compared to 2017-18.

- Actual Results 2018-19 in comparison to Original Budget resulted in an increase of \$179.1 million relating to:
 - \$169.3 million increase in mining and mineral rights tax primarily due to higher than anticipated audit assessments.
 - \$88.2 million net increase in taxation revenues administered by the Federal Government on behalf of the province stemming from higher 2019 entitlements and prior year adjustments that differed from those originally anticipated. These revenues include sales tax (\$68.0 million increase), corporate income tax (\$54.5 million increase) and personal income tax (\$34.3 million decrease).

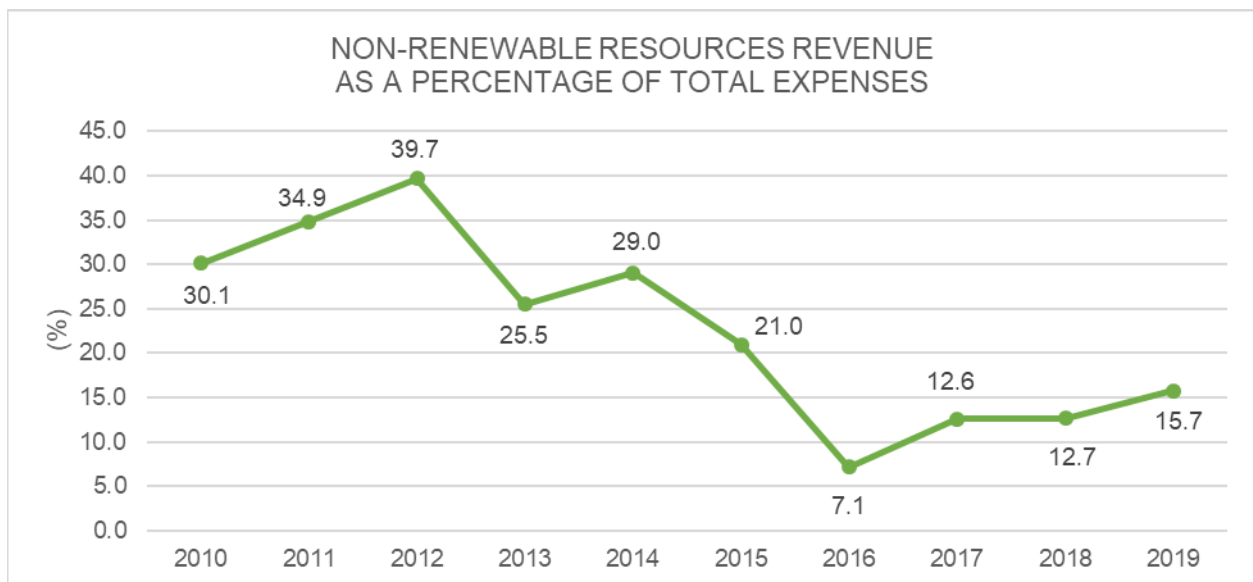
- \$36.1 million decrease in gasoline tax primarily due to a decrease in the diesel tax rate and lower taxable volumes reported during the fiscal year than budgeted.
- \$42.3 million net decrease in various other taxes.

Federal Source Revenue

- While there was only a decrease of \$2.5 million in Actual Results 2018-19 in comparison to prior year, Actual Results 2018-19 in comparison to Original Budget resulted in a significant decrease of \$126.4 million relating to infrastructure cost shared revenues. The reduced cost shared revenues can be primarily attributed to infrastructure project delays. These revenues should be received in future fiscal years as the related program expenditures are incurred.

NON-RENEWABLE RESOURCES REVENUE AS A PERCENTAGE OF TOTAL EXPENSES

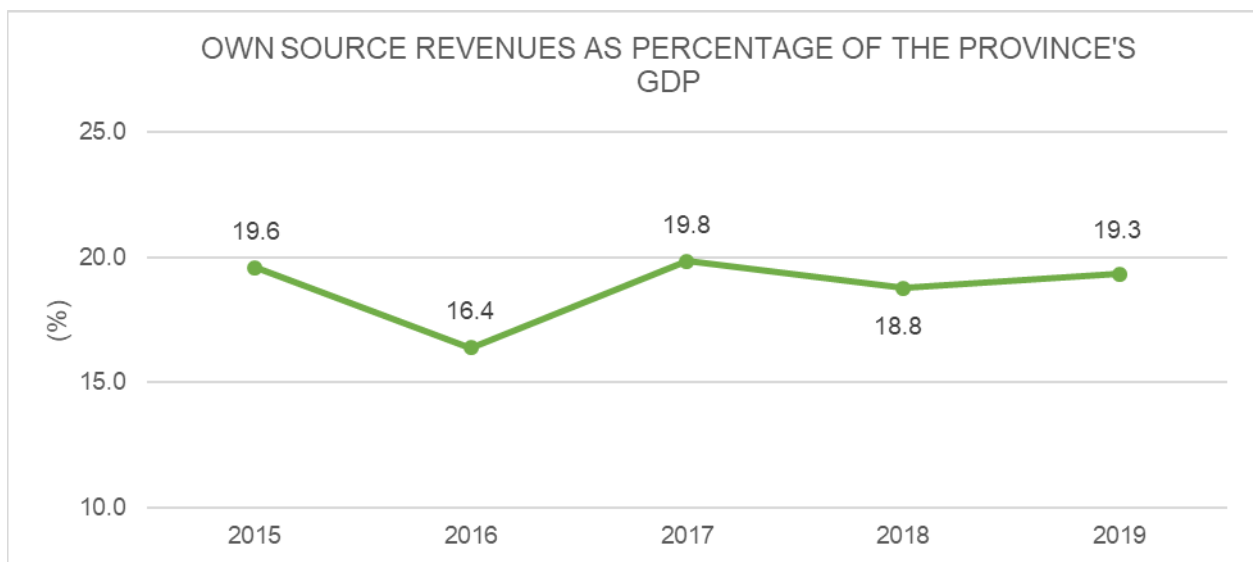
- Non-renewable resources revenue is affected by price, sales and other factors that are often beyond the Province's direct control. Non-renewable resources revenue as a percentage of total expenses is an indicator of how vulnerable the Province is as a result of its dependence on non-renewable resources revenue to fund its expenses.
- The following graph indicates that the Province's non-renewable resources revenue as a percentage of total expenses has decreased substantially from 30.1% in 2010 to 15.7% in 2019.



Note: Figures shown in the above graph include revenues for offshore royalties and mining and mineral rights tax.

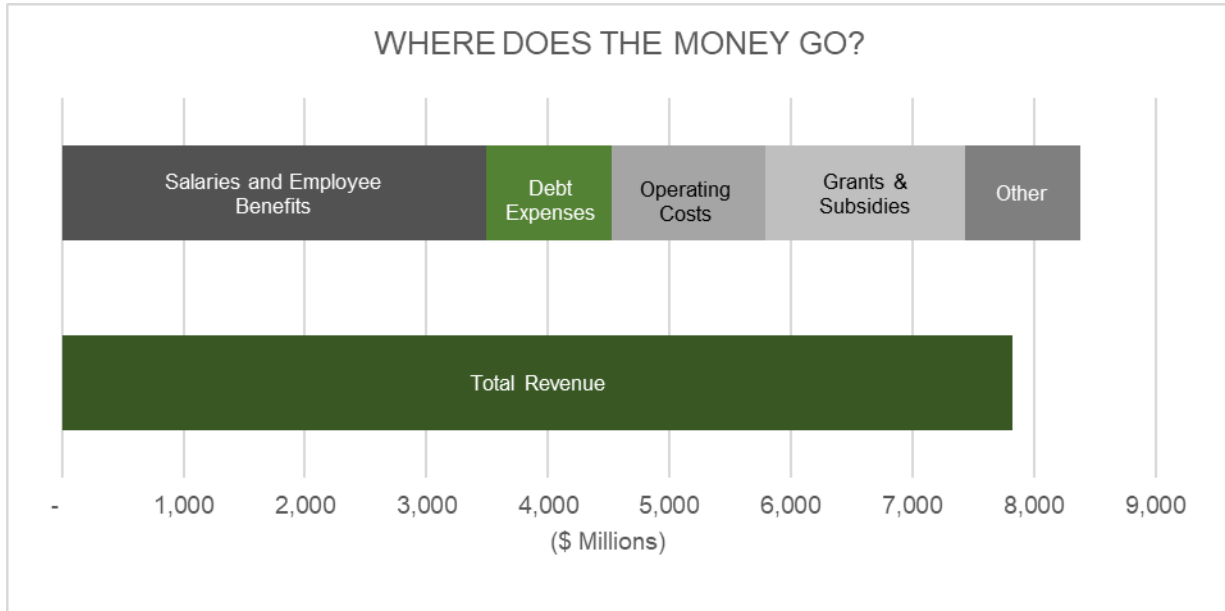
PROVINCIAL REVENUES AS A PERCENTAGE OF GDP

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP increased in the current year from 2017-18. The Province's GDP increased in 2018-19 which coincided with an increase in revenue.
- The 2018-19 own source revenues as percentage of the Province's GDP ratio is 19.3%. This represents an increase of 0.5 percentage points from 18.8% in 2017-18. This ratio is the equivalent of the five-year average of 18.8%.



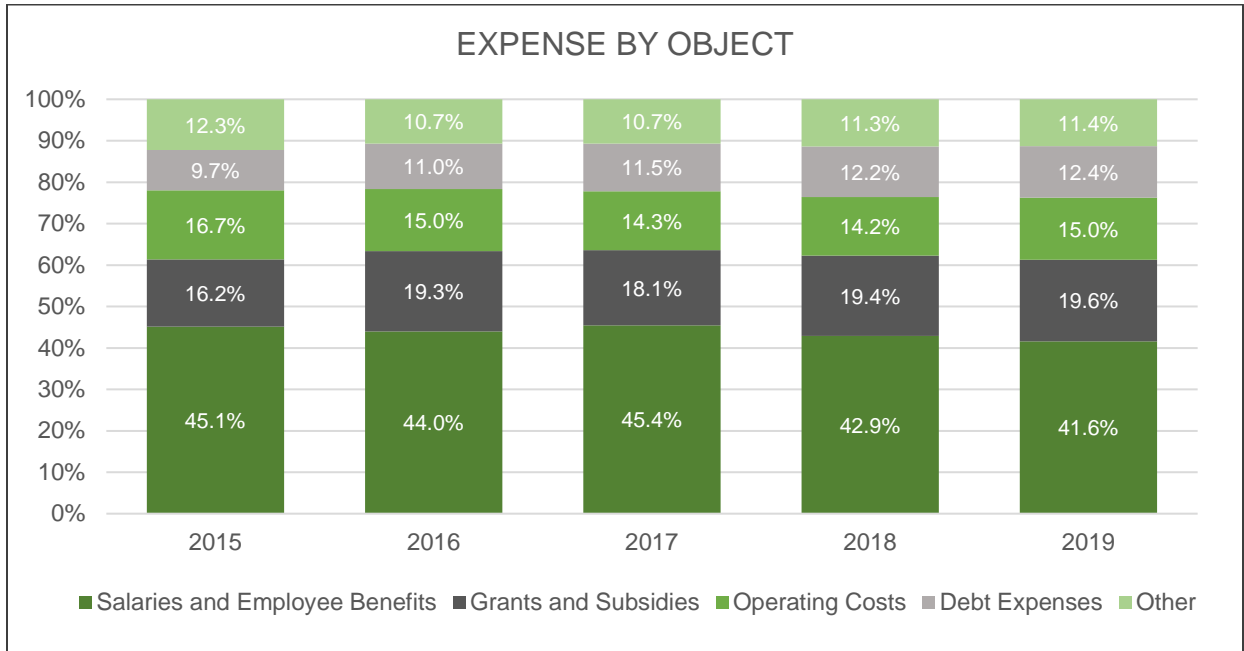
EXPENSE HIGHLIGHTS

The Province’s expenses are classified into the following: salaries and employee benefits; grants and subsidies; operating costs; debt expenses; and, other expenses including professional services; amortization and (gain)/loss on the sale of tangible capital assets; property, furnishings and equipment; and valuation allowances (recovery). Total expenses of \$8.4 billion were \$22.7 million higher than the Original Budget (\$8.4 billion) and increased by \$188.1 million from the previous year. Salaries and employee benefits was the Province’s largest expense in each of the last five years.



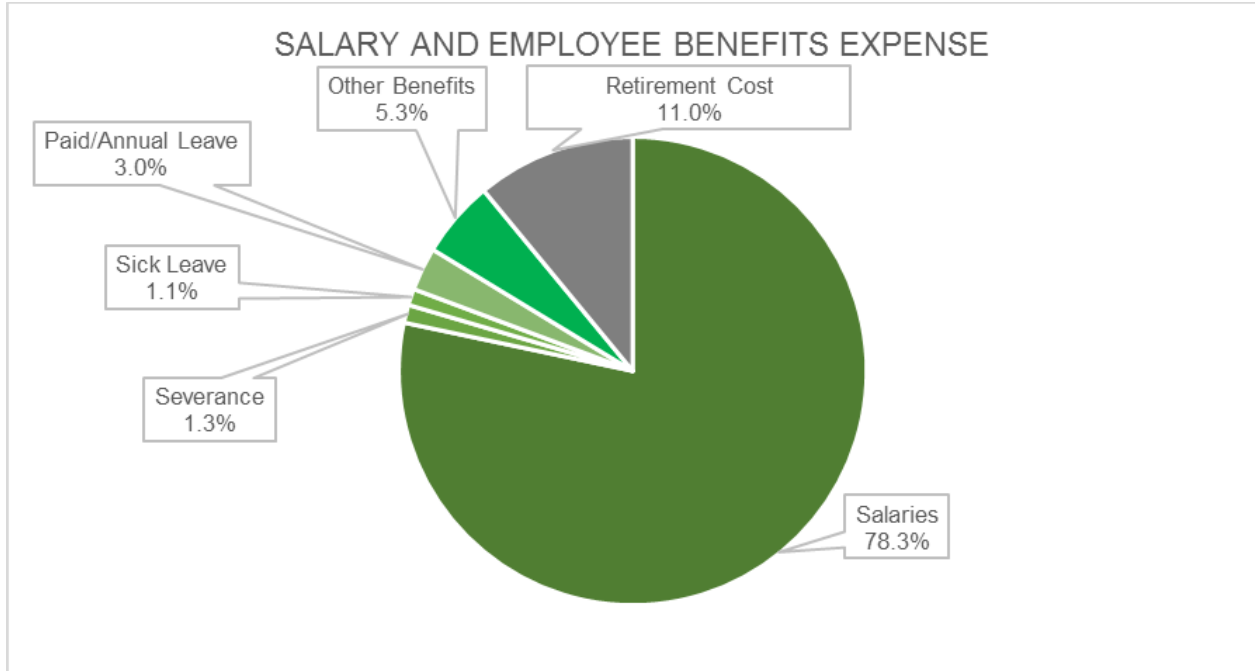
Expenses by Object

The following graph presents the percentage of expenses by object for the previous five-year period. The most significant expense type in 2018-19 was salaries and employee benefits, reflecting the nature of government in providing services to the Province. Salaries and employee benefits expense as a percentage of total expenses has declined since 2015.



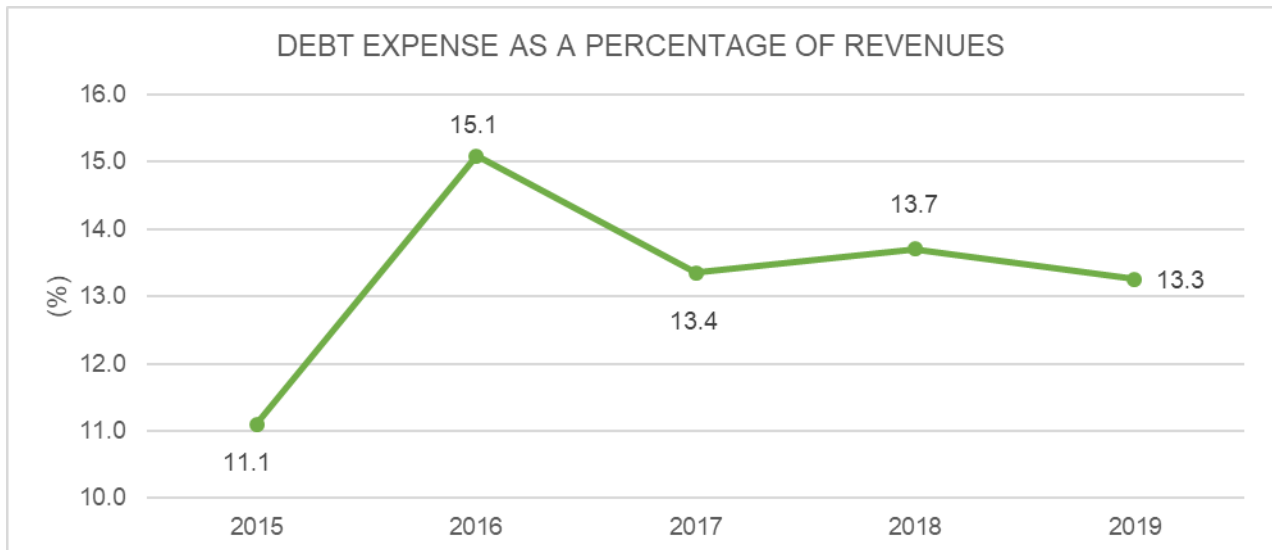
Salaries and Employee Benefits

	2019 (\$mil)	2018 (\$mil)
Salaries	2,731.0	2,726.4
Retirement costs	383.2	413.9
Other benefits	185.9	170.5
Paid and annual leave	104.2	108.8
Severance	43.3	57.8
Sick leave	39.6	36.0
	<u>3,487.2</u>	<u>3,513.4</u>



Debt Expense

The following graph presents the percentages of revenues used to pay debt expenses for the past five years. In 2018-19, the Province spent 13.3 cents of each revenue dollar on interest (13.7 cents in 2017-18). This ratio has increased 19.7% over the five year period. While the ratio has decreased in 2018-19, the increasing ratio over the five-year period indicates that a high percentage of revenues are used to service the province's debt.



Compared to Previous Year

The increase in total expenses of \$188.1 million from 2017-18 to 2018-19 can be attributed to the following:

- Increase of \$97.0 million in operating costs primarily due to:
 - \$53.5 million increase in relation to improvements to school facilities. This increase can be attributed to the timing upon which these facilities will ultimately be recognized by the school districts.
 - \$29.2 million increase due to revised estimates for environmental liabilities associated with Buchans Mine Site, former Consolidated Rambler Mine Property and former Military sites.
 - \$19.2 million increase in relation to the provincial road program and additional ferry vessel refits.
 - \$14.5 million increase in the cost for drug and medical supplies, fuel oil, and maintenance contracts.
 - \$19.4 million net decrease in various other departments and government entities.
- Increase of \$59.8 million in grants and subsidies primarily due to:
 - \$17.6 million in various cost sharing agreements, including:
 - \$12.4 million increase due to the implementation of the Canada - Newfoundland and Labrador Early Learning and Child Care Agreement. This agreement provides for enhanced quality, sufficiency, affordability and inclusivity of early learning and child care.
 - \$5.2 million increase due to higher demand for Labour Market Development Agreement employment and training programs.
 - \$15.0 million increase in investments in affordable housing programs.
 - \$11.2 million increase in Eastern Regional Health Authority due to increased direct client costs in the Home First Program.
 - \$7.2 million increase in Children, Seniors and Social Development primarily related to an increase in number of children with complex needs requiring services throughout the Province.
 - \$8.8 million net increase in various other departments and government entities.
- Increase of \$41.9 million in debt expenses primarily due to additional borrowings.
- \$10.6 million net decrease in various other expenses.

Compared to Original Budget

Actual expenses for 2018-19 resulted in a \$22.7 million increase compared to the Original Budget (\$8.4 billion). The increase in expenses can be primarily attributed to the following:

- Increase of \$68.4 million primarily related to revised actuarial calculations for severance and various employee benefits plan obligations.
- Increase of \$30.2 million in amortization and (gain)/loss on the sale of tangible capital assets due to revised calculations relating to the Newfoundland and Labrador English School District.
- Decrease of \$56.8 million associated with various cost shared programs with the Federal Government pertaining to municipal infrastructure and climate change initiatives.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

- Decrease of \$15.8 million associated with affordable housing programs administered by Newfoundland and Labrador Housing Corporation.
- \$3.3 million net decrease in various other departments and government entities.

RISK ANALYSIS

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets.

Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 18 – Measurement Uncertainty, of the consolidated financial statements of this publication.

Debt related risk including foreign exchange risk, interest rate risk, credit risk, and liquidity risk was discussed previously in the consolidated financial results section, page 15, of this publication.

In terms of Government Business Enterprises and Partnership risk, ALC and Nalcor Energy operate in an environment with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. A combination of financial instruments and portfolio management tools and techniques are utilized to manage these risks.

With regards to the Muskrat Falls Project (MFP), as is the case with any large construction project, there are a variety of uncertainties that exist relating to execution. There is a risk that costs can increase over original estimates and schedules can be impacted by a number of factors. Organizational and structural changes implemented in 2016 separated the generation and transmission elements of the project to allow for more focus on the completion of each scope of work. MFP maintains an owner controlled insurance program, which is subject to coverage, limits and exclusions, as well as time sensitive claims discovery and reporting provisions. In addition, no assurance can be given that such insurance will be adequate to fully cover any and all damages or liabilities.

OPPORTUNITIES

The Province is subject to various opportunities to the economic forecast that could result in positive impacts on the economy including deepwater offshore oil, mining aquaculture and tourism.

- Recent call for bids have been very successful for deepwater offshore oil, with \$4.3 billion in outstanding bids/work currently committed for the NL offshore. This degree of exploration activity in the offshore has significant potential for the industry in the province with up to 91 wells being drilled by 2030. An acceleration in oil exploration activity will have a positive impact on the economy.
- Newfoundland and Labrador has numerous mineral resources, in particular iron ore resources in Western Labrador. If demand and prices for iron ore were to improve, further activities could result from development projects and several other projects that are in early development stages.
- Mowi Canada East and Grieg Aquaculture have made major investments that will expand the local aquaculture industry, increasing local employment and creating opportunities for the development of the local supply chain and associated technology companies. Government is on pace to more than double the size of the aquaculture industry.
- Newfoundland and Labrador has a unique tourism product that has seen steady improvements in recent years and is expected to continue in the coming years. Significant investments in infrastructure have been made over the past decade, including a new landing system at the St. John's airport, new Marine Atlantic ferries, numerous new hotels, and an expansion of the St. John's Convention Centre.

RISKS

The Province's financial position and fiscal forecast are also subject to various risks in the economic forecast. These risks have the potential to significantly impact the provincial economy and, in turn, the Province's fiscal position. These risks pertain to such items as oil prices, exchange rates, international trade agreements, demographics and the cost of major projects such as the MFP, including the ability to achieve Government's rate mitigation strategy in relation to the MFP.

Market and Demographic Factors

- Oil prices lower than assumed and unexpected variations in US exchange rates in the economic forecast would reduce revenues.
- The global trading environment remains uncertain as countries re-evaluate existing trading relationships and consider adopting protectionist policies.
- Rapid aging of the population is one of the most important demographic challenges confronting the Province because of its significant implications for program delivery of many public services, in particular health care.

Muskrat Falls Project

- There is still uncertainty related to the recovery of cost overruns on the MFP and how this might affect the economy. Further, with the MFP anticipated to be completed in the near future, the implementation of Government's Rate Mitigation Strategy will also have financial implications on the Province.
- The rate mitigation strategy is designed to protect residents from increases in electricity rates and taxes resulting from the MFP that would affect the cost of living. To achieve its strategy, Government has proposed a framework that involves a series of steps to increase revenues, reduce costs and work with the Federal Government to achieve rate mitigation.
- Paying for the MFP and achieving rate mitigation is one of the biggest challenges facing the Province. While the proposed framework has been developed, the specific strategies, such as the nature of the assistance from the Federal Government, are still under consideration. As a result, considerable pressures remain on the provincial economy. In absence of rate mitigation, the Province risks additional debt burdens or rising electricity rates. These risks have the potential to place downward pressures on the Province's financial position, as well as economic activity across the province in general.

ECONOMIC OUTLOOK AND OVERVIEW

In advance of receiving results of actual revenues collected, the Department of Finance relies on its economic and demographic forecasts, and known relationships with administrative data to estimate revenues. Some components of nominal GDP such as consumer expenditure are used to forecast growth in specific tax bases. Other indicators such as household income (including earned income), consumer inflation and population are also used in the projection and estimation of certain revenues.

The following discussion provides an overview of the economic and demographic performance of Newfoundland and Labrador in 2018 as well as an outlook for 2019. It should be noted that the economic forecast discussed in this section was prepared by the Department of Finance in April 2019 and reflects the latest information available at that time. A revised economic forecast will be released by the Department of Finance in the fall of 2019 in the Fiscal and Economic Update. As a result, some estimates for 2018 presented in this discussion such as GDP and household income, and all economic data for 2019 are subject to change. It should also be noted that all data discussed in this section are reported on a calendar year basis.

ECONOMIC PERFORMANCE IN 2018

The provincial economy continued to undergo transition in 2018. Construction of the Hebron oil project was completed in late 2017 and development of the Muskrat Falls project is in its final stages. Consequently, capital investment declined in 2018 compared to 2017. In addition, mineral production was impacted by a labour dispute at the Iron Ore Company of Canada (IOC), which resulted in the mine suspending production for two months in the spring of 2018. As a result of these factors, overall economic output fell in 2018. Real final domestic demand is estimated to have decreased by 3.8% and real GDP by 2.9%.² Conversely, the province's nominal GDP at market prices is estimated to have grown by 3.9% to \$34 billion in 2018 (see table of economic indicators) primarily due to a higher nominal value of exports, notably oil exports.

Exports of goods and services decreased by 2.6% (in real terms) in 2018 as an increase in oil output was offset by a decrease in mineral production. Iron ore production declined primarily as a result of the two-month labour related shutdown at IOC. Crude oil production increased by 4.3% as higher output from Hebron more than offset lower output from Hibernia and White Rose.

² It should be noted that in May 2019 Statistics Canada estimated a decline in real GDP (at basic prices) in 2018 of 2.7% for Newfoundland and Labrador. Estimates of real GDP at market prices by Statistics Canada for 2018 will be released in November 2019.

Economic Indicators Newfoundland and Labrador					
	2015	2016	2017	2018e	2019f
GDP at Market Prices (\$ Millions)	31,138	31,696	33,074	34,362	35,242
% Change	-9.2	1.8	4.3	3.9	2.6
% Change, real	-1.2	1.8	0.9	-2.9	4.1
Final Domestic Demand (\$ Millions)	36,329	38,588	36,280	34,904	36,720
% Change	1.7	6.2	-6.0	-3.8	5.2
% Change, real	0.4	3.2	-5.9	-5.4	3.6
Consumer Price Index (2002=100)	129.0	132.5	135.7	137.9	140.0
% Change	0.5	2.7	2.4	1.6	1.5
Household Income (\$ Millions)	25,258	25,286	25,754	25,957	26,802
% Change	3.6	0.1	1.9	0.8	3.3
% Change, real	3.1	-2.5	-0.6	-0.8	1.7
Household Disposable Income (\$ Millions)	16,961	16,707	16,912	17,047	17,581
% Change	2.5	-1.5	1.2	0.8	3.1
% Change, real	2.0	-4.1	-1.2	-0.8	1.6
Retail Sales (\$ Millions)	8,972	9,011	9,227	9,006	9,090
% Change	0.6	0.4	2.4	-2.4	0.9
% Change, real	0.8	-1.4	0.3	-3.4	0.1
Capital Investment (\$ Millions)	12,087	13,873	10,978	9,684	11,313
% Change	0.4	14.8	-20.9	-11.8	16.8
% Change, real	-1.8	8.8	-18.0	-12.9	14.4
Housing Starts (Units)	1,697	1,398	1,400	1,096	1,117
% Change	-19.9	-17.6	0.1	-21.7	1.9
Employment ('000s)	236.2	232.6	224.1	225.3	228.1
% Change	-1.0	-1.5	-3.7	0.5	1.2
Labour Force ('000s)	270.8	268.7	262.9	261.4	262.3
% Change	0.0	-0.8	-2.2	-0.6	0.3
Unemployment Rate (%)	12.8	13.4	14.8	13.8	13.1

Final domestic demand measures demand in the local economy by summing consumption, investment and government expenditures; it excludes net exports.

e: estimate for some indicators; f: forecast, Department of Finance, April 2019

Source: Statistics Canada; Department of Finance

Capital investment in the province totaled an estimated \$9.7 billion in 2018, a decline of 11.8% from 2017. Nonetheless, investment levels remain high by historical standards, exceeding levels in all years prior to 2012. The main reasons for the decline in investment are lower expenditures on the Hebron oil project which concluded its development phase at the end of 2017 and lower spending on Muskrat Falls. Lower residential construction spending also contributed to the decline. Residential expenditures were an estimated \$1.1 billion last year, a decrease of 17.4% compared to 2017. Expenditures on new construction fell 18.3% as spending declined for both single and multiple dwellings due in part to new mortgage rules introduced by the Government of Canada. This decline in residential investment was consistent with the 21.7% decline in housing starts.

Consumer spending declined in 2018. The value of retail sales decreased by 2.4% compared to 2017. The decline is largely attributable to lower sales of new motor vehicles, which had been at historically elevated levels in recent years.

Growth in the Consumer Price Index (CPI), or inflation, averaged 1.6% in 2018. Minimal growth in the food index and lower prices for recreation, education and reading goods and services moderated the increase in other areas.

Labour market activity strengthened in 2018. Employment averaged 225,300 last year, an increase of 0.5% compared to 2017. Employment gains were due to a significant increase in part-time employment, which rose by 9.6%. Full-time employment declined by 1.0%. The unemployment rate decreased by 1.0 percentage point, to average 13.8%.

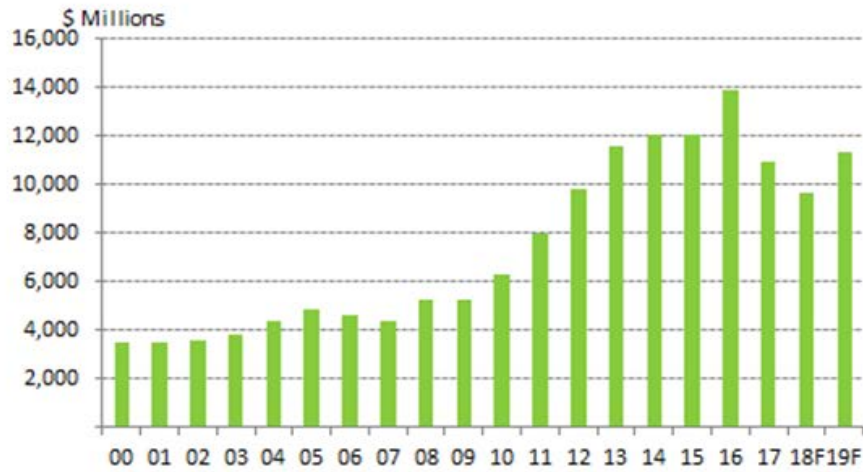
Average weekly earnings rose by 0.3% to \$1,038 in 2018. Despite steady wages and an increase in employment, total compensation of employees declined by 1.1% compared to 2017. This is due to a number of factors including fewer high-paying construction jobs and fewer overtime hours worked, particularly in the resource sector.

Preliminary estimates indicate that the population of the province stood at 525,355 as of July 1, 2018. This represents a decline of 0.6% compared to July 1, 2017. The population decrease was the result of losses from both net migration and natural change. Net migration reduced the population by 2,375 persons—a gain of 1,281 persons from international migration was offset by a loss of 3,656 from interprovincial migration. Additionally, deaths outnumbered births, resulting in a natural population decline of 837. Natural population change has been negative for several years, reflecting an aging population and a relatively low fertility rate. The median age of the province is the highest of all provinces and increased from 46.0 in 2017 to 46.5 in 2018.

Economic Outlook

Economic activity is expected to pick up in 2019 due to both higher exports and increased capital investment. Exports are expected to grow by 11.3% (in real terms) due to an increase in oil production from Hebron and Hibernia and a rebound in iron ore production at IOC. Capital investment is forecast to increase by 16.8% as increased capital investment at the West White Rose project and the underground mine at Voisey's Bay more than offsets declining construction activity at Muskrat Falls. As a result of the export and investment growth, real GDP is expected to grow by 4.1%, the highest rate of growth since 2013. Nominal GDP is also expected to grow, albeit at a reduced rate of 2.6% as lower oil prices offsets some of the growth in real GDP. During the first eight months of the year, employment averaged 1.5% above the same period in 2018. In 2019, the province's population is expected to decline 0.2% from 2018 reflecting, in part, an aging population.

Capital Investment



Source: Statistics Canada; Department of Finance

The medium-term outlook beyond 2019 is expected to remain challenging as government fiscal restraint and declining construction activity on major projects negatively impact growth. Despite the challenges over the next few years, the province has considerable long-term potential, particularly in the energy sector but in areas such as the tourism sector as well. Significant exploration programs have been announced by oil companies over the next 10 years demonstrating considerable commitment to the offshore area. Oil exploration and development hold significant opportunities for the provincial economy.

Risks and Adjustments

Although these economic indicators for 2018 and 2019 form the basis for the final revenues presented in the 2018-19 Public Accounts, they are still projections and are subject to change. Further economic and administrative data relating to 2018 and 2019 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such differences will be reflected in subsequent fiscal years as prior year adjustments. As a result, differences may arise between estimated and actual revenues reported in these Public Accounts.

GLOSSARY OF TERMS

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

<i>Accrual Basis:</i>	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
<i>Accumulated Deficit:</i>	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
Annual Surplus/ (Deficit):	The excess of annual revenues (expenses) over annual expense (revenues).
Original budgetary Contribution/ (Requirement):	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
<i>Cash Basis:</i>	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
<i>Deferred Revenue:</i>	Represents funding received in advance of revenue recognition criteria being met.
<i>Financial Assets:</i>	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
<i>GDP:</i>	Gross Domestic Product (at market prices) of the Province.
<i>Interest Cost:</i>	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as, other debt related expenses.
<i>Net Borrowings:</i>	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as provincial debt in this report.
<i>Net Debt:</i>	Liabilities less financial assets.

<i>Non-Financial Assets:</i>	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.
Tangible Capital Assets:	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.
Unfunded Pension Liability:	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits. Also included is the outstanding balance of the promissory notes as issued from the pension reform.

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Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2019**

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15 October 2019

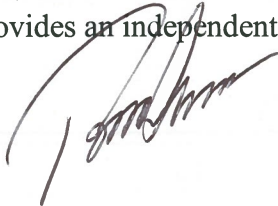
STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the *Financial Administration Act*, these consolidated summary financial statements are prepared by the Comptroller General, Department of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the *Transparency and Accountability Act* and Section 20 of the *Financial Administration Act*.

The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained.

The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

Pursuant to Section 11 of the *Auditor General Act*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the consolidated summary financial statements.



TOM OSBORNE
Minister of Finance and
President of Treasury Board



Michelle Jewer, CPA, CA
Comptroller General, Department of Finance

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**AUDITOR
GENERAL**
of Newfoundland and Labrador

INDEPENDENT AUDITOR'S REPORT

To the House of Assembly
Province of Newfoundland and Labrador

Report on the Audit of the Consolidated Summary Financial Statements

Opinion

I have audited the Consolidated Summary Financial Statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and notes to the Consolidated Summary Financial Statements, including a summary of significant accounting policies.

In my opinion, the accompanying Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2019, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements* section of my report. I am independent of the Province of Newfoundland and Labrador in accordance with the ethical requirements that are relevant to my audit of the Consolidated Summary Financial Statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

Without modifying my opinion, I draw attention to Government's April 2019 commitment and proposed framework to ensure electricity rates in this Province are not impacted by the Muskrat Falls Project. Government has requested the Board of Commissioners of Public Utilities to examine options to mitigate impacts of the Muskrat Falls Project, with a final report to be provided

Independent Auditor's Report (cont.)

to Government by January 31, 2020. While Government has not yet finalized specific strategies for its rate mitigation plan, implementation of this plan may have a significant impact on the Province's Consolidated Summary Financial Statements in future years.

Other Information

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the Consolidated Summary Financial Statements and my auditor's report thereon.

My opinion on the Consolidated Summary Financial Statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Consolidated Summary Financial Statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Summary Financial Statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Summary Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Summary 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 the Consolidated Summary Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Summary Financial Statements, management is responsible for assessing the Province of Newfoundland and Labrador's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Province of Newfoundland and Labrador's financial reporting process.

Independent Auditor's Report (cont.)

Auditor's Responsibilities for the Audit of the Consolidated Summary Financial Statements

My objectives are to obtain reasonable assurance about whether the Consolidated Summary Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Summary Financial Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the Consolidated Summary Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Province of Newfoundland and Labrador's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province of Newfoundland and Labrador's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Consolidated Summary Financial Statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Newfoundland and Labrador to cease to continue as a going concern.

Independent Auditor's Report (cont.)

- Evaluate the overall presentation, structure and content of the Consolidated Summary Financial Statements, including the disclosures, and whether the Consolidated Summary Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Summary Financial Statements to express an opinion on the Consolidated Summary Financial Statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

As required under Section 11 of the *Auditor General Act*, I also report that in my opinion, these Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2019, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these Consolidated Summary Financial Statements applied on a basis consistent with that of the preceding year except as described in Note 1(e) of the Consolidated Summary Financial Statements for the adoption of new accounting standards.



JULIA MULLALEY, CPA, CA
Auditor General

October 18, 2019
St. John's, Newfoundland and Labrador

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position As at 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Actuals 2018 (\$000)
FINANCIAL ASSETS		
	1,271,008	1,752,858
Sch. 1 Cash and temporary investments - note 2	588,836	563,781
Receivables (net of valuation allowances)	4,207	4,531
Inventories held for resale - note 3	400,444	396,909
Sch. 2 Loans, advances and investments (net of valuation allowances)	5,811,880	5,140,588
Sch. 3 Equity in government business enterprises and partnership - note 1(b)	8,076,375	7,858,667
Total Financial Assets		
LIABILITIES		
Sch. 5 Payables, accrued and other liabilities	2,516,130	2,968,467
Deferred revenue - note 4	173,440	168,523
Sch. 6 Borrowings (net of sinking fund assets)	12,990,569	11,687,763
Plus: Unamortized unrealized foreign exchange gains (losses) and unamortized premiums (discounts) and issuance fees - note 5	(193,499)	(182,231)
	12,797,070	11,505,532
Group health and life insurance retirement benefits - note 6	3,035,970	2,937,396
Unfunded pension liability - note 7	652,117	609,946
Plus: Promissory notes - note 7	4,275,619	4,342,519
Total Liabilities	23,450,346	22,532,383
NET DEBT	15,373,971	14,673,716
NON-FINANCIAL ASSETS		
Sch. 10 Tangible capital assets	4,493,597	4,393,073
Prepaid and deferred charges - note 8	45,592	40,588
Inventories of supplies - note 3	71,148	59,365
Total Non-Financial Assets	4,610,337	4,493,026
ACCUMULATED DEFICIT	10,763,634	10,180,690
Contingent Assets - note 17		
Contingent Liabilities - note 9		
Contractual Obligations - note 11		
Contractual Rights - note 16		
Externally Restricted Assets - note 12		
Sch. 7 Guaranteed Debt - note 13		
Sch. 9 Trust Accounts - note 9(c)(i)		

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Original Budget 2019 (Note 20) (\$000)	Actuals 2018 (\$000)
NET DEBT - beginning of period	14,673,716	14,637,527	13,597,806
Add (Deduct):			
Adjustments - note 14			
Government organization changes	48,707	-	679
ADJUSTED NET DEBT - beginning of period	<u>14,722,423</u>	<u>14,637,527</u>	<u>13,598,485</u>
Surplus (Deficit) for the period	<u>(552,123)</u>	<u>(682,938)</u>	<u>(910,750)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	415,087	487,176	400,856
Net book value of tangible capital asset disposals/adjustments	(3,656)	-	(3,889)
Amortization of tangible capital assets	<u>(310,907)</u>	<u>(279,708)</u>	<u>(314,079)</u>
Increase (Decrease) in net book value of tangible capital assets	<u>100,524</u>	<u>207,468</u>	<u>82,888</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	5,004	-	2,133
Acquisition of inventories of supplies (net of consumption)	<u>11,783</u>	-	<u>2,048</u>
Increase (Decrease) in other non-financial assets	<u>16,787</u>	-	<u>4,181</u>
Changes in net debt from operations			
Sch. 3 Other comprehensive (income) loss	<u>(17,886)</u>	-	<u>77,412</u>
Increase (Decrease) from operations	<u>(17,886)</u>	-	<u>77,412</u>
Increase (Decrease) in net debt	<u>651,548</u>	<u>890,406</u>	<u>1,075,231</u>
NET DEBT - end of period	<u><u>15,373,971</u></u>	<u><u>15,527,933</u></u>	<u><u>14,673,716</u></u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019	Original Budget 2019 (Note 20)	Actuals 2018
	(\$000)	(\$000)	(\$000)
REVENUE			
Sch. 11 Provincial			
Sch. 11 Taxation	4,044,197	3,865,136	3,767,084
Sch. 11 Investment	106,865	77,188	103,890
Sch. 11 Fees and fines	346,020	338,543	364,312
Sch. 11 Offshore royalties	1,082,500	999,891	943,946
Sch. 11 Miscellaneous	575,298	655,079	543,276
Sch. 11 Federal	<u>1,181,690</u>	<u>1,308,085</u>	<u>1,184,240</u>
	7,336,570	7,243,922	6,906,748
Sch. 4 Net income of government business enterprises and partnership	<u>490,272</u>	<u>429,431</u>	<u>373,397</u>
Total Revenue	<u><u>7,826,842</u></u>	<u><u>7,673,353</u></u>	<u><u>7,280,145</u></u>
EXPENSE			
Sch. 12 General Government Sector and Legislative Branch	2,007,081	1,946,051	1,869,188
Sch. 12 Resource Sector	1,484,335	1,439,125	1,506,129
Sch. 12 Social Sector	<u>4,887,549</u>	<u>4,971,115</u>	<u>4,815,578</u>
Sch. 13 Total Expense	<u><u>8,378,965</u></u>	<u><u>8,356,291</u></u>	<u><u>8,190,895</u></u>
ANNUAL SURPLUS (DEFICIT)	<u><u>(552,123)</u></u>	<u><u>(682,938)</u></u>	<u><u>(910,750)</u></u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Accumulated Deficit For the year ended 31 March 2019 with comparative figures for 2018

	<u>Actuals</u> 2019 (\$000)	<u>Original</u> <u>Budget</u> 2019 (Note 20) (\$000)	<u>Actuals</u> 2018 (\$000)
ACCUMULATED DEFICIT - beginning of period	10,180,690		9,191,849
Add (Deduct):			
Adjustments - note 14			
Government organization changes	<u>48,707</u>		<u>679</u>
ADJUSTED ACCUMULATED DEFICIT - beginning of period	10,229,397		9,192,528
Surplus (Deficit) for the period	(552,123)	(682,938)	(910,750)
Sch. 3 Other comprehensive (income) loss	<u>(17,886)</u>		<u>77,412</u>
ACCUMULATED DEFICIT - end of period	<u><u>10,763,634</u></u>		<u><u>10,180,690</u></u>

The accompanying notes and supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Actuals 2018 (\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(552,123)	(910,750)
Add (Deduct) non-cash items:		
Accounts receivable	(36,610)	(116,959)
Accounts payable	(452,337)	79,020
Amortization of foreign exchange (gains)/losses, premiums, discounts and issuance fees	13,000	19,153
Amortization of tangible capital assets	310,907	314,079
Retirement costs	142,957	194,404
Valuation allowances	17,541	16,932
Unremitted net income of government business enterprises and partnership	(174,967)	(63,313)
Sinking fund earnings	(62,272)	(57,393)
Deferred revenue	4,917	(11,039)
Other	(21,633)	(30,192)
Special purpose funds/contractors' holdback funds	7,256	32,544
Net cash provided from (applied to) operating transactions	(803,364)	(533,514)
CAPITAL		
Acquisitions	(415,087)	(400,856)
Disposals	1,032	3,889
Net cash provided from (applied to) capital transactions	(414,055)	(396,967)
FINANCING		
Debt issued	1,481,667	1,196,765
Debt retirement	(289,805)	(20,728)
Retirement of pension liabilities	(2,445)	(3,757)
Retirement of promissory note	(66,900)	(63,113)
Sinking fund contributions	(45,184)	(45,134)
Treasury bills purchased	4,281,723	3,910,365
Treasury bills redeemed	(4,088,481)	(3,911,770)
Net cash provided from (applied to) financing transactions	1,270,575	1,062,628
INVESTING		
Loan repayments	17,557	237,010
Loan advances	(4,890)	(35,470)
Investments	(14,015)	(39,604)
Investment in government business enterprises	(533,658)	(589,885)
Net cash provided from (applied to) investing transactions	(535,006)	(427,949)
Net cash provided (applied)	(481,850)	(295,802)
Cash and temporary investments - beginning of period	1,752,858	2,048,660
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	1,271,008	1,752,858

The accompanying notes and supporting schedules form an integral part of the financial statements.

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR**Notes to the Consolidated Financial Statements
For the year ended 31 March 2019**

1. Summary of Significant Accounting Policies**(a) The Reporting Entity**

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 15 - Government Reporting Entity.

(b) Method of Consolidation

The accounts of government organizations, except those designated as government business enterprises and government business partnership, are consolidated after adjusting them to a basis consistent with the accounting policies described below. Inter-organizational transactions and balances are eliminated.

Government business enterprises are organizations, included in the reporting entity, that have the financial and operating authority to carry on a business and sell goods and services to individuals and non-government organizations as its principal activity and source of revenue.

A government partnership exists when the Government has entered into a contractual arrangement with one or more partners outside the government reporting entity where these partners cooperate to achieve clearly defined common goals and share on an equitable basis, the significant risks and benefits associated with operating a government partnership.

A government business partnership is a government partnership that has the financial and operating authority to carry on a business and sell goods and services to individuals and organizations other than the partners as its principal activity and source of revenue.

Government business enterprises and government business partnerships are recorded on the modified equity method. Under this method, the Government's proportionate share of equity in these organizations are adjusted annually to reflect the net income/loss and other net equity changes of the organizations without adjusting the organization's financial statements to conform with the accounting policies described below. Inter-organizational transactions and balances are not eliminated.

Adjustments are not made to the financial results of government organizations because of fiscal year-ends different than that used for the consolidated entity, unless it would have a significant impact on the consolidated operating results.

(c) Basis of Accounting**(i) Method**

These financial statements are prepared on the accrual basis of accounting, revenues being recorded when earned and expenses being recorded when liabilities are incurred, with exceptions made in accordance with the applicable significant accounting policies.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(ii) *Revenues*

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known. Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

Revenues from provincial tax sources are accrued in the year earned based upon estimates using statistical models and prior year actuals. Tax revenues are recorded at the amount estimated, after considering certain adjustments for non-refundable tax credits and other adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues. Tax revenues are recorded net of any tax concessions or expenditures that reduce the amount of tax payable. Transfers made through the tax system that do not affect the amount of tax payable are recorded as expenses.

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

Retirement related costs are determined as the cost of benefits and interest on the liabilities accrued, as well as amortization of experience gains and losses.

(iv) *Assets*

Cash and temporary investments represent the cash position including bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash. Temporary investments are recorded at cost or market value, whichever is lower.

Accounts receivable are recorded for all amounts due for work performed and goods or services supplied. Taxes receivable are recorded for all amounts due for levies that are authorized and for which the taxable event has occurred. Valuation allowances are provided when collection is considered doubtful.

Inventories held for resale are recorded at the lower of cost or net realizable value.

Inventories of supplies are comprised of items which are held for consumption that will be used by the Province in the course of its operations.

Loans, advances and mortgages receivable are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the loan and are accounted as expenses on the Statement of Operations. Valuation allowances are recorded to reflect assets at the lower of cost or net recoverable value. Loans made by the Province that are expected to be recovered from future appropriations are accounted for as expenses by providing valuation allowances. Interest revenue on loans receivable is recognized when earned and ceases when collection is not reasonably assured.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Investments are recorded at cost, less any concessionary terms. Concessionary terms represent the difference between the face value and the present value of the investment and are accounted as expenses on the Statement of Operations. Investments are written down when there is a loss in value that is other than a temporary decline.

Equity in government business enterprises and government business partnerships represents the net assets of government business enterprises and government business partnerships recorded on the modified equity basis as described under note 1(b).

Unrealized foreign exchange gains or losses are deferred and amortized on a straight line basis over the remaining term of the debt.

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization.

(v) *Liabilities*

Payables, accrued and other liabilities are recorded for all amounts due for work performed, goods or services received or for charges incurred in accordance with the terms of a contract.

A liability for remediation of contaminated sites is recognized when an environmental standard exists, contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. An obligation is not recognized unless all criteria above are satisfied.

Deferred revenue represents amounts received but not earned.

Borrowings, except treasury bills, are recorded at face value and are reported net of sinking funds. Treasury bills are recorded at net proceeds. The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date. Premiums and Discounts relating to the issuance of debentures as well as issuance fees are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts and issuance fees are charged to debt expense.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria and stipulations are met. The recognition of transfer revenues is only deferred when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Receivables are established for transfers to which the Province is entitled under government legislation, regulation or agreement. Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria and the transfer is authorized.

(vii) *Loan Guarantees*

The Province has guaranteed the repayment of principal and interest on certain debentures and bank loans on behalf of Crown corporations, municipalities, private sector companies and certain individuals. A provision for losses on these guarantees is established when it is determined that a loss is likely.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(d) Generally Accepted Accounting Principles

The accounting policies followed in the preparation of these financial statements have been applied consistently with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(e) Changes in Accounting Policies

The Province has prospectively adopted new accounting policies as a result of updates to the Public Sector Accounting Standards, effective 1 April 2018, as follows:

(i) *Restructuring Transactions*

The Province has adopted a new standard providing guidance on accounting for and reporting restructuring transactions by both transferors and recipients of assets and/or liabilities. The implementation of this standard has no impact on the annual deficit, net debt and accumulated deficit.

(f) Future Changes in Accounting Policies

There are several new standards and amendments to standards issued by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada that are not yet effective and have not been applied in these financial statements. These standards and corresponding effective dates are as follows:

Effective 1 April 2021:

PS 3450 Financial Instruments – a new standard establishing guidance on how to account for and report all types of financial instruments including derivatives.

PS 2601 Foreign Currency Translation – replaces *PS 2600* with revised standards on how to account for and report transactions that are denominated in a foreign currency.

PS 1201 Financial Statement Presentation – effective in the period *PS 2601* and *PS 3450* are adopted, replaces *PS 1200* with revised general reporting principles and standards for disclosure of information.

PS 3041 Portfolio Investments – effective in the period *PS 1201*, *PS 2601* and *PS 3450* are adopted, replaces *PS 3040* with revised standards on how to account for and report portfolio investments.

PS 3280 Asset Retirement Obligations – replaces *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*, with revised guidance on how to account for and report the legal obligations associated with the retirement of tangible capital assets.

Effective 1 April 2022:

PS 3400 Revenue – a new standard establishing guidance on how to account for and report on revenue.

These new and amended standards are planned to be adopted on the effective dates. The Province is currently analyzing the impact these standards will have on the financial statements.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2019 (\$mil)	31 March 2018 (\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	905.8	1,333.7
Temporary investments	-	-
Total cash and temporary investments – CRF	905.8	1,333.7
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	235.2	271.8
Temporary investments	130.0	147.4
Total cash and temporary investments – Other Entities	365.2	419.2
Total: Cash and Temporary Investments (CRF and Other Entities)	1,271.0	1,752.9

Temporary investments consist of investments with financial institutions. As at 31 March 2019, these investments are on call or have maturity dates ranging from 25 February 2019 to 15 August 2020 at interest rates which vary from 0.5% to 7.00%.

3. Inventories

Inventories consist of:

	31 March 2019 (\$mil)	31 March 2018 (\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	2.7	3.0
Other miscellaneous inventories	1.5	1.5
Total: Inventories Held for Resale	4.2	4.5
Inventories of Supplies		
Textbooks and stockroom supplies held within the CRF	43.9	32.1
Medical and drug supplies held by health sector entities	25.9	25.8
Other miscellaneous supplies	1.3	1.5
Total: Inventories of Supplies	71.1	59.4

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Deferred Revenue

Deferred revenue consists of:

	31 March 2019	31 March 2018	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	129.9	114.9	15.0
Gas tax initiatives	20.7	19.6	1.1
Federal-Provincial initiatives in support of housing and home repair programs	12.6	21.6	(9.0)
Entities in the health sector relating to the provision of various health care services including research and other contracts	4.4	4.3	0.1
Federal initiatives in support of early learning and child care	0.7	3.8	(3.1)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	5.1	4.3	0.8
Total: Deferred Revenue	173.4	168.5	4.9

The balance as of 31 March 2019 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. Unamortized Unrealized Foreign Exchange Gains and Losses and Unamortized Premiums (Discounts) and Issuance Fees

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2019 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. Premiums (discounts) and issuance fees relating to the issuance of debentures are deferred and amortized over the term of the related debt. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense on foreign exchange is \$8.9 million which represents a debit adjustment (31 March 2018 - \$16.7 million-debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$4.1 million which represents a debit adjustment (31 March 2018 - \$2.5 million-debit adjustment).

	31 March 2019	31 March 2018
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	(131.6)	(82.2)
Sinking funds	60.8	35.7
Net	(70.8)	(46.5)
Accumulated amortization on foreign exchange	22.6	13.7
Net unamortized unrealized foreign exchange gains (losses)	(48.2)	(32.8)
Unamortized premiums (discounts) and issuance fees	(145.3)	(149.4)
Total unamortized unrealized foreign exchange gains (losses), premiums (discounts) and issuance fees	(193.5)	(182.2)

6. Retirement Benefits - Group Health and Life Insurance

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government, including their spouses and dependents. All retired employees of the Government of Newfoundland and Labrador who (i) retired under the Public Service Pension Plan (PSPP) prior to 01 January 2015 or (ii) retire under the PSPP after 31 December 2014 and meet the eligibility criteria outlined below are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. All retired employees of the Newfoundland and Labrador Housing Corporation (NLHC) are eligible to participate in the group insurance plans sponsored by NLHC. All retired employees of Memorial University of Newfoundland (MUN) who are receiving a pension from the Memorial University Pension Plan or another retirement benefit to which MUN contributed are eligible to participate in the group insurance plans, including dental benefits, sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Following proclamation of the *Other Post-Employment Benefits Eligibility Modification Act* (OPEB Act) on 01 January 2015 new criteria related to the eligibility for post-employment group health and group life insurance benefits (i.e., OPEBs) were established for PSPP members. Effective 01 January 2015, new employees and those who do not meet the eligibility criteria applicable during the five year transitional period under the OPEB Act will require 10 years of pensionable service instead of five and must immediately retire under the PSPP upon termination of employment to be eligible for OPEBs. During the five year transitional period certain employees and deferred pensioners, as defined in the OPEB Act, may be eligible for OPEBs in accordance with the OPEB Act.

On 31 May 2018, the Province introduced amendments to the OPEB Act, which sets out new rules for benefits applying to non-represented public sector employees who are covered under the Public Service Pensions Act, 1991 hired on and after 1 June 2018. While current employees qualify for retirement benefits after 10 years of pensionable service at the date of his or her retirement, new hires will be required to reach 15 years of pensionable service at the date of his or her retirement to qualify. As well, the Act institutes a sliding scale to calculate premiums at retirement. These amendments are currently effective for NAPE employees hired on or after 31 March 2018.

Under the plans sponsored by the Province, NLTA and NLHC, the employer contributes 50% towards group health and group life premiums for both employees and eligible retirees. Plans sponsored by the NLTA are subject to the maximum rates under the NLTA's program. NLHC contributes 100% of the retirees' group life premiums after age 65 up to a maximum coverage of \$10,000. For plans sponsored by MUN, the employer also contributes 50% of the total premium charged towards the benefits of both employees and retirees, with the exception of certain retirees whose health benefits are 70% or fully funded by MUN. Group life benefits cease at age 72 for MUN retirees and at age 65 for the Province and NLTA retirees. As at 31 March 2019, the plans have 69,843 participants who contributed total contributions of \$75.7 million. The total of all the plans provided benefits of \$39.5 million to 37,135 retirees, their spouses and dependents.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2019 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2017 and Teachers' valuation date of 31 August 2015) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.30%, Consumer Price Index (CPI) of 2.25%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2019 by NLHC's actuaries (valuation date 31 March 2018) for the programs sponsored by NLHC. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 5.0%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2019 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2016) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 3.6%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group Health and Life Insurance Retirement Benefits Liability

Details of the group health and life insurance retirement benefits liability are outlined in the table below:

Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2019 (\$mil)	Net Liability 2018 (\$mil)	Difference (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	2,501.8	204.0	2,705.8	2,629.5	76.3
Memorial University of Newfoundland	222.5	(37.7)	184.8	168.3	16.5
Newfoundland and Labrador Housing Corporation	17.2	4.1	21.3	21.4	(0.1)
Sub-total	2,741.5	170.4	2,911.9	2,819.2	92.7
Group life insurance retirement benefits					
Consolidated Revenue Fund	144.0	(23.9)	120.1	114.3	5.8
Memorial University of Newfoundland	1.3	0.5	1.8	1.7	0.1
Newfoundland and Labrador Housing Corporation	2.0	0.2	2.2	2.2	-
Sub-total	147.3	(23.2)	124.1	118.2	5.9
Total	2,888.8	147.2	3,036.0	2,937.4	98.6

There are no fund assets associated with these plans.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group Health and Life Insurance Retirement Benefits Expense

In these statements, group health and life insurance retirement benefits costs have been determined as the cost of benefits accrued during the period. Interest on the liability has been accrued for the same period.

The change in the liability for the current period is comprised of the following amounts:

Plan	Employer's Share of Current Period Costs (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Change (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	66.9	75.2	(32.3)	(33.5)	76.3
Memorial University of Newfoundland	8.9	7.8	(3.1)	2.9	16.5
Newfoundland and Labrador Housing Corporation	-	0.9	(0.4)	(0.6)	(0.1)
Sub-total	75.8	83.9	(35.8)	(31.2)	92.7
Group life insurance retirement benefits					
Consolidated Revenue Fund	2.8	4.4	(3.6)	2.2	5.8
Memorial University of Newfoundland	0.1	-	-	-	0.1
Newfoundland and Labrador Housing Corporation	-	0.1	-	(0.1)	-
Sub-total	2.9	4.5	(3.6)	2.1	5.9
Total	78.7	88.4	(39.4)	(29.1)	98.6

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as a component of debt expenses in the financial statements. Interest expense for 31 March 2018 amounted to \$88.0 million.

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active participants. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

The opening unamortized experience gain of \$316.7 million was decreased by \$169.5 million during the year resulting in a closing unamortized experience gain of \$147.2 million. This decrease consists of \$140.4 million for new experience loss and amortization of \$29.1 million.

The expected average remaining service life (EARSL) of programs sponsored by the Province and the NLTA is 12 years, while NLHC and MUN sponsored program is 13 years.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Retirement Benefits - Pensions

Defined Benefits

The defined benefit pension plans provided to employees of the Province are maintained in four funds; the Public Service Pension Plan Fund, the Teachers' Pension Plan Fund, the Memorial University Pension Fund and the Province of Newfoundland and Labrador Pooled Pension Fund.

Public Service Pension Plan Fund

During 2014-15, the Province signed a Joint Sponsorship Agreement with the five major unions representing unionized members of the Public Service Pension Plan (PSPP). The agreement establishes joint and equal participation in the sponsorship and management of the PSPP via the Public Service Pension Plan Corporation (PSPP Corporation). As a result, changes were made to the *Public Service Pensions Act, 1991* to establish the Public Service Pension Plan Fund. The PSPP Corporation (Provident¹⁰) was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

The Joint Sponsorship Agreement provides for joint management of the PSPP and an equal sharing between the Province and plan members in any surpluses and deficits. The *Pensions Funding Act* was updated to reflect that the Province is no longer required to provide a deficiency guarantee for the PSPP. The Province's sole financial obligation is to make contributions to the Plan as specified. Actuarial surpluses and deficits are shared equally by the Province and the PSPP members as well as adjustments required when funding is below or above established funding targets.

The joint agreement and the subsequent amendments to the *Public Service Pensions Act, 1991* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the PSPP Corporation (Provident¹⁰), effective 31 March 2015. The promissory note amortizes \$2.685 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the PSPP. Payments of \$47.0 million are made on a quarterly basis, which equates to equal annual payments of \$195.0 million due to the time value of money. As at 31 March 2019, the balance of the promissory note is \$2.489 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2019, the PSPP has 27,191 participants who contributed \$197.9 million. The plan provided benefits of \$588.4 million to 21,512 pensioners.

Contribution and Benefit Formulae

Public Service Pension Plan

Employee contributions are up to 11.85% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available for employees hired after 1 January 2015 based on the number of years of pensionable service times 2% of the employee's best six years average salary, and for employees hired prior to 1 January 2015, based on the higher of the frozen best average five year earnings or the best average six year earnings. Both new and existing pension benefits are reduced by a formulated amount representing CPP pension benefits for each year since 1967.

During 2006-07 the *Public Service Pensions Act, 1991* was enacted consistent with the two components of the Plan. The Registered component (RPP) is administered in the PSPP Corporation (Provident¹⁰). The Supplementary component (SERP) is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Teachers' Pension Plan Fund

During 2015-16, the Province and the Newfoundland and Labrador Teachers' Association (NLTA) reached an agreement to sustain the Teachers' Pension Plan (TPP). The agreement establishes joint and equal participation in the sponsorship and management of the TPP via the Teachers' Pension Plan Corporation (TPP Corporation). As a result, changes were made to the *Teachers' Pensions Act* to establish the Teachers' Pension Plan Fund. The TPP Corporation was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

The Joint Sponsorship Agreement provides for joint management of the TPP and an equal sharing between the Province and plan members in any surpluses and deficits. The *Pensions Funding Act* was updated to reflect that the Province is no longer required to provide a deficiency guarantee for the TPP. The Province's sole financial obligation is to make contributions to the Plan as specified. Actuarial surpluses and deficits are shared equally by the Province and the TPP members as well as adjustments required when funding is below or above established funding targets.

The joint agreement and the subsequent amendments to the *Teachers' Pensions Act* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the TPP Corporation, effective 31 August 2016 with interest accruing as of 1 September 2015. The promissory note amortizes \$1.862 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the TPP. Equal annual payments of \$135.3 million began on 31 August 2016. As at 31 March 2019, the balance of the promissory note is \$1.787 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

In addition to changes to Joint Sponsorship, other plan amendments were effective 01 September 2015. Amendments include an increase in members' contributions to 11.35% of pensionable salary from 9.35%, suspension of indexing for future service and changes to the average pensionable earnings formula. Any active member who terminates employment after 31 August 2016 with less than 24.5 years of credited service shall be eligible to retire at age 62. Amendments to the *Teachers' Pensions Act* to reflect the terms of the agreement signed by the Provincial Government and NLTA have been approved by the House of Assembly.

As at 31 March 2019, the TPP has 5,946 participants who contributed \$58.8 million. The plan provided benefits of \$304.3 million to 9,284 pensioners. Inflation protection is not extended to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

Contribution and Benefit Formulae

Teachers' Pension Plan

Employee contributions are 11.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best eight years average salary, plus 2% of the employee's best eight years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

During 2006-07 the *Teachers' Pensions Act* was enacted consistent with the two components of the Plan. The Registered component will be administered in the Teachers' Pension Plan Corporation. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Memorial University Pension Fund

Memorial University of Newfoundland (MUN) has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan (MUNPP). The MUNPP has 3,625 participants who contributed \$29.8 million as at 31 March 2019.

The MUNPP provides for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2019, the MUNPP provided benefits of \$87.4 million to the registered component of the plan and MUN provided benefits of \$1.5 million to the supplemental component to a total of 2,411 pensioners.

In 1970, the Memorial University Pension Fund was established by the *Memorial University Pensions Act*. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for the MUNPP. The financial activity of the MUNPP is administered by MUN. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

Contribution and Benefit Formulae

Memorial University of Newfoundland Pension Plan

Employee contributions are 9.9% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced at age 65 by a formulated amount representing integration with the CPP.

In addition to the above Registered component, in May 1996, MUN approved a Supplemental Retirement Income Plan to provide benefits to employees whose average salaries upon retirement generate defined benefit pensions that exceed the maximum benefits payable from the Memorial University of Newfoundland Pension Plan as per limits set out in the federal *Income Tax Act*. As well, in February and May 1996, MUN offered employees who reached the age of 55 and attained a minimum of 10 years pensionable service, an opportunity to take an early retirement under the provisions of the Voluntary Early Retirement Incentive Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

Province of Newfoundland and Labrador Pooled Pension Fund

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for a number of its full time employees and for members of its Legislature. The plans are – the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 712 participants who contributed \$5.5 million as at 31 March 2019 as follows: Uniformed Services - \$4.6 million, Members of the House of Assembly - \$0.4 million and Provincial Court Judges' - \$0.5 million.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2019, the plans provided benefits of \$37.2 million to 1,030 pensioners as follows: Uniformed Services - \$28.8 million, Members of the House of Assembly - \$7.5 million and Provincial Court Judges' - \$0.9 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan nor the Members of the House of Assembly Pension Plan who retired prior to 1 September 1998.

In 1980, the Province of Newfoundland and Labrador Pooled Pension Fund was established by the *Pensions Funding Act*, with the Minister of Finance as Trustee. This Fund administers all financial activity, including the collection of all contributions and the payment of pensions and the investment of funds for all the pension plans noted above. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contribution and Benefit Formulae

Uniformed Services Pension Plan

Employee contributions are 9.95% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years pensionable service times 2% of the employee's best three years average salary, reduced by a formulated amount representing CPP pension benefits since 1967. Grandfathered members have higher service accrual pensions in recognition of their higher contributions.

During 2012-13 the *Uniformed Services Pensions Act, 2012* was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 8 February 1999, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009, the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

During 2005-06 the *Members of the House of Assembly Retiring Allowances Act* was enacted to restructure the Members of the House of Assembly Pension Plan (MHAPP) into two components based on limits set out in the federal *Income Tax Act*. The first, or registered component, will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, will be administered in the accounts of the Consolidated Revenue Fund.

During 2017-18, Bill 21 was passed amending the *Members of the House of Assembly Retiring Allowances Act* and the *Portability of Pensions Act*. For members of the MHAPP first elected on or after November 30, 2015, the annual benefit accrual rate is reduced from 3.5% to 2.5% with a maximum pension accrual entitlement reducing from 70% to 50%. There shall be no portability option to the MHAPP. Eligibility for an MHA to receive a pension shall be at 60 years of age, and there shall be no option to select an early retirement option; the MHAPP shall have no indexing component; and the current MHAPP vesting component and survivor's benefit remain unchanged.

Provincial Court Judges' Pension Plan

Effective 1 April 2002 (pursuant to the *Provincial Court Judges Pension Plan Act* enacted 8 June 2004) the Provincial Court Judges' Pension Plan was established with then-existing judges being given the one-time option of transferring from the Public Service Pension Plan. All judges appointed subsequent to 1 April 2002 are required to join this Plan. Employee contributions are 9% of pensionable salary. A pension benefit is available based on the number of years pensionable service times 3.33% of the judge's annual salary. The Registered component of the Plan, administered within the Province of Newfoundland and Labrador Pooled Pension Fund, provides benefits based on limits set out in the federal *Income Tax Act* with the remainder of the benefit provided by the Supplementary component. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Actuarial Valuations

The actuarial valuations which are prepared by the Province's and MUN's actuaries were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality rates. The assumptions used reflect the Province's and MUN's best estimates of expected long-term rates and short-term forecasts. The expected interest and inflation rates follow:

Expected Interest Rates

Pension Plan	Expected Average Interest Rate
Public Service Pension Plan	
RPP	6.00%
SERP	3.30%
Teachers'	6.00%
Memorial University of Newfoundland	
RPP	5.80%
Supplemental Retirement Income Plan	3.60%
Voluntary Early Retirement Income Plan	3.10%
Uniformed Services	6.25%
Members of the House of Assembly	
RPP	6.15%
SERP	3.05%
Provincial Court Judges'	
RPP	6.15%
SERP	3.05%

The expected average interest rate is based on the average interest rate for plan assets for the registered components, while the cost of borrowing is used for the supplementary unfunded components of the plans.

Expected Inflation Rates

The expected inflation rate for all pension plans is 2.25% excluding MUNPP and TPP with an inflation rate of 2.0%.

Actuarial valuations for accounting purposes are generally completed every three years. The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

Pension Plan	Valuation Date
Public Service	31 December 2018
Teachers'	31 August 2018
Memorial University of Newfoundland	31 December 2018
Uniformed Services	31 December 2017
Members of the House of Assembly	31 December 2015
Provincial Court Judges'	31 December 2016

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Actuarial extrapolations are provided for accounting purposes by the Province's, Provident¹⁰, TPP and MUN's actuaries based on the above dates, with the exception of Public Service which is based on 31 December 2015 valuation.

Pension Liability

Details of the pension liability are outlined in the table below.

Pension Plan	Estimated Accrued Benefit Obligation (\$mil)	Fund Assets (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Unfunded Liability 2019 (\$mil)	Net Unfunded Liability 2018 (\$mil)	Change (\$mil)
Public Service	6,083.5	3,558.9	27.2	2,551.8	2,601.7	(49.9)
Teachers'	3,465.0	1,828.6	28.7	1,665.1	1,682.3	(17.2)
Memorial University of Newfoundland	1,901.9	1,667.7	38.9	273.1	251.4	21.7
Uniformed Services	478.6	172.2	16.7	323.1	305.7	17.4
Members of the House of Assembly	121.4	27.0	(4.1)	90.3	89.2	1.1
Provincial Court Judges'	34.0	12.1	2.4	24.3	22.2	2.1
Total	12,084.4	7,266.5	109.8	4,927.7	4,952.5	(24.8)

Pension Fund Assets are valued at the market value at 31 March 2019 (31 March 2018 – \$6,928.8 million).

As at 31 March 2019, the net unfunded liability of \$4,927.7 million is comprised of the \$4,275.6 million outstanding balance of the promissory notes delivered by the Province upon joint sponsorship to address the unfunded liability related to the Public Service Pension Plan (\$2,488.6 million) and the Teachers' Pension Plan (\$1,787.0 million).

Special Payments

MUN has requested that the exemptions relating to the minimum contributions required under the *Pension Benefits Act Regulations* established under the *Pension Benefits Act, 1997* based on a going concern valuation and a solvency valuation be extended. Without further exemptions, significant special payments will be required over 15 years and 40 years for past service cost of indexing effective 1 July 2004 related to the going concern valuation and five years related to the solvency valuation to address the above net unfunded liability. Going concern valuation payments have been exempted to 31 March 2018 and solvency valuation payments have been exempted to 31 December 2018.

During 2018-19, MUN made a special payment of \$2.4 million (31 March 2018 - \$3.8 million) towards the balance of the unfunded liability.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Expense

In these statements, pension costs have been determined as the cost of benefits accrued during the period. Interest on the unfunded liability has been accrued for the same period.

The change in the unfunded liability for the current period for each plan is comprised of the following amounts:

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense (Earned) on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	120.3	74.7	(281.4)	36.5	(49.9)
Teachers'	43.5	46.8	(135.3)	27.8	(17.2)
Memorial University of Newfoundland	29.6	16.3	(33.8)	9.6	21.7
Uniformed Services	4.6	18.3	(4.5)	(1.0)	17.4
Members of the House of Assembly	1.1	3.0	(6.2)	3.2	1.1
Provincial Court Judges'	2.5	0.6	(0.7)	(0.3)	2.1
Total	201.6	159.7	(461.9)	75.8	(24.8)

Interest Expense (Earned)

Pension interest expense is included with interest as debt expenses in the financial statements. Interest expense is comprised of the interest expense on the accrued benefit obligation netted with the interest earned on fund assets as follows:

Pension Plan	Interest Expense on the Accrued Benefit Obligation 2019 (\$mil)	Interest Earned on Fund Assets 2019 (\$mil)	Net Interest Expense (Earned) 2019 (\$mil)
Public Service	278.9	(204.2)	74.7
Teachers'	150.2	(103.4)	46.8
Memorial University of Newfoundland	106.7	(90.4)	16.3
Uniformed Services	28.7	(10.4)	18.3
Members of the House of Assembly	4.6	(1.6)	3.0
Provincial Court Judges'	1.3	(0.7)	0.6
Total	570.4	(410.7)	159.7

Pension interest expense for 31 March 2018 amounted to \$184.5 million. Also included in debt expenses is an additional interest expense of \$128.2 million (31 March 2018 - \$130.1 million) relating to the interest on the promissory notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Experience Gains or Losses

Experience gains or losses are amortized over the estimated average remaining service life of active contributors. The amortization amount is included with retirement costs in the financial statements commencing in the year subsequent to the year in which the experience gain or loss arose.

Accrued Benefit Obligation

The change in the unamortized experience gains (losses) on the accrued benefit obligation for the current period is comprised of the following amounts:

Pension Plan	Opening Unamortized Experience Gains (Losses)	New Experience Gains (Losses)	Amortization Gains (Losses)	Closing Unamortized Experience Gains (Losses)
	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	(167.3)	32.8	36.5	(98.0)
Teachers'	(140.1)	28.8	31.3	(80.0)
Memorial University of Newfoundland	(139.0)	18.0	18.0	(103.0)
Uniformed Services	(17.8)	-	2.7	(15.1)
Members of the House of Assembly	(8.6)	(2.6)	4.2	(7.0)
Provincial Court Judges'	2.0	(1.0)	-	1.0
Total	(470.8)	76.0	92.7	(302.1)

Fund Assets

The change in the unamortized experience gains (losses) on the fund assets for the current period is comprised of the following amounts:

Pension Plan	Opening Unamortized Experience Gains (Losses)	New Experience Gains (Losses)	Amortization Gains (Losses)	Closing Unamortized Experience Gains (Losses)
	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	160.4	(35.2)	-	125.2
Teachers'	96.6	15.6	(3.5)	108.7
Memorial University of Newfoundland	121.2	29.1	(8.4)	141.9
Uniformed Services	30.6	4.9	(3.7)	31.8
Members of the House of Assembly	3.9	-	(1.0)	2.9
Provincial Court Judges'	1.7	-	(0.3)	1.4
Total	414.4	14.4	(16.9)	411.9

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expected average remaining service life (EARSL) of related employee groups is as follows:

	<u>EARSL</u>
Public Service - RPP	11 years
Public Service – SERP	9 years
Teachers'	12 years
Memorial University of Newfoundland	13 years
Uniformed Services	15 years
Members of the House of Assembly	8 years
Provincial Court Judges'	8 years

Other Pension Plan

The *Government Money Purchase Pension Plan Act* established the Government Money Purchase Pension Plan for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 34,490 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by The Great-West Life Assurance Company and at 31 March 2019 assets had a market value of \$377.2 million (31 March 2018 - \$375.9 million). The expense recognized for 31 March 2019 amounted to \$14.7 million (31 March 2018 - \$14.1 million).

8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	<u>31 March 2019</u>	<u>31 March 2018</u>
	(\$mil)	(\$mil)
Software licenses	8.8	5.1
Maintenance contracts	8.6	7.7
Property taxes and other municipal fees	7.6	7.3
Insurance costs	6.9	5.7
Membership fees and subscriptions	1.9	2.4
Library operating supplies	1.8	2.0
Ambulance services	1.6	0.6
Canadian Blood Services	1.3	3.1
Rent	1.2	0.6
Workers' compensation fees	0.9	0.9
Computer network and accessories	0.4	0.7
Other prepaid and deferred charges	<u>4.6</u>	<u>4.5</u>
Total: Prepaid and Deferred Charges	<u><u>45.6</u></u>	<u><u>40.6</u></u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2019 amounted to \$1,749.5 million (31 March 2018 - \$1,685.9 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

- (i) There have been a number of statements of claim alleging negligence on the part of the Government employees and agencies in not preventing abuse while these claimants were under Government care.
- (ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Trust Accounts*

a) Office of the Public Trustee

The Province guarantees all sums required to discharge the balances of the Public Trustee as administrator, guardian, trustee, etc. (*Public Trustee Act*). See Schedule 9 - Trust Accounts.

b) Supreme Court of Newfoundland and Labrador

The Province guarantees all sums required to discharge the balances of the Supreme Court of Newfoundland and Labrador as administrator, guardian, trustee, etc. (*Judicature Act*). See Schedule 9 - Trust Accounts.

c) Other Trust Accounts

Generally, the Province is contingently liable for any shortage that may occur for certain funds held in trust by the Province. Currently, all obligations held have an offsetting asset. See Schedule 9 - Trust Accounts.

(ii) *Canadian Salt Fish Corporation*

On 17 July 1970, the Province entered into an agreement with the Government of Canada for the marketing of saltfish products by the Canadian Saltfish Corporation (the Corporation), pursuant to the *Saltfish Act*. The Agreement provided that the Province is required to pay to the Government of Canada a proportional share of 50 per cent of the losses of the Corporation. This share is based on the total value of annual sales of cured fish products applicable to each participating province.

On 19 February 1993, the Government of Canada requested that the Province compensate it for losses incurred to 31 March 1992. The amount which the Government of Canada calculated as the Province's share of the losses was \$21.6 million.

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(iii) Newfoundland and Labrador Student Loans Program

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2019. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totaling \$8.6 million, of which \$6.0 million (31 March 2018 - \$5.5 million) has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 5 - Payables, Accrued and Other Liabilities.

(iv) *Contaminated Sites*

The Province has identified approximately 200 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 10 – Contaminated Sites for further details.

In addition, the Province has provided an environmental guarantee to the acquiring entity of North Atlantic Refining Limited (NARL) regarding the oil refinery in Come by Chance. The Province and NARL entered into an environmental agreement on 10 November 2014 which required an environmental site assessment to be completed by NARL. The environmental assessment includes Phase I, II and III assessments and a remediation plan. The environmental assessment process has not yet been completed. Phase I, which included a review of current and historical activities associated with oil refinery, has been completed and approved by the Province. Phase II, which included the preliminary collection and analysis of samples, has been completed and is being reviewed by the Province. As well, the Province has received a draft Phase III report which is also under review. While Phase III and a remediation plan have not been completed, a preliminary estimate indicates a range of \$34 - \$269 million.

(v) *Equity Support Agreements – Lower Churchill Project*

The Province has provided a guarantee to the Government of Canada to compensate it for any costs under the Federal Loan Guarantee on the Lower Churchill Project which are triggered by legislative or regulatory actions of the Province. The Province has a separate agreement for each component of the project to guarantee the payment of Nalcor's equity commitments in the event that Nalcor fails to fulfill its commitments.

The project is expected to cost \$12.7 billion, including interest during construction and other capitalized/pre-funded financing costs of \$2.6 billion. The Province had a total equity investment in the project of \$3.4 billion as at 31 March 2019. Also, as at 31 March 2019, the Province had further equity commitments totaling \$0.4 billion related to the project. The project is being financed through the issuance of bonds in the amount of \$7.9 billion and equity contributions of \$4.8 billion.

(vi) *Corner Brook Pulp and Paper Limited (CBPPL)*

In 2014 the Province signed an agreement with CBPPL which states that in the event of the closure of the Corner Brook Mill, the Province has agreed to purchase the power assets and water rights. The purchase price is dependent upon the timing of the closure of the Corner Brook Mill, and could range from \$101.8 million to the greater of \$200.0 million or the fair market value of the purchased assets, less any monies owing to the Province in relation to the loan agreement with CBPPL. In 2017 the Province entered into another agreement providing a guarantee up to \$88.0 million on a letter of credit held by a Trust for the benefit of pension plan members. Should the government have to pay under the guarantee, the amount would also be deducted from the purchase price of the power assets and water rights.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Contaminated Sites

There are a number of sites throughout the Province which are considered potentially contaminated sites. The liability reflects the Province's best estimate of the amount required to remediate the sites to the current minimum standards for its use prior to contamination. As some of these sites are not yet fully assessed and contamination has not yet been determined or a detailed remediation plan has not been developed, no liability has been recognized. Studies are ongoing to assess the nature and extent of damage and to develop remediation plans, if necessary.

The Province has identified approximately 200 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 24 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2019, a total liability for contaminated sites of \$168.9 million (31 March 2018 – \$137.4 million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$148.6 million relates to a liability for remediation of former mining sites. The Province has completed a partial remediation program at these sites, focused on the removal of buildings and infrastructure, designed to address safety hazards. The remaining contaminated sites liability of \$20.3 million is mainly related to Petroleum Hydrocarbon (PHC) impacts. The liability reflects the present value of estimated future cash flows, where applicable, with total undiscounted expenditures of \$552.2 million present valued at a discount rate of 4.47%.

The remainder of the sites are not liabilities as they are active and absent of an unexpected event; the impacts on the site do not exceed the applicable standards; the Province is not responsible for remediation; or it is not anticipated that remediation will occur. Upon identification of new contaminated sites or changes in the assessments of currently known sites, additional liabilities or disclosures may be recognized.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. Contractual Obligations

Contractual obligations consist of:

	<u>31 March 2019</u>	<u>31 March 2018</u>
	(\$mil)	(\$mil)
Lower Churchill Project	950.0	1,834.0
Ferry services	493.9	23.7
Capital projects	433.9	543.8
Lease payments	375.2	393.1
Economic development	224.9	252.4
Power purchase agreements	162.1	160.4
Provincial policing agreement	155.7	153.7
Transmission service agreements	107.9	22.6
Oil and Gas	57.4	65.2
Letters of credit	42.1	42.0
Information technology services	37.3	50.3
Road Maintenance	24.7	14.1
Residential services	11.2	11.1
Telephone services	5.9	9.0
Energy savings	4.5	17.7
Forestry Management	3.0	4.5
Early learning and childcare	-	2.7
Other agreements	<u>35.0</u>	<u>26.1</u>
Total: Contractual Obligations	<u><u>3,124.7</u></u>	<u><u>3,626.4</u></u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2019. These contractual obligations will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to voting of supply by the Legislature.

The above table includes contractual obligations of \$1.4 billion (31 March 2018 - \$2.2 billion) for government business enterprises and \$11.7 million (31 March 2018 – \$18.6 million) for government business partnership.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Externally Restricted Assets

Externally restricted assets amount to \$157.0 million (31 March 2018 - \$140.1 million) of which \$155.6 million relates to Memorial University of Newfoundland which consists primarily of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence cannot be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Externally restricted assets of other entities amount to \$1.4 million which relate to various donations designated for specified purposes.

13. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 9(a)) is nil (31 March 2018 - nil).

14. Adjustments to Beginning Balances

(a) Government Organization Changes

Net Debt and Accumulated Deficit increased by \$48.7 million (31 March 2018 - \$0.7 million increase) relating to entity accounting policies and entity restatements.

These changes have been applied retroactively without restatement.

15. Related Party Disclosures

The Province considers key management personnel (KMP), their close family members and any organizations controlled by the KMP or their close family members as related parties. For this purpose, KMPs are defined to include Ministers and Deputy Ministers (Equivalents). KMPs of Government entities also include board members.

The Province and its entities have determined through a due diligence process that no transactions occurred at a price different than fair market value or under terms different than what two unrelated parties would agree. As a result, all transactions with its related parties were conducted in the normal course of business and at arms' length.

Refer to Schedule 4 – Net Income of Government Business Enterprises and Partnership for a description of related party transactions of Government Business Enterprises and Partnership.

16. Contractual Rights

Contractual Rights consist of:

	31 March 2019	31 March 2018
	(\$mil)	(\$mil)
Cost sharing agreements	459.8	503.9
Other agreements	10.3	10.5
Total: Contractual Rights	470.1	514.4

Contractual rights are rights to economic resources arising from contracts or agreements entered into before 31 March 2019. These contractual rights will become assets when the transaction or event triggering recognition occurs.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Contingent Assets

Contingent assets consist of:	31 March 2019	31 March 2018
	(\$mil)	(\$mil)
Hebron Benefits Agreement Dispute Settlement	3.0	3.9
Insurance Claims	1.2	0.1
Total: Contingent Assets	4.2	4.0

Contingent assets are possible assets arising from existing conditions or situations involving uncertainty. The resolution of the uncertainty will confirm the existence or non-existence of an asset. The uncertainty will be resolved when one or more future events not wholly within the Province's control occurs or fails to occur.

A number of legal actions have been filed for the Province that have the potential to result in damages being awarded to the Province. The outcome of the legal actions is not determinable.

18. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

Some examples of where measurement uncertainty exists are as follows:

- (i) The nature of uncertainty for the accrual of retirement benefits, the allowance for guaranteed debt, and the accrual of self-insured workers' compensation benefits arises as actual results may differ significantly from the Province's assumptions about plan members and economic conditions in the marketplace.
- (ii) The accruals for environmental remediation obligations are uncertain because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans.
- (iii) Revenues from sales taxes, income taxes, oil royalties, Canada Health Transfer, and Canada Social Transfer are uncertain due to differences between the estimated and actual economic performance and other assumptions used to accrue these revenues. The tax revenues under the federal-provincial fiscal arrangements attributable to the year can change as a result of reassessments in subsequent years. The variability of the final amounts attributable to the year cannot be reasonably determined.

19. Subsequent Events

Atlantic Accord (2019)

Subsequent to year end, the Province and the Federal Government entered into an agreement intended to ensure that the Province is the principal beneficiary of its offshore resources. As a result, the Province will receive a guaranteed revenue stream of approximately \$2.5 billion. The installments begin in 2019 and will continue until 2056 with no restrictions on the use of the funds.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. Original Budget

Certain amounts in the statements and exhibits of the 2018-19 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i). To be consistent with the format of the financial statements, presentation changes have been applied as necessary.

21. Additional Notes

In addition to the aforementioned, there are various other notes disclosed in the schedules which follow.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Receivables As at 31 March 2019 with comparative figures for 2018

	<u>2019</u>	<u>2018</u>
	(\$000)	(\$000)
Accounts receivable	333,666	307,448
Due from Government of Canada	134,008	116,027
Offshore royalties	126,662	119,007
Taxes receivable	111,450	127,208
Accrued interest receivable	<u>1,354</u>	<u>840</u>
	707,140	670,530
Less: Allowance for doubtful accounts	<u>118,304</u>	<u>106,749</u>
Total: Receivables	<u><u>588,836</u></u>	<u><u>563,781</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments As at 31 March 2019 with comparative figures for 2018

	2019	2018
	(\$000)	(\$000)
Loans and Advances - notes 1, 2		
Commercial - note 3	184,107	180,856
Housing	96,940	93,203
Student loans	74,618	91,655
Municipalities	1,892	5,007
Other	6,690	6,193
Total: Loans and Advances	364,247	376,914
Less: Discounts due to concessionary terms on loans - note 4	102,389	93,536
Allowance for doubtful loans and advances	50,416	61,079
Provision for loan repayments through future appropriations (municipalities)	1,892	5,007
	209,550	217,292
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	75,915	74,605
Administered by Newfoundland & Labrador Film Development Corporation	52,267	48,729
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Innovation and Business Investment Corporation	8,151	8,745
Gray Aqua Group Ltd.	4,827	4,827
Administered by Janeway Children's Hospital Foundation	4,581	4,446
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,222	3,591
Administered by Multi-Materials Stewardship Board	2,428	2,430
ACF Equity Atlantic Inc.	2,203	2,203
Newfoundland Aqua Services Ltd. - redeemable	2,000	2,000
Icewater Seafoods Inc.	1,316	1,491
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
NavSim Technologies	500	500
Sexton Lumber Co. Ltd.	500	500
Hurley Slate Works Company Inc.	400	400
Pixecur Technologies Inc. - redeemable	400	400
Northern Harvest Sea Farms Newfoundland Ltd.	-	8,347
Other	1,968	2,407
	176,678	181,621

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	<u>2019</u>	<u>2018</u>
	(\$000)	(\$000)
Other Investments:		
Memorial University of Newfoundland - Fixed Income	75,110	58,940
Newfoundland and Labrador Venture Capital Fund	6,239	4,643
Administered by Janeway Children's Hospital Foundation	1,915	726
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	<u>1,234</u>	<u>1,231</u>
	<u>84,498</u>	<u>65,540</u>
Total: Investments	<u>261,176</u>	<u>247,161</u>
Less: Discounts due to concessionary terms on investments - note 5	52,267	49,138
Allowance for write-down of investments	<u>18,015</u>	<u>18,406</u>
	<u>190,894</u>	<u>179,617</u>
Total: Loans, Advances and Investments	<u><u>400,444</u></u>	<u><u>396,909</u></u>

NOTES

1. Interest Rates and Loan Terms

Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 22 years.

2. Loan Receivable

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned on this loan totalling \$22.2 million is netted against the offsetting interest expense on the debenture debt.

3. Security

Security exists for certain loans that can be accessed in the event of default. Refer to note 9 (c) (vi) of the Notes to the Financial Statements for further details.

4. Discounts Due to Concessionary Terms on Loans

The discounts due to concessionary terms on loans are the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement.

5. Discounts Due to Concessionary Terms on Investments

The discounts due to concessionary terms on investments are the portion of the investment that represents the difference between the cost and the present value of the investment. The investments are reported at their present value due to the concessionary terms in the investment agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises and Partnership As at 31 March 2019 with comparative figures for 2018

	Atlantic Lottery Corporation 31 Mar 2019 (\$000)	NL Liquor Corporation 6 Apr 2019 (\$000)	Nalcor Energy 31 Dec 2018 (\$000)	Total 2019 (\$000)	Total 2018 (\$000)
Equity - beginning of year	8,441	51,212	5,080,935	5,140,588	4,563,502
Adjustment to opening balance	-	(531)	(54,688)	(55,219)	1,300
Adjusted equity - beginning of period	8,441	50,681	5,026,247	5,085,369	4,564,802
Net income for year	135,230	174,880	180,162	490,272	373,397
Other comprehensive income (loss) - note 1	(1,114)	-	19,000	17,886	(77,412)
Capital transactions:					
Transfers from government - note 2	-	-	533,658	533,658	589,885
Transfers to government	(131,705)	(183,600)	-	(315,305)	(310,084)
Equity - end of year	<u>10,852</u>	<u>41,961</u>	<u>5,759,067</u>	<u>5,811,880</u>	<u>5,140,588</u>
Equity represented by:					
Assets					
Cash and temporary investments	4,882	12,245	1,907,000	1,924,127	2,567,525
Receivables	6,339	12,623	433,761	452,723	411,246
Inventories	2,240	32,203	121,000	155,443	150,661
Prepaid and deferred charges	1,987	1,042	193,000	196,029	143,298
Investments	-	-	133,000	133,000	338,000
Reserve fund	-	-	12,000	12,000	-
Capital and intangible assets	32,414	31,796	15,675,000	15,739,210	14,550,097
Total Assets	<u>47,862</u>	<u>89,909</u>	<u>18,474,761</u>	<u>18,612,532</u>	<u>18,160,827</u>
Liabilities					
Accounts payable and accruals	10,906	47,948	2,998,000	3,056,854	3,104,128
Deferred government assistance	-	-	1,000	1,000	2,100
Borrowings - note 3	26,104	-	9,716,694	9,742,798	9,914,011
Total Liabilities	<u>37,010</u>	<u>47,948</u>	<u>12,715,694</u>	<u>12,800,652</u>	<u>13,020,239</u>
Equity	<u>10,852</u>	<u>41,961</u>	<u>5,759,067</u>	<u>5,811,880</u>	<u>5,140,588</u>

NOTES

1. Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes certain unrealized gains and losses of government business enterprises and partnership that are not reported in the statement of operations but are reported in the statement of financial position. Unrealized gains and losses are recognized in the statement of operations when they become realized gains and losses. Accumulated other comprehensive income (loss) as at 31 March 2019 amounted to \$(23.0) million (31 March 2018 - \$(40.9) million). The other comprehensive income (loss) recognized during the year was \$17.9 million (31 March 2018 - \$(77.4) million).

2. Transfers from Government

Capital transfers from the Province include \$533.7 million (31 March 2018 - \$589.9 million) for the Lower Churchill Project.

EQUITY IN GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP (continued)

3. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments for Government Business Enterprises and Partnership, in Canadian dollars are as follows.

	<u>Total</u>
	(\$000)
2019-2020	198,440
2020-2021	32,819
2021-2022	63,532
2022-2023	64,116
2023-2024	64,772
2024-2057	<u>9,486,446</u>
	9,910,125
Less: Sinking Fund Contributions	<u>(167,327)</u>
	<u><u>9,742,798</u></u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises and Partnership As at 31 March 2019 with comparative figures for 2018

	Atlantic Lottery Corporation 31 Mar 2019	NL Liquor Corporation 6 Apr 2019	Nalcor Energy 31 Dec 2018	Total 2019	Total 2018
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue					
Revenue from operations	<u>220,865</u>	<u>335,078</u>	<u>1,018,162</u>	<u>1,574,105</u>	<u>1,590,534</u>
Expense					
Expenses from operations	<u>85,635</u>	<u>160,198</u>	<u>838,000</u>	<u>1,083,833</u>	<u>1,217,137</u>
Net Income	<u><u>135,230</u></u>	<u><u>174,880</u></u>	<u><u>180,162</u></u>	<u><u>490,272</u></u>	<u><u>373,397</u></u>

NOTE

Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support both new and current offshore petroleum exploration, funding for wind feasibility studies in Labrador, as well as Churchill Falls Trust contributions, for a total amount of \$8.8 million (31 December 2017 - \$8.4 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total recovery of \$6.5 million (31 December 2017 - \$13.9 million).

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable, accounts payable and deferred credits. Accounts receivable include \$40.2 million (31 December 2017 - \$41.5 million); accounts payable include \$7.8 million (31 December 2017 - \$9.8 million) and deferred credits include \$1.2 million (31 December 2017 - \$1.3 million). In addition, Nalcor Energy invested \$40.0 million (31 December 2017 - \$37.3 million) in Provincial bonds. Refer to Schedule 2, note 2 for further details.

Newfoundland and Labrador Liquor Corporation is leasing office and warehouse space from the Department of Transportation and Works. These leases are rent free to the Corporation; however, all operating, leasehold and maintenance costs related to the buildings are the responsibility of the Corporation.

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled \$135.4 million (31 March 2018 - \$133.8 million). In relation to profit earnings, there exists an accounts payable of \$1.9 million (31 March 2018 - \$1.7 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities As at 31 March 2019 with comparative figures for 2018

	2019	2018
	(\$000)	(\$000)
Accrued salaries and employee benefits - note 1	968,596	1,202,160
Accounts payable	440,852	447,794
Taxes payable - note 2	346,069	545,802
Due to Government of Canada	335,313	370,753
Accrued interest payable	220,114	207,314
Contaminated sites	168,891	137,406
Capital leases - note 3	16,525	19,753
Due to municipalities	10,288	16,721
Provision for student loan debt reduction payable	5,993	5,491
Other	3,489	2,365
Nalcor Energy	-	12,908
Total: Payables, Accrued and Other Liabilities	2,516,130	2,968,467

NOTES

1. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of the following.

	2019	2018
	(\$mil)	(\$mil)
Severance	292.7	530.2
Paid and annual leave	258.9	263.6
Sick leave	231.5	232.3
Salaries	122.6	117.1
Self-insured workers' compensation benefits	47.8	46.9
Other benefits	15.0	11.1
Pay in lieu	0.1	1.0
	968.6	1,202.2

During the 2016-17 fiscal year, an actuarial valuation as of 31 December 2016, with disclosures as at 31 March 2019, was obtained for the Province's self-insured workers' compensation benefits. Accrued severance and sick leave balances have been determined using a combination of actuarial valuations and internal methodologies.

PAYABLES, ACCRUED AND OTHER LIABILITIES (continued)

2. Taxes Payable

Taxes payable is comprised of \$209.9 million for corporate income tax (31 March 2018 - \$327.6 million), \$77.9 million for HST (31 March 2018 - \$158.5 million), \$53.9 million for personal income tax (31 March 2018 - \$53.9 million) and \$4.4 million for other taxes (31 March 2018 - \$5.8 million).

3. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 16.0% and have repayment schedules ranging in duration from 1 to 5 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings As at 31 March 2019 with comparative figures for 2018

	2019			Interest Rate Range (%)	2018
	Total Borrowings (\$000)	Sinking Fund Balance (\$000)	Net Borrowings (\$000)		Net Borrowings (\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	970,644	-	970,644	1.74 - 1.93	777,403
General debentures	12,926,007	1,550,411	11,375,596	1.13 - 10.95	10,266,265
Sun Life Assurance Company of Canada	58,970	-	58,970	7.55 - 9.20	65,270
Government of Canada	<u>304,278</u>	<u>-</u>	<u>304,278</u>	4.91 - 7.02	<u>306,313</u>
	14,259,899	1,550,411	12,709,488		11,415,251
Health care organizations	147,588	22,751	124,837	0.99 - 10.50	129,655
Newfoundland and Labrador Housing Corporation	81,549	-	81,549	1.01 - 19.75	86,701
Memorial University of Newfoundland	58,599	-	58,599	2.00 - 4.18	38,424
School Districts	14,696	-	14,696	prime-1 - 5.04	13,666
Newfoundland and Labrador Municipal Financing Corporation	1,400	-	1,400	5.15 - 5.20	4,066
Total: Borrowings	<u>14,563,731</u>	<u>1,573,162</u>	<u>12,990,569</u>		<u>11,687,763</u>

NOTES

1. General Debentures

General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$22.2 million is netted against the offsetting interest revenue on the loan receivable.

BORROWINGS (continued)

2. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2019 are noted below. Refer to note 5 of the Notes to the Financial Statements for further details.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/Discounts and Issuance Fees (\$000)	Net (\$000)
U.S.	1,050,000	1.3363	1,403,115	(86,069)	1,317,046
Canadian			13,160,616	-	13,160,616
		Sub-total	14,563,731	(86,069)	14,477,662
		Foreign sinking funds	(657,203)	37,895	(619,308)
		Canadian sinking funds	(915,959)	-	(915,959)
		Sub-total	12,990,569	(48,174)	12,942,395
		Unamortized premiums and discounts and issuance fees		(145,325)	(145,325)
		Total		(193,499)	12,797,070

3. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2019-2020	10,903	1,071,995	1,082,898
2020-2021	240,283	600,067	840,350
2021-2022	166,007	259,426	425,433
2022-2023	168,851	1,462,587	1,631,438
2023-2024	122,461	531,667	654,128
2024-2049	-	7,206,715	7,206,715
	708,505	11,132,457	11,840,962
Plus: Sinking Fund Values at Maturity			3,316,842
Less: Sinking Fund Contributions			(594,073)
			14,563,731

BORROWINGS (continued)

4. Interest Expense

The gross interest expense associated with borrowings, recognized for 31 March 2019, amounted to \$647.6 million (31 March 2018 - \$574.3 million).

5. Foreign Exchange Gain/Loss and Premiums, Discounts and Issuance Fees

The foreign exchange loss which has been recognized on the Consolidated Statement of Operations is \$8.9 million which represents a debit adjustment (31 March 2018 - \$16.7 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$4.1 million which represents a debit adjustment (31 March 2018 - \$2.5 million - debit adjustment).

6. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2019 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2018 - \$10.5 million).

7. Related Sinking Fund Investments

At year end, the Province held \$732.9 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2018 - \$664.1 million) which are reflected in the sinking fund balances disclosed in note 2 above. These were comprised of \$540.4 million in Canadian investments and \$192.5 million in US investments.

8. Debt Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

Atlantic Lottery Corporation Inc. and Nalcor Energy operate in environments with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. A combination of financial instruments and portfolio management tools and techniques are utilized to manage these risks. Net borrowings of Atlantic Lottery Corporation Inc. and Nalcor Energy are reflected in the Equity in government business enterprises and partnership on the Consolidated Statement of Financial Position.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt As at 31 March 2019 with comparative figures for 2018

	2019	2018
	(\$000)	(\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,693,847	1,616,551
Newfoundland and Labrador Housing Projects - note 4	30,028	36,965
Municipalities	610	593
	<u>1,724,485</u>	<u>1,654,109</u>
Guaranteed Bank Loans		
Fisheries	24,327	31,242
Other corporations	719	560
	<u>25,046</u>	<u>31,802</u>
Total: Guaranteed Debt	<u>1,749,531</u>	<u>1,685,911</u>

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for guaranteed debentures is \$1,724.5 million and \$72.6 million for guaranteed bank loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2018 - nil).

3. General Terms and Conditions

Guaranteed debentures for Newfoundland and Labrador Hydro have maturity dates ranging from February 2026 to October 2048 at interest rates varying from 3.6% to 8.4%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from April 2019 to December 2035 at interest rates varying from 0.99% to 10.5%.

4. Loan Guarantees

The Newfoundland and Labrador Housing Corporation has provided loan guarantees pursuant to the Canada-Newfoundland Social Housing Agreement in respect of certain Canada Mortgage and Housing Corporation debt of partner managed housing operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Losses, Uncollectible Accounts and Other Amounts Written Off As at 31 March 2019 with comparative figures for 2018

Department	2019 (\$000)	2018 (\$000)
Finance:		
Remissions	108,963	98
Uncollectible accounts	-	267
	<u>108,963</u>	<u>365</u>
Advanced Education, Skills and Labour:		
Uncollectible accounts	3,426	7,906
Children, Seniors and Social Development:		
Uncollectible accounts	-	83
Education and Early Childhood Development:		
Uncollectible accounts	-	20
Fisheries and Land Resources:		
Tax forgiveness	1,741	1,741
Uncollectible accounts	1,665	2
	<u>3,406</u>	<u>1,743</u>
Justice and Public Safety:		
Uncollectible accounts	1	-
Municipal Affairs and Environment:		
Uncollectible accounts	-	77
Natural Resources:		
Uncollectible accounts	6	4
Service Newfoundland and Labrador:		
Uncollectible accounts	14	8
Tourism, Culture, Industry and Innovation:		
Overpayment of social assistance	1	-
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>115,817</u>	<u>10,206</u>

NOTE

Losses, Uncollectible Accounts and Other Amounts Written Off includes balances of the Consolidated Revenue Fund.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts As at 31 March 2019 with comparative figures for 2018

	<u>2019</u> (\$000)	<u>2018</u> (\$000)
Supreme Court of Newfoundland and Labrador	54,390	41,073
Office of the Public Trustee	32,993	35,842
Refund Deposit Account (formerly known as Rate Stabilization Fund)	8,884	7,971
Scholarships and Awards	7,910	7,377
Teachers' Accrued Salary Trust Account	7,568	7,032
Federal/Provincial Contractors' Security Account	4,926	4,759
Consolidated Tender Account	4,678	5,451
Patients' Funds Held in Trust	4,630	4,871
Replacement Reserve Funds	3,783	3,812
Support Enforcement	1,331	1,113
Contractors' Security Account - Transportation and Works	958	123
Provincial Courts Trust Account	492	484
High Sheriff of Newfoundland	311	147
Other Trust Accounts	<u>6,717</u>	<u>4,328</u>
Total: Trust Accounts	<u><u>139,571</u></u>	<u><u>124,383</u></u>

NOTE

Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2018, the Commission reported a net fund surplus of \$237.5 million (31 December 2017 - net fund surplus of \$362.5 million) and an accumulated operating surplus of \$237.0 million (31 December 2017 - surplus of \$362.7 million). Under legislation, no liability on behalf of the Province has been established.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets As at 31 March 2019 with comparative figures for 2018

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2019	Net Book Value 31 March 2018	
	Balance 31 March 2018	Additions 2019	Disposals 2019	Balance 31 March 2019	Balance 31 March 2018	Amort. Net of Disposals 2019			
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	
Buildings	4,075.2	139.4	1.5	4,213.1	1,949.8	107.0	2,056.8	2,125.4	
Marine vessels & aircraft	399.7	5.1	7.3	397.5	120.7	3.8	124.5	279.0	
Equipment & machinery	1,694.1	63.4	14.3	1,743.2	1,319.3	59.9	1,379.2	374.8	
Infrastructure	5,180.0	152.1	0.2	5,331.9	4,029.3	102.3	4,131.6	1,150.7	
Computer software	199.5	1.1	-	200.6	152.6	16.6	169.2	46.9	
Sub-total	<u>11,548.5</u>	<u>361.1</u>	<u>23.3</u>	<u>11,886.3</u>	<u>7,571.7</u>	<u>289.6</u>	<u>7,861.3</u>	<u>4,025.0</u>	<u>3,976.8</u>
Work in progress				<u>468.6</u>				<u>468.6</u>	<u>416.3</u>
Total				<u>12,354.9</u>				<u>4,493.6</u>	<u>4,393.1</u>

NOTES

1. Tangible Capital Assets

Tangible capital assets are capitalized on the Consolidated Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets.

2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. The Province currently has a number of projects under construction or development with a total for 31 March 2019 of \$468.6 million (31 March 2018 - \$416.3 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of \$361.1 million include \$183.8 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$237.8 million less disposals of \$1.7 million for 2018-19.

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$289.6 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$310.9 million less accumulated amortization on assets disposed of in the year in the amount of \$21.3 million.

The \$157.5 million change in accumulated amortization as at 31 March 2018 consisted of amortization expense of \$314.1 million less accumulated amortization on assets disposed of in the year in the amount of \$156.8 million.

4. Estimated Useful Life

The historic cost of the assets is estimated in many cases, and amortization is calculated on a straight line basis over the following useful lives:

Asset	Estimated Useful Life
Buildings	40 years
Marine vessels & aircraft	
Marine vessels	20 years
Aircraft	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal equipment	10 years
Office/other machinery and equipment	10 years
Vehicles	5 years
Computer hardware	4 years
Infrastructure	
Roads	20 years
Airstrips	20 years
Marine facility infrastructure	20 years
Other infrastructure	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

The above useful lives reflect the policies of the Consolidated Revenue Fund. Amortization reported by other organizations included in the Government reporting entity is recorded in these statements as per the amortization policies of these other organizations. These policies may differ from those identified above.

5. Historical or Cultural Assets

In accordance with current accounting standards, certain assets which have historical or cultural value belonging to the Province are not included in this schedule. Such assets consist of paintings, sculptures, historical documents, and historical and cultural artifacts.

TANGIBLE CAPITAL ASSETS (continued)

6. Intangible and Inherited Assets

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

7. Leased Assets

The gross amount of leased tangible capital assets is \$36.4 million (31 March 2018 - \$36.4 million), amortization expense is \$1.1 million (31 March 2018 - \$1.4 million) and accumulated amortization is \$24.3 million (31 March 2018 - \$23.2 million). These are included in the appropriate category in the schedule.

8. Expropriated Assets

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, the intent is to transfer these assets to Nalcor Energy or Newfoundland and Labrador Hydro. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$158.0 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2019 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Original Budget 2019 (Note 20) (\$000)	Actuals 2018 (\$000)
Provincial Sources			
Taxation			
Personal income tax	1,547,612	1,581,927	1,472,886
Sales tax	1,275,450	1,207,436	1,243,991
Corporate income tax	378,383	323,884	301,738
Mining and mineral rights tax	234,626	65,367	93,352
Gasoline tax	205,368	241,464	258,088
Carbon tax	12,578	19,371	-
Cannabis tax	1,054	2,240	-
Other	389,126	423,447	397,029
	<u>4,044,197</u>	<u>3,865,136</u>	<u>3,767,084</u>
Investment			
Sinking fund earnings	62,271	64,376	59,053
Interest	42,764	12,812	34,066
Other	1,830	-	10,771
	<u>106,865</u>	<u>77,188</u>	<u>103,890</u>
Fees and Fines			
Fees	336,796	333,033	350,522
Fines	9,224	5,510	13,790
	<u>346,020</u>	<u>338,543</u>	<u>364,312</u>
Offshore royalties	1,082,500	999,891	943,946
Miscellaneous			
Sales and rentals	105,870	-	98,552
Cost recoveries	39,184	-	32,860
Other	430,244	655,079	411,864
	<u>575,298</u>	<u>655,079</u>	<u>543,276</u>
Total Provincial Sources	<u>6,154,880</u>	<u>5,935,837</u>	<u>5,722,508</u>
Federal Sources			
Health and social transfers	752,917	747,333	739,369
Cost-shared programs	390,127	551,042	390,443
Other	38,646	9,710	54,428
Total Federal Sources	<u>1,181,690</u>	<u>1,308,085</u>	<u>1,184,240</u>
Net income of government business enterprises and partnership - see note	490,272	429,431	373,397
Total: Revenue by Source	<u>7,826,842</u>	<u>7,673,353</u>	<u>7,280,145</u>

NOTE

See Schedule 4 for a breakdown by entity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Original Budget 2019 (Note 20) (\$000)	Actuals 2018 (\$000)
General Government Sector and Legislative Branch			
General Government Sector			
Consolidated Fund Services	818,640	813,599	677,228
Executive Council	83,880	95,267	100,509
Finance	590,908	514,295	624,358
Public Procurement Agency	1,631	2,119	1,741
Public Service Commission	1,615	2,266	2,495
Service NL	28,912	36,126	38,661
Transportation and Works	460,248	457,180	402,283
Legislative Branch			
Legislature	21,247	25,199	21,913
	<u>2,007,081</u>	<u>1,946,051</u>	<u>1,869,188</u>
Resource Sector			
Advanced Education, Skills and Labour	1,193,899	1,156,584	1,185,616
Fisheries and Land Resources	120,421	132,591	142,348
Natural Resources	76,768	53,725	76,071
Tourism, Culture, Industry and Innovation	93,247	96,225	102,094
	<u>1,484,335</u>	<u>1,439,125</u>	<u>1,506,129</u>
Social Sector			
Children, Seniors and Social Development	171,892	167,174	178,717
Education and Early Childhood Development	863,156	877,914	805,039
Health and Community Services	3,211,157	3,199,108	3,197,801
Justice and Public Safety	258,729	277,991	266,316
Municipal Affairs and Environment	251,518	306,005	241,716
Newfoundland and Labrador Housing Corporation	131,097	142,923	125,989
	<u>4,887,549</u>	<u>4,971,115</u>	<u>4,815,578</u>
Total: Expenses by Department	<u>8,378,965</u>	<u>8,356,291</u>	<u>8,190,895</u>

NOTE

Expenses by Department includes expenses by organizations in the Government reporting entity which report to that department.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Original Budget 2019 (Note 20) (\$000)	Actuals 2018 (\$000)
Salaries and employee benefits - note 1	3,487,152	3,451,264	3,513,407
Grants and subsidies	1,644,944	1,771,328	1,585,109
Operating costs	1,258,654	1,294,982	1,161,683
Debt expenses	1,039,721	1,007,119	997,766
Professional services	535,655	534,727	528,648
Amortization and (gain)/loss on the sale of tangible capital assets	309,867	279,708	314,715
Property, furnishings and equipment - note 2	85,431	14,552	72,635
Valuation allowances (recovery)	17,541	2,611	16,932
Total: Expenses by Object	<u>8,378,965</u>	<u>8,356,291</u>	<u>8,190,895</u>

NOTES

1. Salaries and employee benefits

Salaries and employee benefits consists of the following.

	2019 (\$mil)	2018 (\$mil)
Salaries	2,731.0	2,726.4
Retirement costs	383.2	413.9
Other benefits	185.9	170.5
Paid and annual leave	104.2	108.8
Severance	43.3	57.8
Sick leave	39.6	36.0
	<u>3,487.2</u>	<u>3,513.4</u>

2. Property, Furnishings and Equipment

This amount includes expenses for property, furnishings and equipment that do not meet the established definition or thresholds for tangible capital assets.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector For the year ended 31 March 2019

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
REVENUE				
Provincial				
Taxation	4,089,678	(102)	-	4,089,576
Investment	82,333	16,357	8,175	106,865
Fees and Fines	135,232	118,468	92,320	346,020
Offshore Royalties	299	1,082,201	-	1,082,500
Other	86,812	305,234	203,703	595,749
Federal sources	<u>774,298</u>	<u>205,077</u>	<u>202,315</u>	<u>1,181,690</u>
	5,168,652	1,727,235	506,513	7,402,400
Net income of government business enterprises and partnership	<u>310,110</u>	<u>180,162</u>	<u>-</u>	<u>490,272</u>
Total Sector Revenue - note 2	<u>5,478,762</u>	<u>1,907,397</u>	<u>506,513</u>	<u>7,892,672</u>
EXPENSE				
Salaries and employee benefits	456,399	618,729	2,458,049	3,533,177
Operating costs	309,139	269,768	722,432	1,301,339
Grants and subsidies	151,483	413,165	1,056,409	1,621,057
Debt expenses	972,078	29,773	37,870	1,039,721
Professional services	12,358	16,351	506,946	535,655
Amortization and loss on sale of tangible capital assets	124,637	65,054	120,176	309,867
Property, furnishings, and equipment	3,446	18,187	64,805	86,438
Valuation allowances	<u>2,158</u>	<u>8,395</u>	<u>6,988</u>	<u>17,541</u>
Total Sector Expense - note 3	<u>2,031,698</u>	<u>1,439,422</u>	<u>4,973,675</u>	<u>8,444,795</u>
Sector Results - before adjustments	3,447,064	467,975	(4,467,162)	(552,123)
Inter-Sector Eliminations	<u>(20,762)</u>	<u>(56,741)</u>	<u>77,503</u>	<u>-</u>
Annual Surplus (Deficit)	<u>3,426,302</u>	<u>411,234</u>	<u>(4,389,659)</u>	<u>(552,123)</u>

See accompanying notes.

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2019

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2018-19 Estimates. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 12 - Expenses by Department for a list of departments included within each sector.

2. Sector Revenue

Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to \$65.8 million resulting in total revenue of \$7,826.8 million as per the Consolidated Statement of Operations.

3. Sector Expense

Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to expenses amount to \$65.8 million resulting in total expense of \$8,379.0 million as per the Consolidated Statement of Operations.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Government Reporting Entity For the year ended 31 March 2019

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
note 4	Business Investment Corporation
	C.A. Pippy Park Commission
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - note 1	Churchill Falls (Labrador) Corporation Trust
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
note 2	Eastern Regional Health Authority
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
note 4	Innovation and Business Investment Corporation
	Labrador-Grenfell Regional Health Authority
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador 911 Bureau Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
J - note 3	Newfoundland and Labrador English School District
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
note 4	Research and Development Corporation of Newfoundland and Labrador

GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

Student Loan Corporation of Newfoundland and Labrador
The Rooms Corporation of Newfoundland and Labrador
Western Regional Health Authority

GOVERNMENT BUSINESS ENTERPRISES

D Nalcor Energy
F Newfoundland and Labrador Liquor Corporation

GOVERNMENT BUSINESS PARTNERSHIP

Atlantic Lottery Corporation Inc. (25% ownership)

LEGEND

A This entity has a year end of 30 April.
D These entities have a year end of 31 December.
J These entities have a year end of 30 June.
JU This entity has a year end of 31 July.
F This entity has a floating year end to align with its four 13 week reporting periods. The fiscal year end of the entity will end on the first Saturday of April each year.

NOTES

- 1 Churchill Falls (Labrador) Corporation Trust is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.
- 2 Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2018-19 Consolidated Summary Financial Statements. These entities are as follows: 1) Health Care Foundation of St. John's Inc; 2) Janeway Children's Hospital Foundation; 3) Dr. H. Bliss Murphy Cancer Care Foundation; 4) Discovery Health Care Foundation Inc.; 5) Trinity-Conception-Placentia Health Foundation Inc.; 6) The Burin Peninsula Health Care Foundation Inc.
- 3 Newfoundland and Labrador English School District controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these associations have been included within the Province's 2018-19 Consolidated Summary Financial Statements. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland and Labrador International Student Education Inc.
- 4 During the year, the operations of the Research and Development Corporation of Newfoundland and Labrador and the Business Investment Corporation were combined to form the Innovation and Business Investment Corporation.

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Province of Newfoundland and Labrador

Consolidated Revenue Fund Financial Information (Unaudited)

**For The Year Ended
31 March 2019**

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INTRODUCTION

This supplementary information is comprised of the Consolidated Revenue Fund Financial Information which presents the financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador. The Consolidated Revenue Fund, as required by the *Financial Administration Act*, is comprised of all public money over which the Legislature has power of appropriation.

These unaudited financial statements are prepared by the Comptroller General of Finance on the accrual basis of accounting in accordance with the Public Sector Accounting Standards of the Chartered Professional Accountants of Canada. The accounting policies applied in the preparation of these financial statements are consistent with those disclosed in Note 1 to the Consolidated Summary Financial Statements. Where available, Original Budget figures prepared on the accrual basis of accounting are provided on several statements for comparison purposes. As well, restatements to the comparative fiscal year as disclosed in the Consolidated Summary Financial Statements applicable to the Consolidated Revenue Fund have also been reflected in these statements.

The Consolidated Revenue Fund Financial Information for previous years is also available on the Internet at: http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Financial Position
As at 31 March 2019
with comparative figures for 2018**

	Actuals 2019 (\$000)	Actuals 2018 (\$000)
FINANCIAL ASSETS		
	905,811	1,333,674
	96,549	90,473
Sch. A	517,721	528,291
	113,032	101,677
	404,689	426,614
Sch. B	253,474	178,775
	11,829	11,286
	241,645	167,489
Sch. C	4,319,892	3,793,396
	9,861	9,861
	4,310,031	3,783,535
	<u>5,958,725</u>	<u>5,801,785</u>
LIABILITIES		
Sch. D	1,591,169	1,884,614
	23,242	24,514
Sch. E	14,259,899	12,835,748
	1,550,411	1,420,497
	(193,499)	(182,231)
	12,515,989	11,233,020
	2,825,929	2,743,764
	378,921	358,672
	4,275,619	4,342,519
	4,654,540	4,701,191
	<u>21,610,869</u>	<u>20,587,103</u>
	<u>15,652,144</u>	<u>14,785,318</u>
NON-FINANCIAL ASSETS		
	2,511,493	2,500,782
	8,450	8,884
	43,892	32,107
	<u>2,563,835</u>	<u>2,541,773</u>
	<u>13,088,309</u>	<u>12,243,545</u>
Sch. F		

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Net Debt For the year ended 31 March 2019 with comparative figures for 2018

	Actuals 2019 (\$000)	Original Budget 2019 (\$000)	Actuals 2018 (\$000)
NET DEBT - beginning of period	14,785,318	15,345,015	13,823,803
Surplus (Deficit) for the period	<u>(844,764)</u>	<u>(773,074)</u>	<u>(985,023)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	180,105	259,908	145,639
Net book value of tangible capital asset disposals	(659)	-	(1,256)
Amortization of tangible capital assets	<u>(168,735)</u>	<u>(165,781)</u>	<u>(171,858)</u>
<i>Increase in net book value of tangible capital assets</i>	<u>10,711</u>	<u>94,127</u>	<u>(27,475)</u>
Changes in other non-financial assets			
Acquisition of prepaid expenses (net of usage)	(434)		3,671
Acquisition of inventories of supplies (net of usage)	<u>11,785</u>		<u>296</u>
<i>Increase in other non-financial assets</i>	<u>11,351</u>		<u>3,967</u>
<i>Increase (Decrease) in net debt</i>	<u>866,826</u>	<u>867,201</u>	<u>961,515</u>
NET DEBT - end of period	<u><u>15,652,144</u></u>	<u><u>16,212,216</u></u>	<u><u>14,785,318</u></u>

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Operations
For the year ended 31 March 2019
with comparative figures for 2018**

	Actuals 2019 (\$000)	Original Estimates 2019 (\$000)	Actuals 2018 (\$000)
REVENUE			
Provincial			
Tax Revenue			
Sales	1,275,450	1,207,436	1,243,991
Personal income	1,547,612	1,581,927	1,472,886
Gasoline	205,368	260,835	258,088
Corporate income	378,383	323,884	301,738
Mining and mineral rights	234,626	65,367	93,352
Cannabis tax	1,054	-	-
Carbon tax	12,578	-	-
Other	434,505	423,446	439,858
Non-Tax Revenue			
Offshore royalties	1,082,500	999,891	943,946
Investment	308,797	374,770	310,908
Fees and fines	172,954	176,013	192,667
Other	37,366	-	33,911
Provincial related revenue	253,393	359,006	260,754
Federal			
Health and social transfers	752,917	747,333	739,369
Other (repayment)	(12,731)	9,710	9,177
Federal related revenue	331,871	357,390	324,723
Total Revenue	7,016,643	6,887,008	6,625,368
EXPENSE			
Salaries and employee benefits	735,946	782,832	773,108
Transportation and communications	29,120	36,172	28,536
Supplies	92,609	106,554	101,743
Professional services	496,021	512,710	498,480
Purchased services	335,611	242,035	286,288
Property, furnishings and equipment	6,372	4,381	4,750
Allowances and assistance	722,403	570,724	715,236
Grants and subsidies	4,284,224	4,269,338	4,086,725
Debt expenses	978,336	969,555	928,982
Amortization and (gain)/loss of the sale of tangible capital assets	168,868	165,781	172,424
Valuation allowances (recovery)	11,897	-	14,119
Total Expense	7,861,407	7,660,082	7,610,391
ANNUAL SURPLUS (DEFICIT)	(844,764)	(773,074)	(985,023)

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Change in Accumulated Deficit For the year ended 31 March 2019 with comparative figures for 2018

	<u>Actuals</u> 2019 (\$000)	<u>Original</u> <u>Budget</u> 2019 (\$000)	<u>Actuals</u> 2018 (\$000)
ACCUMULATED DEFICIT - beginning of period	12,243,545		11,258,522
Surplus (Deficit) for the period	<u>(844,764)</u>	<u>(773,074)</u>	<u>(985,023)</u>
ACCUMULATED DEFICIT - end of period	<u><u>13,088,309</u></u>		<u><u>12,243,545</u></u>

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Statement of Cash Flows
For the year ended 31 March 2019
with comparative figures for 2018**

	Actuals 2019	Actuals 2018
	(\$000)	(\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(844,764)	(985,023)
Add (Deduct) non-cash items:		
Accounts payable	(260,220)	24,646
Accounts receivable	10,570	(96,282)
Amortization of foreign exchange (gains)/losses, premiums (discounts) and and issuance fees	13,000	19,153
Amortization of tangible capital assets	168,735	171,858
April writebacks	(47,394)	(33,120)
Deferred revenue	(1,272)	(11,588)
Other	(5,311)	(11,156)
Retirement costs	102,414	150,547
Sinking funds	(61,391)	(58,223)
Special purpose funds/contractors' holdback funds	7,256	32,544
Valuation allowances	11,897	14,119
Net cash provided from (applied to) operating transactions	<u>(906,480)</u>	<u>(782,525)</u>
CAPITAL		
Acquisitions	(180,105)	(145,639)
Disposals	663	1,256
Net cash provided from (applied to) capital transactions	<u>(179,442)</u>	<u>(144,383)</u>
FINANCING		
Debt issued	1,425,000	1,175,000
Debt retirement	(243,335)	(5,833)
Retirement of promissory note	(66,900)	(63,113)
Sinking fund contributions	(43,556)	(43,556)
Treasury bills purchased	4,281,723	3,910,365
Treasury bills redeemed	(4,088,481)	(3,911,770)
Net cash provided from (applied to) financing transactions	<u>1,264,451</u>	<u>1,061,093</u>
INVESTING		
Loan advances and investments	(619,000)	(634,542)
Loan repayments	12,608	227,864
Net cash provided from (applied to) investing transactions	<u>(606,392)</u>	<u>(406,678)</u>
Net cash provided (applied)	(427,863)	(272,493)
Cash and temporary investments - beginning of period	1,333,674	1,606,167
CASH AND TEMPORARY INVESTMENTS - end of period	<u>905,811</u>	<u>1,333,674</u>

The accompanying supporting schedules form an integral part of the financial statements.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Accounts and Taxes Receivable As at 31 March 2019 with comparative figures for 2018

	2019	2018
	(\$000)	(\$000)
Accounts Receivable:		
Offshore royalties	126,662	119,007
Income support overpayments	67,977	58,038
Innovation and Business Development Fund Receivable	54,000	60,000
Court fines	45,284	43,270
Newfoundland Labrador Liquor Corporation	41,961	51,212
Miscellaneous/other receivables	23,906	24,882
Due from Nalcor Energy	13,000	-
Student loans	9,479	10,695
Rent and other royalties/permits to occupy	5,476	6,034
Reciprocal billings - medical services	5,097	4,870
Accident recovery claims	2,586	793
Amounts due as a result of Constituency Allowance review	2,575	2,668
Atlantic Lottery Corporation Incorporated	2,089	1,704
Medical care plan audit recoveries	2,040	2,024
Due from municipalities	1,756	1,522
Workplace, Health, Safety and Compensation Commission	1,540	2,938
Fees and licences	560	481
Province of Newfoundland and Labrador Pooled Pension Fund	267	506
Travel advances	16	22
Community Investment Fund	-	9,167
Funds held in trust	-	1,250
Total: Accounts Receivable	406,271	401,083
Taxes Receivable:		
Mining and mineral rights tax	39,174	51,469
Gasoline tax	15,292	17,469
Health and post secondary education tax	14,158	15,225
Sales tax	10,194	15,004
Tobacco tax	9,853	11,469
School tax	8,939	8,981
Insurance companies tax	7,879	7,206
Carbon tax	4,775	-
Cannabis tax	1,016	-
Miscellaneous/other taxes	167	237
Forest management tax	3	148
Total: Taxes Receivable	111,450	127,208
Total: Accounts and Taxes Receivable	517,721	528,291

NOTE

The allowance for doubtful accounts for 31 March 2019 is \$113.0 million (31 March 2018 - \$101.7 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Mortgages Receivable

As at 31 March 2019

with comparative figures for 2018

	<u>2019</u>	<u>2018</u>
	(\$000)	(\$000)
Crown Agencies - note 5:		
Memorial University of Newfoundland	102,266	21,746
Newfoundland and Labrador Film Development Corporation	<u>6,819</u>	<u>6,819</u>
Total: Crown Agencies	<u>109,085</u>	<u>28,565</u>
Commercial Loans:		
6574262 Canada Inc.	500	500
Afinin Lab Inc.	30	30
Atlantic Canada Regional Adventure Fund Limited Partnership	7,538	6,962
Blue Drop Inc.	106	281
Blue Ocean Satellite Systems Inc.	125	152
Canada Fluorspar (NL) Inc.	17,000	17,000
Clear Risk Inc.	420	420
Corner Brook Pulp and Paper Limited	99,985	101,835
D.F. Barnes Fabrication Limited	275	275
Desire2Learn Incorporated	1,075	1,075
Doyle, James & Sons Ltd.	771	771
Eastern Composite Services Inc.	399	399
Holson Forest Products Ltd.	7,319	7,319
Hughes, Vincent	50	50
IC Spa Products Inc.	183	183
Icewater Harvesting Inc.	937	1,250
Island Seafoods Products Limited	125	125
Keats, Eric	102	102
Koby Seat Inc.	9	9
Marwood Ltd.	437	733
Mike Butland Fisheries	134	134
MyTechSupport.com Limited	20	20
MyTelescope.com Inc.	315	315
Newfoundland and Labrador Mobile Shelters Limited	500	500
Other Ocean Group Inc.	781	781
PAL Aerospace Ltd.	2,250	-
Phocalux International Inc.	762	785
Procom Data Services	108	127
Pumphrey, Gerry	537	537
Quorum Information Systems Inc.	415	-
ROINS Financial Services Limited	6,500	6,500
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Sexton Lumber Ltd.	383	1,104
Shell-Ex (formerly known as Eastern Star Group Canada Inc.)	145	145

CONSOLIDATED REVENUE FUND (UNAUDITED)**LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)**

	<u>2019</u>	<u>2018</u>
	(\$000)	(\$000)
Commercial Loans:		
Short, William	262	262
Silk Stevens (NLL) Limited	24	56
Superior Waterproof Coatings NF & LB Inc.	154	154
Sweet, Roy	59	59
Uncle Phil's Think Tank Inc.	75	75
Verafin Inc.	6,000	6,000
Virtual Marine Technology	991	991
Wilson, Ronald & Curtis, Kevin	354	354
Total: Commercial Loans	<u>158,383</u>	<u>158,598</u>
Municipalities	630	630
Total: Other Organizations	<u>630</u>	<u>630</u>
Sub-Total: Loans, Advances and Mortgages Receivable	268,098	187,793
Less: Discounts due to concessionary terms - note 3	<u>(14,624)</u>	<u>(9,018)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>253,474</u></u>	<u><u>178,775</u></u>

NOTES**1. Interest Rates and Loan Terms**

Interest rates on loans range from non-interest bearing to 14% and are repayable over terms not exceeding 22 years.

2. Allowance for Doubtful Accounts

The allowance for doubtful accounts for 31 March 2019 is \$11.8 million (31 March 2018 - \$11.3 million).

3. Discounts Due to Concessionary Terms on Loans

The discounts due to concessionary terms on loans are the portion of the receivable that represents the difference between the face value and the present value of the loan. The loans are reported at their present value due to the concessionary terms in the loan agreement.

4. Security

Security exists for certain loans that can be accessed in the event of default.

5. Loan Receivable

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned on this loan totaling \$22.2 million is netted against the offsetting interest expense on the debenture debt.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Investments
As at 31 March 2019
with comparative figures for 2018**

Description of Investment	Net Additions (Disposals) (\$000)	Balance 31 March 2019		2018
		No. of Shares	Cost (\$000)	Cost (\$000)
Preferred Shares:				
Atlantic Ocean Farms Limited - Class A, redeemable	-	-	290	290
Blue Line Innovations Inc. - Class B	-	294,655	500	500
Burton's Cove Logging and Lumber	(370)	64	3,222	3,591
Cold Ocean Salmon Inc. - Class A	-	10,000,000	10,000	10,000
Country Ribbon Inc.	-	4,500	4,500	4,500
Gray Aqua Group Ltd. - Class A	-	4,826,836	4,827	4,827
Newfoundland Aqua Services Ltd. - redeemable	-	2,000,000	2,000	2,000
Northern Harvest Sea Farms Newfoundland Ltd.	(8,346)	-	-	8,347
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Sexton Lumber Co. Ltd.	-	5,000	500	500
Shell-Ex - Class A	-	350	350	350
Total: Preferred Shares Investments	<u>(8,716)</u>		<u>26,589</u>	<u>35,305</u>
Common Shares:				
ACF Equity Atlantic Inc.	-	2,390,000	2,203	2,203
ACZEN Innovations Inc. - Class A	-	1,763	176	176
Adfinitum Networks Inc.	(330)	-	-	330
Consilient Technologies Corporation - Class B	-	568,182	500	500
First Choice Vision Centre Limited - Class B	(28)	4,537	293	321
Hurley Slate Works Company Inc. - Class B	-	400	400	400
iSYS Intelligent Systems Solutions - Class F	(78)	-	-	78
Jackman Brand Marketing Inc. - Class B	-	1,250	125	125
Marble Mountain Development Corporation	-	500	-	-
Marine Industrial Lighting Systems	-	5,000	500	500
Nalcor Energy Corporation	-	122,500,018	110,187	110,187
NavSim Technologies	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd.	-	3	-	-

CONSOLIDATED REVENUE FUND (UNAUDITED)

INVESTMENTS (continued)

Description of Investment	Net Additions (Disposals) (\$000)	No. of Shares	Balance 31 March 2019	2018
			Cost (\$000)	Cost (\$000)
Common Shares:				
Newfoundland Hardwoods Limited	-	253	25	25
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Solace Power Inc. - Class D	-	1,401	140	140
Trans Ocean Gas Inc.	-	18,000	90	90
Total: Common Shares Investments	<u>(436)</u>		<u>115,514</u>	<u>115,950</u>
Non-Share Equity:				
Nalcor Energy Corporation	533,643	-	4,108,698	3,575,055
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Newfoundland and Labrador Venture Capital Fund	1,596	-	6,239	4,643
Total: Non-Share Equity Investments	<u>535,239</u>		<u>4,177,789</u>	<u>3,642,550</u>
Sub-Total: Investments	526,087		4,319,892	3,793,805
Less: Discounts due to concessionary terms - note 2	-		-	(409)
Total: Investments	<u><u>526,087</u></u>		<u><u>4,319,892</u></u>	<u><u>3,793,396</u></u>

NOTES

1. Allowance for Investment Write-downs

The allowance for investment write-downs for 31 March 2019 is \$9.9 million (31 March 2018 - \$9.9 million).

2. Discounts Due to Concessionary Terms on Investments

The discounts due to concessionary terms on investments are the portion of the investments that represents the difference between the cost and the present value of the investment. The investments are reported at their present value due to the concessionary terms in the investment agreement.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Other Liabilities
As at 31 March 2019
with comparative figures for 2018**

	2019 (\$000)	2018 (\$000)
Taxes payable - note 1	346,069	545,802
Due to Government of Canada - note 2	310,953	289,671
Accrued interest	219,134	206,472
Accounts payable write-backs	208,500	248,981
Contaminated sites	168,622	137,026
Accrued salaries and employee benefits - note 3	108,003	205,860
Special purpose funds - note 6	59,236	52,898
Self-insured workers' compensation benefits - note 4	47,810	46,885
Offshore royalties	30,779	45,374
Accounts payable - other	18,579	7,324
Physician services	16,476	18,339
Capital leases - note 5	15,482	18,284
Reciprocal billing - hospital services payable	13,169	11,060
Due to municipalities	11,247	20,591
Contractors' holdbacks	8,877	7,959
Provision for student loan debt reduction	5,993	5,491
Atlantic Lottery Corporation Incorporated	2,240	3,689
Due to Nalcor Energy	-	12,908
Total: Other Liabilities	<u>1,591,169</u>	<u>1,884,614</u>

NOTES

1. Taxes Payable

Taxes payable is comprised of \$209.9 million for corporate income tax (31 March 2018 - \$327.6 million), \$77.9 million for HST (31 March 2018 - \$158.5 million), \$53.9 million for personal income tax (31 March 2018 - \$53.9 million) and \$4.4 million for other taxes (31 March 2018 - \$5.8 million).

2. Due to Government of Canada

This amount is comprised of \$266.7 million for an Equalization loan (31 March 2018 - \$266.7 million), \$23.7 million for an overpayment related to the Fiscal Stabilization Program (31 March 2018 - nil), \$17.5 million for an RCMP payable (31 March 2018 - \$18.8 million) and \$3.0 million for other Federal programs (31 March 2018 - \$4.2 million).

3. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$10.6 million for severance (31 March 2018 - \$104.6 million), \$53.3 million for paid/annual leave (31 March 2018 - \$57.1 million), \$26.6 million for salaries (31 March 2018 - \$24.9 million), \$15.0 million for sick leave (31 March 2018 - \$15.8 million), nil for pay in lieu (31 March 2018 - \$1.1 million) and \$2.5 million for other benefits (31 March 2018 - \$2.4 million).

OTHER LIABILITIES (continued)

4. Self-Insured Workers' Compensation Benefits

The amount of \$47.8 million relates to the self-insured workers' compensation benefits liability as at 31 March 2019 (31 March 2018 - \$46.9 million). During the 2016-17 fiscal year, an actuarial valuation as of 31 December 2016, with disclosures as at 31 March 2019, was obtained for the Province's self-insured workers' compensation benefits.

5. Capital Leases

Interest rates for all capital leases range from 9.41% to 16.00% and have repayment schedules ranging in duration from 1 to 5 years.

6. Special Purpose Funds

Included in this schedule are funds totalling \$59.2 million (31 March 2018 - \$52.9 million) considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the Financial Administration Act, appropriations are not required for these payments.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Debenture and Other Debt
As at 31 March 2019
with comparative figures for 2018**

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency (\$000)	Sinking Fund Balance (\$000)	Amount Issued or Outstanding		Notes
						2019 (\$000)	2018 (\$000)	
General Debentures:								
AG	01 Jun. 1989	01 Jun. 2019	9.00	(150,000U.S.)	200,445	200,445	193,410	1(a)
AH	01 Jun. 1990	01 Jun. 2020	9.88	(150,000U.S.)	80,425	200,445	193,410	1(a)
AJ	29 Nov. 1990	01 Dec. 2020	10.00	(150,000U.S.)	77,161	200,445	193,410	1(a)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(a)
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000U.S.)	94,245	267,260	257,880	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000U.S.)	86,037	267,260	257,880	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000U.S.)	118,890	267,260	257,880	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		35,929	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		51,740	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		166,144	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		73,395	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		150,365	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		83,062	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		75,039	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		86,864	350,000	350,000	1(a)
6V	15 May 2007	17 Oct. 2040	4.65		140,086	650,000	650,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		30,584	250,000	250,000	1(a)
6W	18 Mar. 2015	02 Jun. 2025	2.30		-	850,000	850,000	1(a)
6X	24 Jul. 2015	17 Oct. 2046	3.30		-	2,050,000	2,050,000	1(a)
6Y	15 Jan. 2016	30 Jan. 2019	1.13		-	-	235,000	1(a)
6Z	18 Mar. 2016	02 Jun. 2026	3.00		-	1,000,000	1,000,000	1(a)
7A	24 Mar. 2016	24 Mar. 2021	1.75		-	500,000	500,000	1(a)
7B	2 Jun. 2016	2 Jun. 2022	1.95		-	675,000	675,000	1(a)
7C	7 Dec. 2016	17 Oct. 2048	3.70		-	750,000	500,000	1(b)
7D	24 Nov. 2017	02 Jun. 2028	2.85		-	950,000	500,000	1(a)
7E	27 Feb. 2018	27 Feb. 2023			-	675,000	675,000	1(a,g)
7F	17 Dec. 2018	17 Mar. 2024			-	425,000	-	1(a,h)
7G	4 Mar. 2019	2 Jun. 2029	2.85		-	300,000	-	1(a)
Total: General Debentures					<u>1,550,411</u>	<u>12,926,007</u>	<u>11,686,762</u>	
Other:								
Treasury bill borrowings					-	970,644	777,403	1(c)
Total: Other					<u>-</u>	<u>970,644</u>	<u>777,403</u>	

CONSOLIDATED REVENUE FUND (UNAUDITED)

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance (\$000)	Amount Issued or Outstanding	
					2019 (\$000)	2018 (\$000)
Government of Canada and Other:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-292	01 Mar. 1999	01 Mar. 2019	5.97	-	-	1,827
3A-293 to 3A-02 303	Apr. 1999 to 03 Mar. 2000	02 Apr. 2019 to 03 Mar. 2020	5.89 to 7.02	-	35,282	35,282
3A-304 to 3A-01 314	Apr. 2000 to 02 Mar. 2001	01 Apr. 2020 to 02 Mar. 2021	6.41 to 6.90	-	42,645	42,645
3A-315 to 3A-01 326	Apr. 2001 to 01 Mar. 2002	01 Apr. 2021 to 01 Mar. 2022	6.38 to 6.85	-	52,376	52,376
3A-327 to 3A-01 337	Apr. 2002 to 01 Mar. 2003	01 Apr. 2022 to 01 Mar. 2023	5.88 to 6.61	-	52,104	52,104
3A-338 to 3A-05 347	Apr. 2003 to 01 Mar. 2004	05 Apr. 2023 to 01 Mar. 2024	5.41 to 6.15	-	50,738	50,738
3A-348 to 3A-02 356	Apr. 2004 to 02 Jan. 2005	02 Apr. 2024 to 02 Jan. 2025	5.36 to 5.92	-	47,146	47,146
3A-357 to 3A-01 359	Apr. 2005 to 03 Jun. 2005	01 Apr. 2025 to 03 Jun. 2025	4.91 to 5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	304,278	306,105
Harbour Lodge - see note 1(e)				-	-	208
Sun Life Assurance Company of Canada - see note 1(f)				-	58,970	65,270
Total: Other				-	58,970	65,478
Total: Government of Canada and Other				-	363,248	371,583
Total: Debenture and Other Debt				<u>1,550,411</u>	<u>14,259,899</u>	<u>12,835,748</u>
Current portion of Debenture and Other Debt					1,213,226	1,020,576
Long-term portion of Debenture and Other Debt					<u>13,046,673</u>	<u>11,815,172</u>
					<u>14,259,899</u>	<u>12,835,748</u>

DEBENTURE AND OTHER DEBT (continued)

NOTES

1. Details of Debt Issues

- a) Non-callable.
- b) Non-callable. General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$22.2 million is netted against the offsetting interest revenue on the loan receivable.
- c) This amount represents the net proceeds from the sale of \$970.6 million discounted treasury bills with maturity dates ranging from 4 April 2019 to 27 June 2019 and interest rates ranging from 1.74% to 1.93%.
- d) Callable at par at the option of the Minister of Finance of Canada upon six months' prior written notice, subject to the requirements of the Canada Pension Plan. Commencing March 1999, the Province has an option, pursuant to amendments of the Canada Pension Plan enacted by the Canada Pension Plan Investment Board Act, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. The Province has exercised an option to refinance its maturing Canada Pension Plan debt and to date has rolled over, for a further 20 year term, all funds made available by the Canada Pension Plan Investment Fund from March 1999 to June 2005. Commencing July 2005, Canada Pension Plan borrowings have not been rolled over and have been allowed to mature.
- e) This was a loan from the Canada Mortgage and Housing Corporation for the acquisition and construction of the Harbour Lodge. This loan was repayable over a 50 year period in blended installments of principal and interest, at an interest rate of 7.875%, maturing 1 December 2021. However, in April 2018 the loan was paid in full in advance of the maturity date.
- f) Sun Life Assurance Company of Canada represents the secured creditors of the Exploits River Hydro Partnership and the Star Lake Hydro Partnership per Section 10.(2) of the Abitibi Consolidated Rights and Assets Act. The secured creditors of the Exploits River Hydro Partnership include Industrial Alliance Life Insurance, Manufacturers Life Insurance Company of Canada and Sun Life Assurance Company of Canada. This loan is repayable in blended quarterly installments of principal and interest, at an interest rate of 7.552%, maturing 31 December 2028. The secured creditors of the Star Lake Hydro Partnership include Sun Life Assurance Company of Canada, Industrial Alliance Life Insurance, Canada Life Assurance Company, Standard Life Assurance Company of Canada and Manufacturers Life Insurance Company of Canada. This loan is repayable in blended monthly installments of principal and interest, at an interest rate of 9.20%, maturing 1 April 2023.
- g) General debenture 7E has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 14.5 basis points.
- h) General debenture 7F has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

CONSOLIDATED REVENUE FUND (UNAUDITED)**DEBENTURE AND OTHER DEBT (continued)****2. Sinking Fund Balance**

The value of the sinking funds as recorded in the Newfoundland and Labrador Government Sinking Fund financial statements is reflected in these financial statements.

The Sinking Fund Assets consist of:

	31 March 2019	31 March 2018
	(\$mil)	(\$mil)
Investments at cost	1,251.7	1,157.3
Amortization of bond discount	76.1	71.2
Investments at amortized cost	1,327.8	1,228.5
Cash and receivables less accounts payable	222.6	192.0
Net Sinking Fund Assets - translated at 31 March	<u>1,550.4</u>	<u>1,420.5</u>

The net sinking fund assets balance of \$1,550.4 million Canadian dollars as at 31 March 2019 includes \$491.8 million U.S. dollars translated to \$657.2 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$1,420.5 million Canadian dollars as at 31 March 2018 includes \$465.4 million U.S. dollars translated to \$600.0 million Canadian dollars in accordance with current practice.

The Province does not anticipate conversion of the U.S. dollars to Canadian dollars as the U.S. funds will be used to retire U.S. debt.

DEBENTURE AND OTHER DEBT (continued)

3. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums (discounts) and issuance fees as at 31 March 2019 are noted below.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ Discounts and Issuance Fees (\$000)	Net (\$000)
U.S.	1,050,000	1.3363	1,403,115	(86,069)	1,317,046
Canadian			12,856,784	-	12,856,784
		Sub-total	14,259,899	(86,069)	14,173,830
	Foreign sinking funds		(657,203)	37,895	(619,308)
	Canadian sinking funds		(893,208)	-	(893,208)
	Sub-total		12,709,488	(48,174)	12,661,314
	Unamortized premiums (discounts) and issuance fees			(145,325)	(145,325)
	Total			(193,499)	12,515,989

4. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows. The total contributions and repayment requirements differ from the total debt outstanding due to reconciling items such as treasury bills, foreign exchange adjustments between 31 March 2019 and the maturity dates, and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2019-2020	10,903	1,050,218	1,061,121
2020-2021	240,283	587,542	827,825
2021-2022	166,007	245,824	411,831
2022-2023	168,851	1,448,377	1,617,228
2023-2024	122,461	517,567	640,028
2024-2049	-	7,001,849	7,001,849
	<u>708,505</u>	<u>10,851,377</u>	11,559,882
Plus: Sinking Fund Values at Maturity			3,276,896
Less: Sinking Fund Contributions			(576,879)
			<u>14,259,899</u>

The foreign exchange loss which has been recognized on the Statement of Operations is \$8.9 million.

DEBENTURE AND OTHER DEBT (continued)

5. Interest Expense

The gross interest expense associated with debenture and other debt, recognized for 31 March 2019, amounted to \$602.5 million (31 March 2018 - \$551.5 million).

6. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2019 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2018 - \$10.5 million).

7. Related Sinking Fund Investments

At year end, the Province held \$732.9 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2018 - \$603.1 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$540.4 million in Canadian investments and \$192.5 million in US investments.

8. Debt Related Risk

The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including interest rate, credit, foreign exchange and liquidity risk. Interest rate risk is the risk that debt servicing costs will increase due to changes in interest rates while credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a derivative financial instrument contract. As well, foreign exchange risk is the risk that debt servicing costs will increase due to a decline in the value of the Canadian dollar relative to other currencies while liquidity risk is the risk that financial commitments will not be met over the short-term.

The Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy. The Province's debt portfolio is structured such that virtually all of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Hence, the Province's exposure to interest rate and credit risk is minimal as a result of its conservative debt management strategy.

While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. For debt servicing purposes, short-term forward contracts are occasionally entered into when favorable exchange rates are available to minimize exposure to foreign exchange risk.

The Province's exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt
As at 31 March 2019
with comparative figures for 2018**

	Limit of	Contingent Liability	
	Guarantee	2019	2018
	(\$000)	(\$000)	(\$000)
Guaranteed Debentures - note 7:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Glenwood	98	98	95
Harbour Breton	234	234	227
Harbour Grace	160	160	156
Placentia	93	93	91
Wabana	25	25	24
	<u>610</u>	<u>610</u>	<u>593</u>
Crown Corporations - note 2:			
Eastern Regional Health Authority	109,856	109,856	111,484
Newfoundland and Labrador Hydro Electric Corporation	1,693,847	1,693,847	1,616,551
Newfoundland and Labrador Municipal Financing Corporation	1,400	1,400	4,069
	<u>1,805,103</u>	<u>1,805,103</u>	<u>1,732,104</u>
Guaranteed Bank Loans - note 7:			
Crown Corporations:			
Labrador-Grenfell Regional Health Authority	15,520	15,520	19,365
Marble Mountain Development Corporation	2,870	1,733	1,695
	<u>18,390</u>	<u>17,253</u>	<u>21,060</u>
Fisheries - note 3:			
A.J. Rodgers & Sons Limited	139	139	173
Adam Crocker	148	148	162
Aiden Power and Leonard Mooney	105	105	123
Allister Russell and Wade Russell	720	720	800
Anchor Point Enterprises Limited	930	930	1,002
Ashco Fishing Limited	75	75	131
Ashley Enterprises Limited	94	94	94
Atlantic Providence Inc.	1,683	1,683	1,870
Atlantic Retriever Limited	525	525	583

CONSOLIDATED REVENUE FUND (UNAUDITED)

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2019	2018
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
B & R Genge Company Limited	-	-	46
B & R Mariner Fisheries Limited	37	37	73
Bears Cove Fisheries Limited	675	675	900
Billy and David Greenham	2,010	2,010	2,136
Brendan Noonan	140	140	152
Brent Adams	229	229	254
CJ Fisheries	-	-	50
Cecil Ward Limited	397	397	436
Christopher Gerard Melvin	-	-	461
Colcor Fisheries Limited	182	182	208
D & A Fisheries Limited	660	660	720
Dempster's Fisheries Limited	631	631	688
Donald Spence	-	-	152
Dwight Russell Enterprises Limited	-	-	360
E & E Fisheries Limited	170	170	255
Frazer Scanlon	29	29	35
G & D Fisheries Limited	-	-	69
G & L Fisheries Incorporated	623	623	680
Garrett Mulrooney	405	405	404
Gregory D Piercey	134	134	287
Harbourview Fishing Corporation	-	-	1,216
Hicks Fisheries Limited	87	87	117
Janica II Enterprise Limited	302	302	613
Jeffery Jones Fisheries Limited	195	195	400
John W. Brazil	166	166	-
Jones, Richard	74	74	97
Kailey Venture Limited	-	-	89
Keith Bowen	438	438	500
KMKA Voyager Enterprises Limited	-	-	1,045
L.S.J. Fisheries Limited	-	-	932
Larry Roche	176	176	199
Long Haul Ltd. (formerly Daley, Gary)	-	-	39
Nautical Nancy Limited	-	-	190
Noonan Enterprise Limited	1,958	1,958	2,088
North Queen Limited	663	663	718
Northern Auk Fisheries Limited	383	383	425
Ocean Surfer Limited	613	613	735
P & G Sea Harvestors Limited	940	940	1,000
RB Fisheries Limited	709	709	781
Rainbow Venture Inc.	164	164	181

GUARANTEED DEBT (continued)

	Limit of Guarantee (\$000)	Contingent Liability	
		2019 (\$000)	2018 (\$000)
Guaranteed Bank Loans:			
Fisheries - note 3:			
Shannon & Trevor Fisheries Limited	1,000	1,000	1,120
Shelco Fisheries Limited	320	320	400
Southside Fisheries Ltd.	784	784	784
Straits Venture Inc.	74	74	111
TJL Enterprises Limited	3,108	3,108	1,441
TPJH Fisheries Limited	248	248	273
Trina and Sons Ltd.	21	21	44
Vince Petten	399	399	499
Wayne Sterling Morgan	-	-	172
Woodworth Fisheries Limited	-	-	910
ZHL Fisheries Limited	764	764	819
	<u>24,327</u>	<u>24,327</u>	<u>31,242</u>
Aggregate Limit & Contingent Amount	<u>69,966</u>	<u>69,966</u>	<u>69,966</u>
Corporate:			
Fogo Island Co-operative Society Limited	1,500	-	-
Stephenville Airport Corporation	900	719	560
	<u>2,400</u>	<u>719</u>	<u>560</u>
Other Bank Loans:			
Consumer Protection Fund for Prepaid Funeral Services	200	-	-
	<u>200</u>	<u>-</u>	<u>-</u>
Other Guarantees:			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 4	19,610	19,610	76,885
	<u>19,610</u>	<u>19,610</u>	<u>76,885</u>
	<u>1,870,640</u>	<u>1,867,622</u>	<u>1,862,444</u>

GUARANTEED DEBT (continued)

NOTES

1. Definitions

The headings used in this Schedule are defined as follows:

Limit of Guarantee - This represents the maximum amount of loan advances available under the Province's guarantee plus capitalized interest thereon and past due interest, less down payment and less any receipted Provincial subsidy.

Contingent Liability - This represents the actual amount of loan advances (drawdowns) outstanding under the various guarantees plus capitalized interest thereon and past due interest. This represents the amount that the Province would be liable for if it had to honour these guarantees at year end.

The difference between these two amounts reflects the financing still available under the Province's guarantee.

2. Debenture Issues with Sinking Funds

Corporations for which guarantees are presented net of sinking funds values:

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Eastern Regional Health Authority				
- Canadian Funds	130,000	2,605	22,749	<u>109,856</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,825,000	21,926	340,079	1,506,847
- Promissory Notes	<u>187,000</u>	-	-	<u>187,000</u>
	<u>2,012,000</u>	<u>21,926</u>	<u>340,079</u>	<u>1,693,847</u>

3. Fisheries Loans

During a vessel's construction period, interim financing is provided through bank loans which are fully guaranteed by the Province. Once construction has been completed, these interim loans are converted to term debt by the banks. For guarantees issued prior to 1 June 2012, the Province's contingent liability under each individual guarantee is determined as being limited to the lesser of the term loan or 20% of the aggregate of all term loans made by the Bank less the total of all claims paid to the Bank by the Province with respect to these loans. The Fisheries Loans Guarantee Program guidelines were amended effective 1 June 2012 such that all new guarantees issued from that date forward are fully guaranteed by the Province.

For the fiscal year ended 31 March 2019, the Province's contingent liability with respect to these guarantees is \$24.3 million (31 March 2018 - \$31.2 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

The Corporation was incorporated on 28 April 2005 under the Corporations Act of the Province of Newfoundland and Labrador. The purpose of the Corporation is to administer and invest the Newfoundland and Labrador allocation of funds received from immigrant investors by Citizenship and Immigration Canada under its Business Immigration Program. The Province guarantees repayment of the funds received.

GUARANTEED DEBT (continued)

5. Payments under Guarantee

Payments under guarantee for 31 March 2019 is nil (31 March 2018 - \$1.3 million).

6. Valuation Allowance

The provision for guaranteed debt for 31 March 2019 is nil (31 March 2018 - nil).

7. General Terms and Conditions

Guaranteed debentures and guaranteed bank loans have maturity dates ranging from December 2019 to October 2048 at interest rates varying from 1.12% to 10.5%.