



**PROVINCE OF NEWFOUNDLAND
AND LABRADOR**

PUBLIC ACCOUNTS HIGHLIGHTS

**Consolidated Summary
Financial Statements (Volume I)
31 March 2002**

**Issued by the Honourable Joan Marie Aylward
Minister of Finance and President of Treasury
Board**

Introduction:

- These highlights of the Public Accounts provide an overview of the Province's financial statements at 31 March 2002, in keeping with Government's commitment to being open and accountable.
- These financial statements are prepared on an *accrual* basis of accounting. The accrual basis means that revenues are recorded when earned/due and not when the cash is received. Expenses are recorded when liabilities are incurred and not when cash is spent.
- The Government includes in its Public Accounts (Volume I) all departments and government organizations (including Health Boards and School Boards) accountable to Government. The Auditor General has indicated to officials that this Province's Public Accounts are among the best in the country. Several other jurisdictions exclude Health Boards and/or School Boards.
- Government prepares its fiscal plan, the Budget on a cash basis.
- See the Glossary of Terms at the end of this booklet.

The Public Accounts Volumes:

Volume I: Consolidated Summary Financial Statements

- These are the combined audited financial statements of the Consolidated Revenue Fund (departments) and government organizations.
- They present the consolidated assets, liabilities, revenues, expenditures and annual surplus/deficit prepared on an accrual basis, in accordance with the accounting standards established for governments by the Canadian Institute of Chartered Accountants.
- They are the primary focus of these highlights.

Volume II: Consolidated Revenue Fund Financial Statements

- These are the audited financial statements of the Consolidated Revenue Fund (government departments).

Volume III: Consolidated Revenue Fund Supplementary Statements and Schedules

- They present the revenues and expenditures, and the resulting annual surplus/deficit, of the Consolidated Revenue Fund (CRF) on the same basis as the Budget (i.e. cash basis).

Volume IV: Financial Statements of Crown Corporations, Boards and Authorities

- They comprise reproductions of the audited financial statements of each government organization (Crown corporations, boards and agencies).

Financial Summary:

- Volume I: Consolidated Summary (accrual) Deficit - \$473 million, Net Debt - \$8,924 million.
- Volume II: CRF (accrual) Deficit - \$377 million, Net Debt - \$9,021 million.
- Volume III: CRF (cash) Deficit - \$47 million.

Cash Based Result:

- A Current Account cash surplus of \$116 million offset by a Capital Account cash deficit of \$163 million for the year ended 31 March 2002 resulted in a \$47 million cash deficit.
- The actual cash deficit of \$47 million was \$16 million less than the revised budget forecast of \$63 million as of budget day 2002.

Consolidated Summary Accrual Based Result:

- The Auditor General issued an unqualified audit opinion on the Public Accounts for 2001-2002.
- The Public Accounts are being released earlier than in previous years.
- The Consolidated Summary Financial Statements include the Consolidated Revenue Fund (the departments of government) and government organizations. The accrual based deficit for the year ended 31 March 2002 was \$473 million.

- Federal transfers as a percentage of provincial revenues for 2001-2002 were 69.33% compared to 77.25% for 2000-2001, reflecting a decrease in all Federal revenues of \$100.4 million and an increase in Provincial revenues of \$114.9 million compared to the previous year on an accrual basis.
- There was an increase in Social Sector expenditures of \$125 million for 2001-2002 compared to the previous year, reflecting Government's commitment to the Social Sector.

Debt:

- Accumulated net debt for 2001-2002 was \$8.9 billion compared to \$8.4 billion for the previous year.
- Total borrowings as a % of GDP for 2001-2002 was 52.88% which reflects a slight decrease from the previous year.
- Net Debt as a % of GDP for 2001-2002 was 63.22%; the average for the most recent five years was 61.94%.
- Foreign currency debt as a % of net borrowings for 2001-2002 was 28.53% compared to 30.84% for the previous year, a decrease of 2.31%.

- Net borrowings increased by \$357 million in 2001-2002 from the previous year because of foreign exchange rates, special payments to the pension plans and the wind-up of voluntary sinking funds.
- In addition to its required contribution, Government paid \$143 million in special payments to the pension fund as compared to the original budgeted amount of \$116 million to reduce its unfunded liability. Government recognizes the importance of addressing this liability.
- This Province accounts for capital acquisitions in the year the payments are made which is the generally accepted practice of most Provinces. Accounting standards for governments are evolving. It is expected that in future years most governments will amortize capital acquisitions over their useful lives.

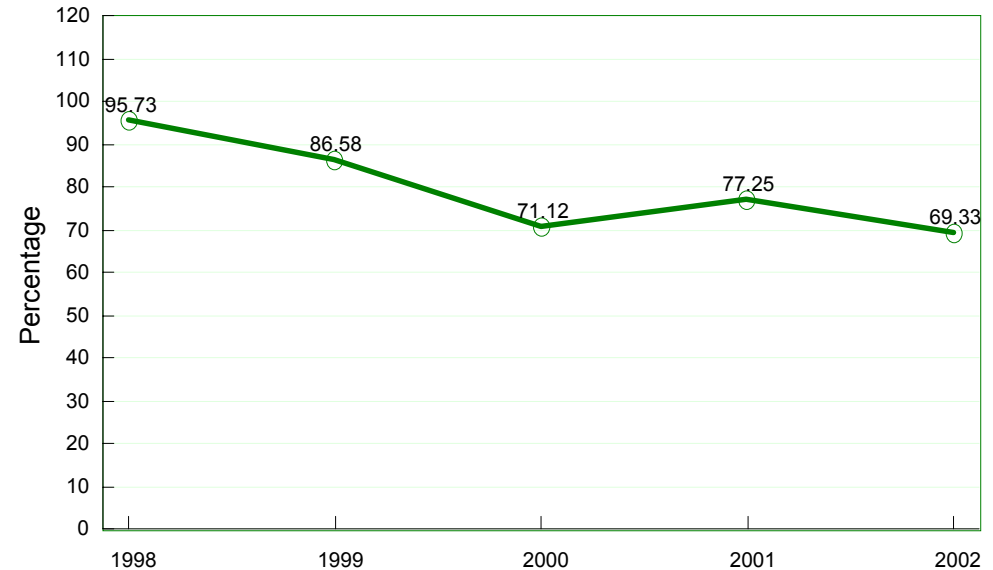
Cash Result Compared to Accrual Result:

- The difference in the deficit from a cash to an accrual consolidated deficit was (\$47 - \$473) \$426 million. This change consists of year end accrual adjustments for the Consolidated Revenue Fund and accounting policy adjustments to the annual results of government organizations. For example:

- \$242 million adjustment for interest on the unfunded pension liability.
- \$95 million net adjustments for accrual deficits of government organizations that include expenditures for capital assets, accrued employee benefits, etc.
- \$82 million adjustment to sinking fund earnings represents the interest earned on sinking funds less the sinking fund income returned to the Province from their retirement.
- \$7 million in net adjustments for other miscellaneous accruals for the Consolidated Revenue Fund.
- Government notes that while the accrual based financial position is important, many of the accounting adjustments that occur are due to factors beyond Government's direct control or fiscal ability to address.
- Meeting the cash requirements to ensure that essential public services are provided is most important.

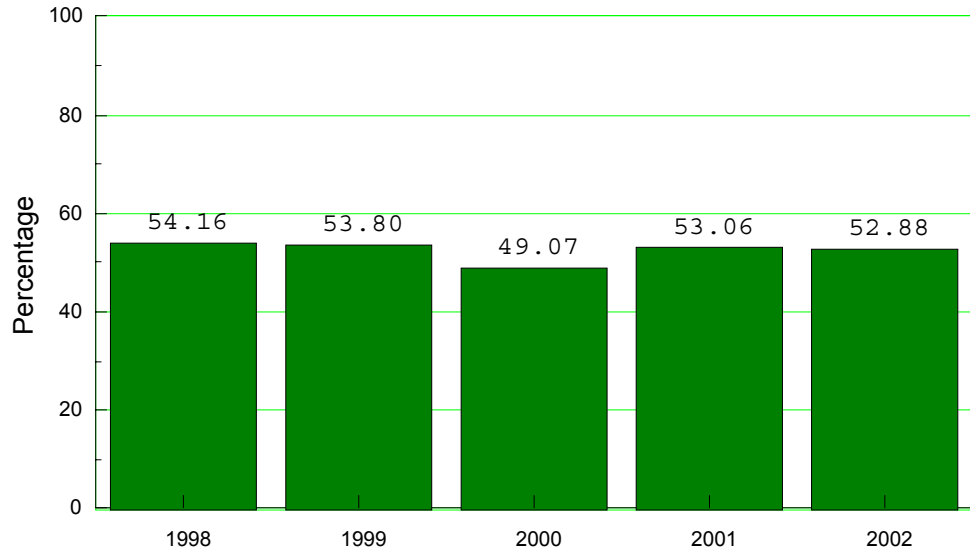
Graphics:

Federal Transfers as a % of Provincial Revenues



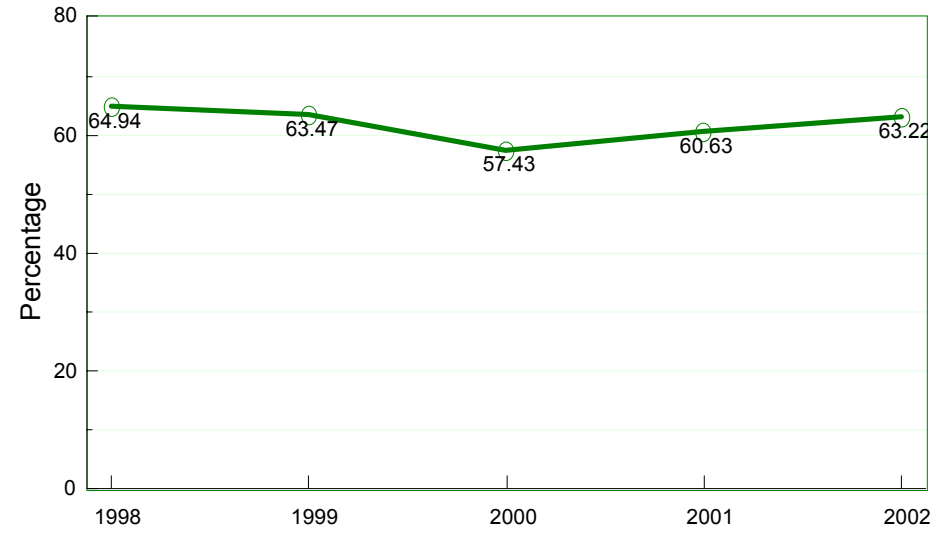
The federal transfers above includes various one time revenues.

Total Borrowings as a % of GDP



GDP source: As per Statistics Canada at June 3, 2002.

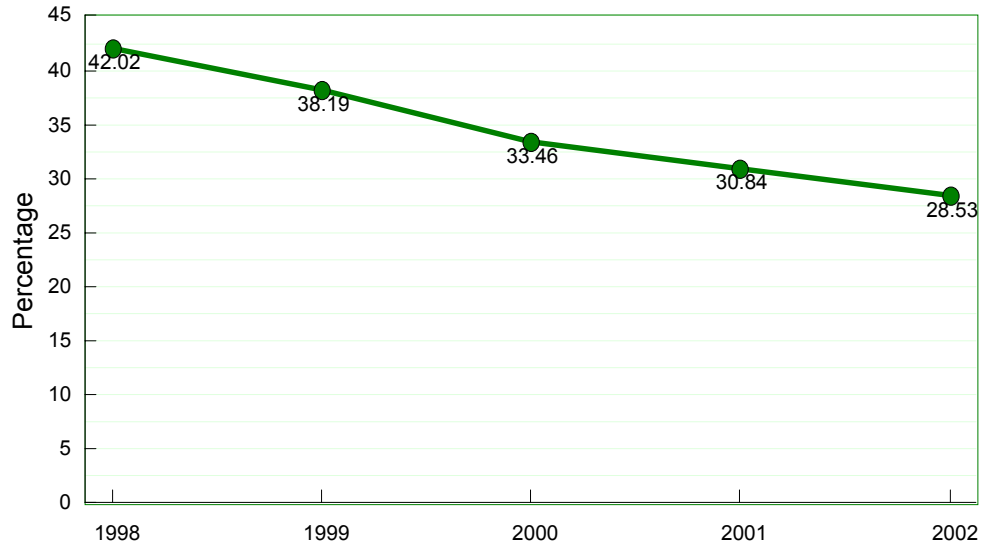
Net Debt* as a % of GDP



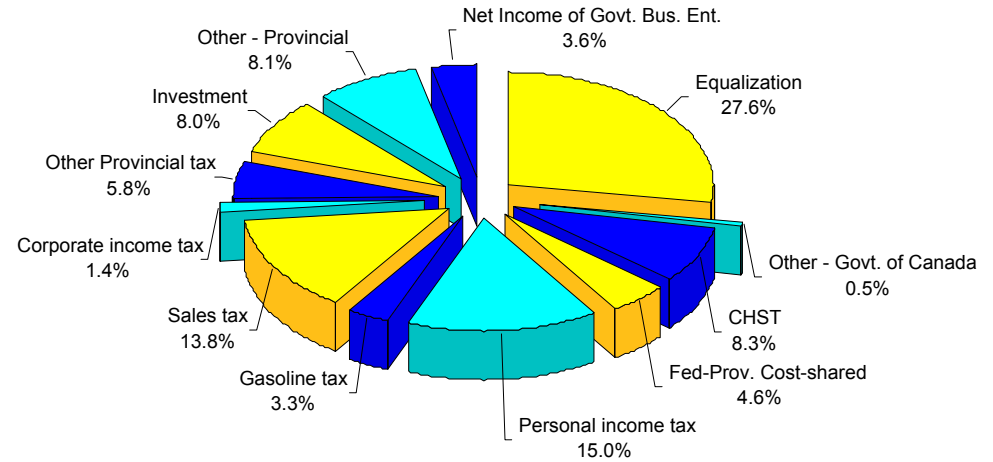
5 year average - 61.94%

* Net debt is the excess of liabilities over assets.

Foreign Currency Debt as a % of Net Borrowings



Revenues by Source - 31 March 2002



Revenue Source:

(\$ 000)

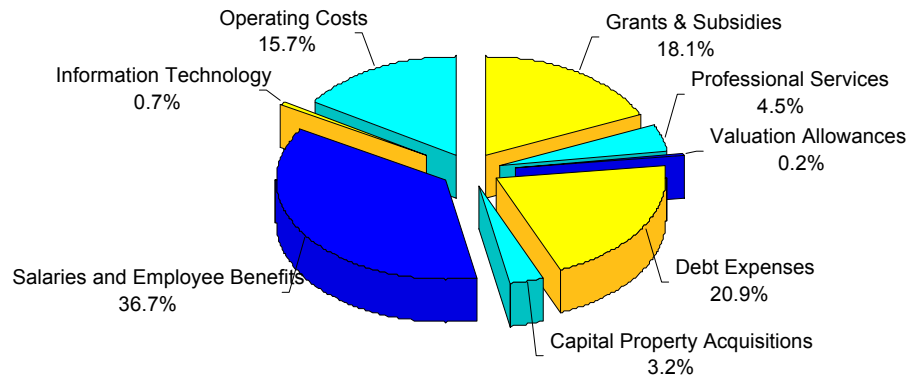
Provincial:

Personal Income Tax	607,164
Sales Tax	556,368
Gasoline Tax	131,624
Corporate Income Tax	54,906
Investment	332,724
Other Provincial Tax	234,281
Other - Provincial	326,250
Net Income of Govt. Bus. Ent.	<u>146,378</u>
Total: Provincial	<u>2,389,695</u>

Federal:

Equalization	1,117,374
CHST	333,805
Cost-shared	187,076
Other - Gov.	<u>18,540</u>
Total: Federal	<u>1,656,795</u>
TOTAL	<u>4,046,490</u>

Expenditures by Category - 31 March 2002



Expenditure:	(\$ 000)
Salaries and Benefits	1,656,730
Debt Expenses	948,061
Grants and Subsidies	819,918
Operating Costs	710,964
Professional Services	204,180
Capital Property Acquisitions	142,425
Information Technology	29,553
Valuation Allowances	<u>7,753</u>
TOTAL	<u>4,519,584</u>

GLOSSARY OF TERMS:

- Accrual basis:** A method of accounting whereby revenues are recorded when earned/due and expenditures are recorded when liabilities are incurred.
- Cash basis:** A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
- Total borrowings:** The gross amount of borrowings (e.g. debenture debt) before sinking funds. See Schedule 6, Volume I.
- Net borrowings:** The total borrowings less sinking funds. See Schedule 6, Volume I.
- Net debt:** The excess of liabilities over assets or in other words, the accumulated annual surpluses/deficits from 1949 to date. See the Consolidated Statement of Finance Position, Volume I.

Deficit:	The excess of annual expenditures over annual revenues. See the Consolidated Statement of Revenue and Expenditure, Volume I.
GDP:	Gross domestic product, at market, of the Province as calculated by Statistics Canada.
Interest on the Unfunded Pension Liability:	Interest calculated on the Unfunded Pension Liability per actuarial review. Represents an accrued cost. See Note 4 to the Consolidated Summary Financial Statements, Volume I.
Unfunded Pension Liability:	The total pension obligation less pension assets as determined by an actuary. See the Consolidated Statement of Financial Position, Volume I.