

**Province of
Newfoundland and Labrador**



**Public Accounts
Consolidated Summary
Financial Statements**

FOR THE YEAR ENDED
MARCH 31, 2015


**Newfoundland
Labrador**



Province of Newfoundland and Labrador

Public Accounts

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2015**

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INTRODUCTION

The Public Accounts presents the consolidated summary financial statements of the Province of Newfoundland and Labrador. These statements are preceded by a report which discusses and analyzes the information contained within the summary financial statements. The report, entitled **Understanding the Financial Health of the Province of Newfoundland and Labrador**, provides a narrative review of the financial performance of the Province along with illustrations of key figures and relationships. This financial statement discussion and analysis, in conjunction with the consolidated summary financial statements, provides additional information for users of the Provinces' summary statements.

The consolidated summary financial statements combine the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador. 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.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Board (PSAB) standards of the Chartered Professional Accountants of Canada, and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General of Finance and are audited by the Auditor General. Budget figures, where available, are provided on several statements for comparison purposes.

The unaudited Consolidated Revenue Fund Financial Information, formerly known as Volume II of the Public Accounts, presents the financial position of the Fund and the results of its activities and has been concurrently released with this document.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2014-15 was released in September 2015 and presents expenditures and revenues using the modified cash basis of accounting. This is the same basis used to prepare the budgeted appropriations and revenues as per the Estimates. These reports are available online at the address noted below.

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

Internet Address

The Public Accounts are available on the Internet at:
http://www.fin.gov.nl.ca/fin/public_accounts/index.html

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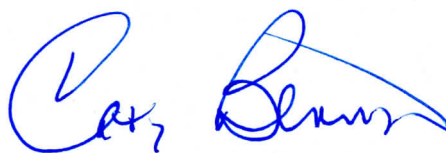
UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

I hereby present the financial statements of the province, the Public Accounts for the 2014-15 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a deficit for the 2014-15 fiscal year of \$986.3 million, which is higher than the original forecasted deficit of \$537.9 million for 2014-15. The increase in deficit of \$448.4 million from our original forecast is primarily the result of lower than anticipated revenues during the year.

Deteriorating global commodity markets, particularly in the natural resource sector, have resulted in the economic constraints faced by the province in 2014-15. The downward pressure on commodity prices have also been met with declined oil production. Amidst these economic pressures stronger fiscal management must remain the province's top priority.

Going forward, we are committed to strong fiscal management and we will get this under control. Reshaping the fiscal future in light of the new fiscal reality presents challenges, but also significant opportunities. The road to an improved fiscal situation is a journey we all must take together to return the province to a position of financial strength and prosperity.



**CATHY BENNETT
MINISTER OF FINANCE AND
PRESIDENT OF TREASURY BOARD**

22 January 2016

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UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

FINANCIAL REPORTS

Information on the financial picture of the Province can be obtained from the Public Accounts, Consolidated Revenue Fund Financial Information and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund.

Public Accounts:

- These are the consolidated audited financial statements of the Consolidated Revenue Fund (all departments) and government organizations (including Health and School Boards) which are controlled by and therefore accountable to Government.
- These statements present the consolidated financial position of the Province on an accrual basis, in accordance with the accounting standards established for governments by Chartered Professional Accountants of Canada (CPA).
- The consolidated summary (accrual) deficit for the year ended 31 March 2015 as presented in Consolidated Summary Financial Statements is \$986.3 million; net debt is \$10.3 billion; and accumulated deficit is \$6.0 billion.
- The Auditor General issued an unqualified audit opinion on the 2014-15 Consolidated Summary Financial Statements.

Consolidated Revenue Fund Financial Information (formerly known as Volume II of the Public Accounts)

- These are the unaudited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) deficit for the year ended 31 March 2015 as presented in Consolidated Revenue Fund Financial Information is \$1,190.2 million; net debt is \$10.7 billion; and accumulated deficit is \$8.1 billion.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund

- This report presents the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2015.
- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary requirement of \$676.5 million for the year ended 31 March 2015 is comprised of a current account financial contribution of \$69.6 million offset by a capital account financial requirement of \$746.1 million.

The Public Accounts, Consolidated Revenue Fund Financial Information, the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund, and the Financial Statements of Crown Corporations, Boards and Authorities can be found on the Government's website at:

www.fin.gov.nl.ca/fin/public_accounts/index.html

Copies of the Public Accounts, the Consolidated Revenue Fund Financial Information and the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund can be obtained at the Queen's Printer, Confederation Building. In addition, a general reconciliation from the modified cash basis of accounting to accrual based accounting can be made available by contacting the Public Accounts and Banking Services Section of the Department of Finance.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

FINANCIAL DISCUSSION AND ANALYSIS REPORT

The inclusion of this report, a financial discussion and analysis of the Public Accounts, is a practice recommended by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. The Public Sector Accounting Board sets the accounting standards for Canadian senior governments.

Information provided in this report will focus on the consolidated summary financial statements of the Province. Throughout this report, any reference to a particular year means the fiscal year ended in that year. For example, reference to 2015 means the fiscal year ended 31 March 2015.

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.
<i>Annual Surplus/ (Deficit):</i>	The excess of annual revenues (expenses) over annual expense (revenues).
<i>Budgetary Contribution/ (Requirement):</i>	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.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

<i>Tangible Capital Assets:</i>	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.
<i>Unfunded Pension Liability:</i>	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits.

CONSOLIDATED ACCRUAL RESULT

Compared to Previous Year

The difference between the annual deficit of \$986.3 million for 2015 and the annual deficit of \$388.6 million for 2014 is approximately \$597.7 million. While additional variance analysis on the changes in revenue and expense are included later in this report, the following provides a summary of what has contributed to these changes. This increase in annual deficit can be attributed to a decrease in total revenues of \$563.6 million in addition to an increase in total expenses of approximately \$34.1 million.

The decrease in total revenues of approximately \$563.6 million from 2014 to 2015 can be attributed to the following revenue sources:

- \$563.5 million decrease in offshore royalties as a result of lower oil prices and a decrease in production;
- While the remaining variances generally offset for a decrease in revenues of \$0.1 million, some of the variances of the more significant revenue streams include a \$139.2 million decrease in corporate income tax mainly related to adjustments due to payments made in prior years and a decrease of \$65.0 million in mining and mineral rights tax due to lower production and prices resulting in lower mining revenues. These were largely offset by an \$88.5 million increase in personal income tax due to growth in personal income and thus a stronger tax base, as well as a \$29.8 million increase in sales tax primarily due to an increase in consumer expenditure. Fees and fines increased by \$34.9 million primarily due to increases in the offshore revenue fund and there was a \$24.7 million increase in income earned from government business enterprises and partnerships. Furthermore, there were small variances in Federal and other Provincial revenues that contributed to the net variance.

The increase in total expenses of \$34.1 million from 2014 to 2015 can be attributed to increases experienced in the following types of expenses:

- \$127.4 million increase in operating costs and property, furnishings and equipment primarily due to the recognition of contaminated sites liabilities consistent with the implementation of a new accounting standard. Furthermore, there was an increase in purchased services, including repairs and maintenance, for provincial roads, bridges and causeways. This is the result of many of the 2014 projects not having been completed during that year and were subsequently carried forward into the 2015 fiscal year end. As a result, purchased services for provincial roads for 2015 includes the regular maintenance work for the year as well as the completion of prior year projects;
- \$76.0 million increase in grants and subsidies due to an increase in the demand for skills development from the programs offered by the Department of Advanced Education and Skills. Furthermore, there were increases in assistance provided to nursing homes from the Regional Health Authorities, as well as, increases in tax credits recorded for tax transfers as per the tax revenue standard;
- \$49.8 million increase in amortization expenses and (gain)/loss on disposal of tangible capital assets due to the timing and status of capital projects now being placed in service;
- \$19.2 million increase in professional services due to higher costs of planning and design of several infrastructure projects.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

These increases in expenses are mitigated partially by the following decreases:

- \$154.5 million decrease in salaries and employee benefits primarily relating to retirement costs for group insurance resulting from retirement benefits reform; this decrease is partially offset by an increase in salaries, including signing bonuses and retroactive costs, resulting from the latest collective agreements with the Registered Nurses' Union Newfoundland and Labrador and the Newfoundland and Labrador Teachers Association;
- \$78.7 million decrease in debt expenses resulting from decreases in interest expense on both pensions and group insurance due to retirement benefits reform, as well as a decrease in Memorial University's pension expense as a result of positive returns on interest earned on pension assets;
- \$5.1 million net decrease in other various expenses.

Compared to Original Budget (Accrual)

The budgeted annual deficit of \$537.9 million as per the 2014-15 Budget Speech and the actual annual deficit of \$986.3 million differs by approximately \$448.4 million. This difference can be attributed to a decrease in total revenues of \$812.5 million partially offset by decrease in total expenses of \$364.1 million.

The decrease in total revenues of \$812.5 million from the original budget can be attributed to the following revenue sources:

- Offshore royalty revenue, compared to the original budget, decreased by \$835.3 million primarily due to a lower than expected oil price and decreased production. The oil and gas industry continues to be the largest contributor to provincial GDP resulting in substantial fiscal contributions to the provincial treasury. In 2014-15 the value of crude oil produced by the Province decreased due to both reduced production volumes, as well as, lower crude oil prices which declined by approximately 60% throughout the 2014-15 fiscal year;
- This was partially offset by a net increase in taxation revenue of \$33.6 million primarily due to an \$87.8 million increase in personal income tax due to greater growth in personal income than anticipated. This was partially offset by a \$43.9 million decrease in sales tax revenue due to lower consumer expenditure growth and a \$17.1 million decrease in corporate income tax due to lower corporate profits which offset the increased estimated payments from Finance Canada. Additionally, there were small variances in other tax revenues that contributed to the net increase;
- \$10.8 million net decrease in other revenues relating to Provincial and Federal sources.

The difference in total expenses of \$364.1 million from the original budget can be primarily attributed to the following types of expenses:

- \$192.5 million decrease in grants and subsidies due to lower than anticipated expenditures in various municipal/provincial/federal infrastructure programs and the Canada/NL gas tax program. Furthermore, decreases as a result of delays in several new drug therapies under the provincial drug program, lower than anticipated uptake of the Medical Transportation and Assistance Program and reduced expenditures in the income support and employment development programs;
- \$114.8 million decrease in salaries and benefits from the original budget was primarily due to the public service pension and group health reform that was completed during the fiscal year;
- \$97.1 million decrease in debt expenses due to decreases in interest expense on pensions resulting from pension reform;
- \$31.6 million increase in amortization and (gain)/loss on sale of tangible capital assets primarily due to an adjustment to the value of a work in progress asset;
- \$8.7 million net increase in other various expenses.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

CASH FLOW ANALYSIS

The Province records its transactions on an accrual basis in accordance with generally accepted accounting principles, the timing of which may vary from when actual cash is paid or received. In 2015, the Province's overall net cash outflow was \$248.9 million. As detailed in the following chart, there was a net cash outflow of \$387.8 million in the previous year, which resulted in a difference in cash flow of approximately \$138.9 million between 2014 and 2015.

Cash Flow by Category	2015	2014	Difference
	(\$000's)	(\$000's)	(\$000's)
Operating	339,969	739,402	(399,433)
Capital	(555,515)	(537,407)	(18,108)
Financing	342,074	(118,878)	460,952
Investing	(375,459)	(470,883)	95,424
Net Inflows (Outflows) of Cash	<u>(248,931)</u>	<u>(387,766)</u>	<u>138,835</u>

The change in cash flows was primarily driven by an increase in cash flows from financing activities partially offset by a decline in cash inflows provided from operations.

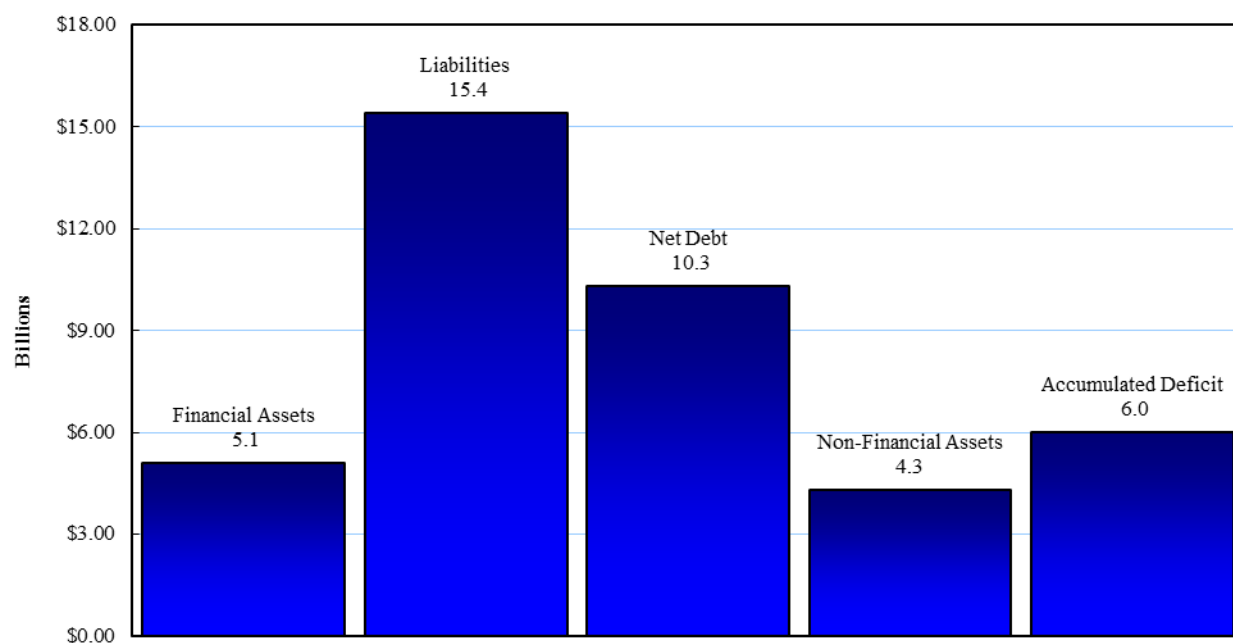
The increase in cash flows from financing activities can be primarily attributed to inflows from the issuing of new debenture, sinking fund proceeds and increased activity in the Province's treasury bill program. These cash inflows were partially offset by a significant increase in debt retired during 2014-15.

The decline in cash flows from operating activities can be directly attributed to the increase in the annual deficit from 2013-14 to 2014-15. For further details, please refer to the 'Consolidated Accrual Result' and 'Highlights – Financial Operations' sections of this report, as well as, the 'Statement of Operations' and the 'Statement of Cash Flows' in the Consolidated Summary Financial Statements.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

HIGHLIGHTS – FINANCIAL POSITION

The Province's financial position as at 31 March 2015 is presented in the following chart. As depicted in the chart, the Province's net debt totals \$10.3 billion. The net debt is comprised of the difference between total financial assets of \$5.1 billion and liabilities of \$15.4 billion. The Province's net debt, less non-financial assets of \$4.3 billion, results in an accumulated deficit of approximately \$6.0 billion. Net debt and accumulated deficit are comprised of the following components:



<i>(\$ billions)</i>	2015	2014	2013	2012	2011
Borrowings (net of sinking funds)	5.53	5.07	5.15	5.30	5.70
Unfunded Pension Liability	4.38	3.91	3.27	3.09	2.67
Group Health and Life Insurance Retirement Benefits	2.61	2.55	2.32	2.08	1.91
Other Liabilities	2.91	2.82	2.73	2.89	2.95
Less: Total Financial Assets	(5.10)	(5.27)	(5.12)	(5.53)	(4.97)
Net Debt	10.33	9.08	8.35	7.83	8.26
Less: Tangible Capital Assets	(4.26)	(4.05)	(3.83)	(3.49)	(3.11)
Less: Other Non-financial Assets	(0.09)	(0.09)	(0.09)	(0.09)	(0.10)
Accumulated Deficit	5.98	4.94	4.43	4.25	5.05

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

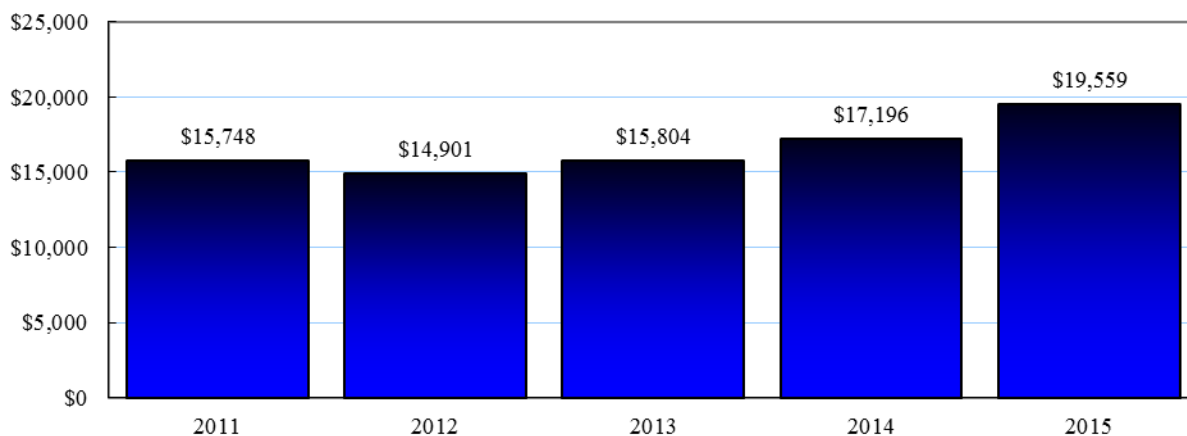
As seen in the previous table, accumulated deficit and net debt have both increased from 2011 to 2015. This can be attributed primarily due to the growth in post-employment benefit liabilities for pensions and group health and life insurance benefits.

Net Debt and Net Borrowing

For the fiscal year ended 31 March 2015, net debt of \$10.3 billion included net borrowings of \$5.5 billion. Net debt for the fiscal year ended 31 March 2015 increased from the previous year by \$1,178.3 million and net borrowings increased by \$461.0 million.

a) Net Debt per Capita

Net debt per capita indicates the average amount of the Province's net debt owing by 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 2015. As presented in the chart that follows, it increased from \$17,196 in 2014 to \$19,559 in 2015. This increase of \$2,363 per person is a result of the previously noted increase in the Province's net debt.

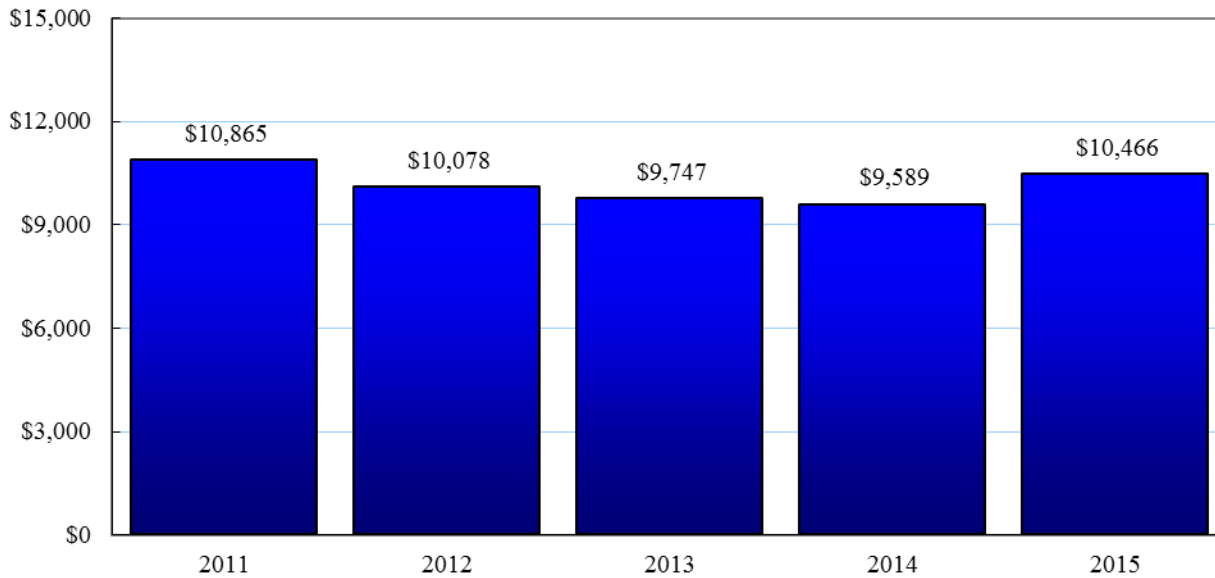


Previous year's numbers have been revised to reflect the information available on the Province's population as at April 2015.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

b) Net Borrowings per Capita

Net borrowings per capita indicate the average amount of Provincial debt owing by each citizen of the Province and is calculated by dividing the net borrowings of the Province by its population. An increase in net borrowings in 2015 has resulted in an increase in net borrowings per capita of \$877 since 2014. The net borrowings per capita are presented in the following chart.

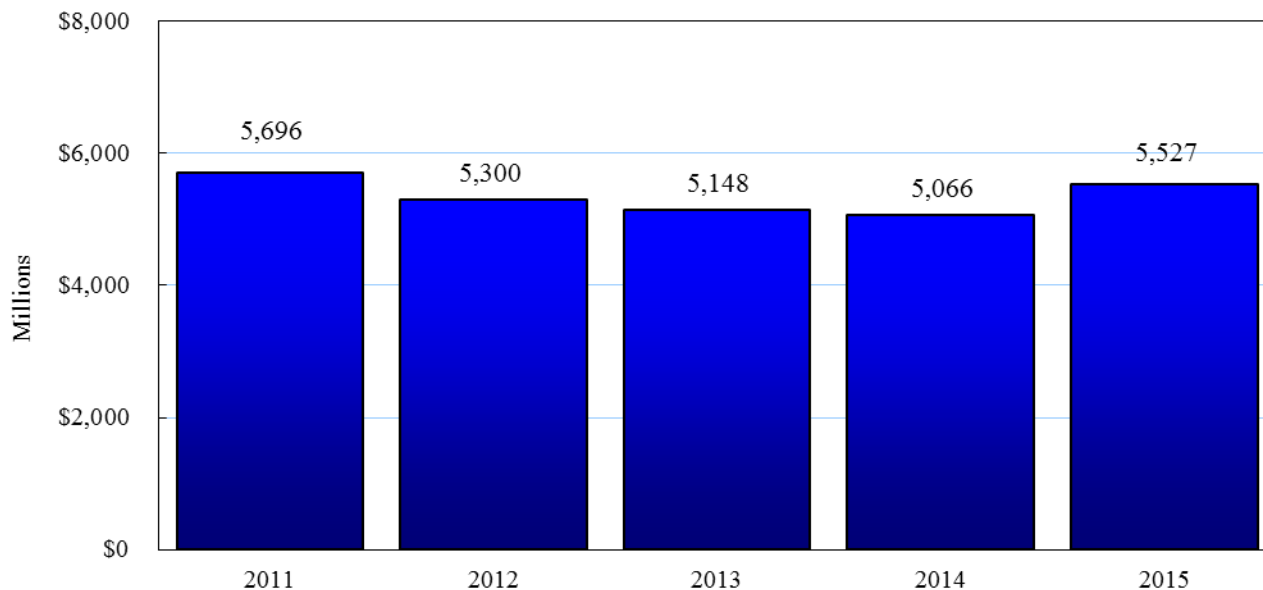


Previous year's numbers have been revised to reflect the information available on the Province's population as at April 2015.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

c) Net Borrowings - 5 Year Comparison

As presented in the following chart, net borrowings of the Province increased in 2015 by \$461.0 million. Net borrowings of \$5,239.0 million of the Consolidated Revenue Fund represented the most significant amount of the total net borrowings at 94.8%.



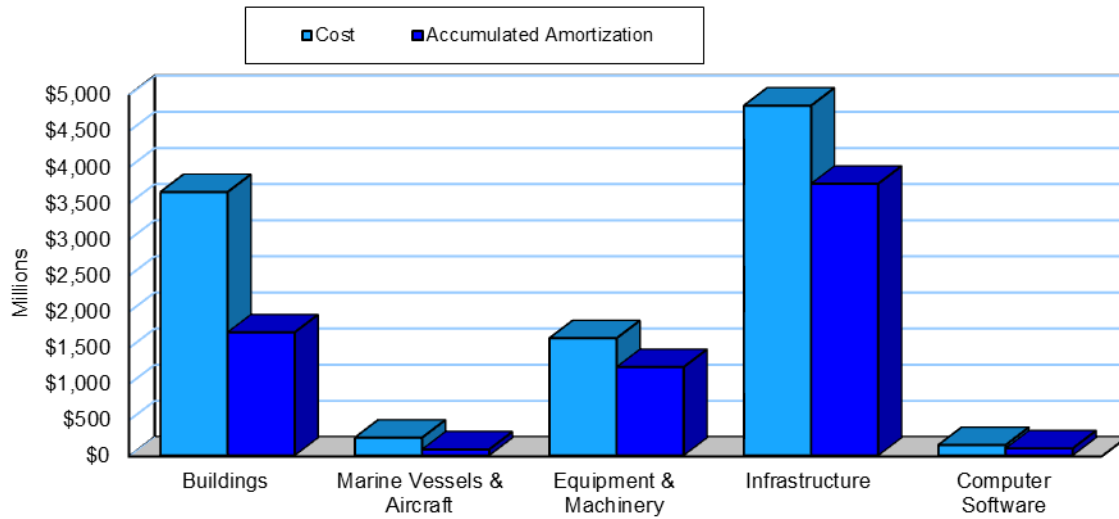
Non-Financial Assets

The total non-financial assets of \$4.3 billion in 2015 included prepaid and deferred charges of \$38.5 million, inventory of supplies of \$49.1 million and tangible capital assets, the most significant component, of \$4.3 billion. The net book value of the tangible capital assets increased by \$206.1 million from 2014. Analysis of the information in the consolidated summary financial statements related to tangible capital assets follows:

- The increase in net book value of tangible capital assets is the result of acquisitions of \$556.0 million in the current year that more than offset disposals and net accumulated amortization;
- Accumulated amortization of tangible capital assets represents 61.7% of the cost of tangible capital assets, which is a slight decrease from 62.0% in 2014. The most significant of the asset categories that are amortized are infrastructure and equipment and machinery where 77.7% and 75.4% of the original cost has been amortized respectively;
- Work in progress assets consist of \$628.9 million as at 31 March 2015 which is a \$203.5 million or 24.4% decrease from 2014. 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.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

The following chart shows the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2015.



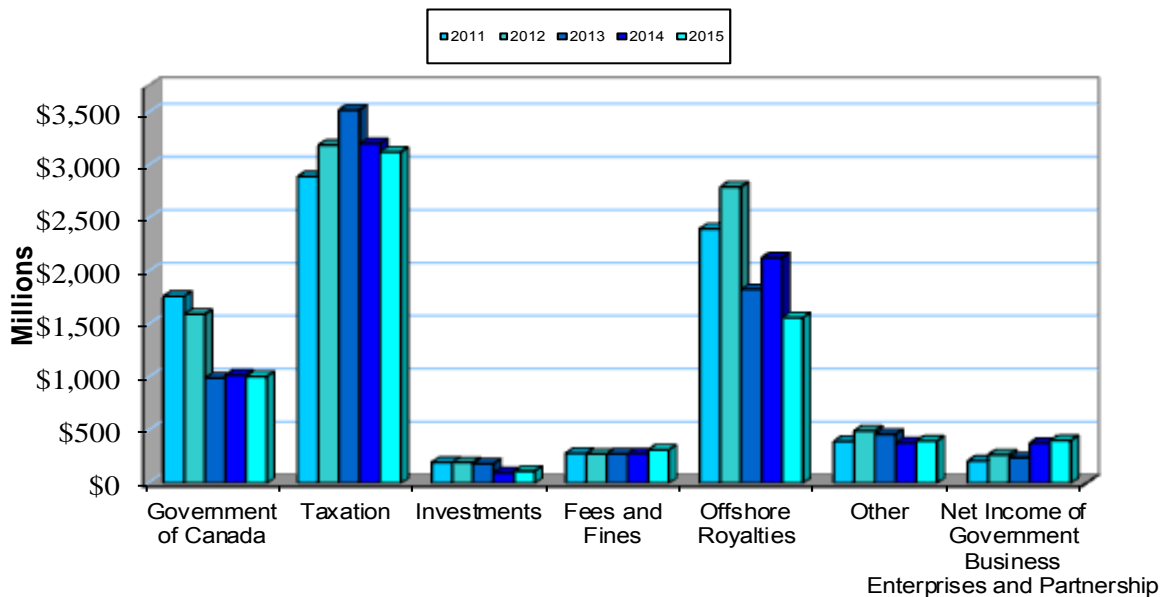
HIGHLIGHTS - FINANCIAL OPERATIONS

Revenues

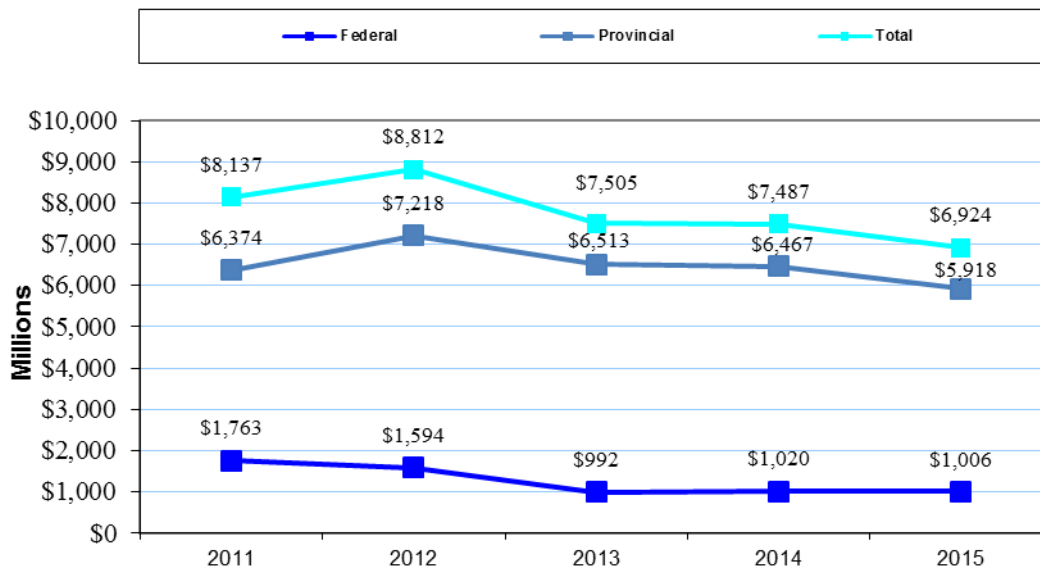
Revenues for 2015 totaled \$6.9 billion. Provincial revenue sources accounted for 85.5% of this total, which decreased by 0.9% compared to 2014. The remaining 14.5% is derived from Federal Government sources. Details on the sources of revenues, including five-year historical comparisons, are provided in the following charts and graphs.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

a) Revenues by Source - 5 Year Comparison



b) Total Revenues - 5 Year Comparison



UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- Total revenues were down in 2015, decreasing from 2014 by \$563.6 million. Total revenues have been in decline since 2012.
- Total Provincial revenues decreased by \$549.5 million in 2015.
- Federal revenue sources have decreased by approximately \$14.1 million from 2014 and \$757.3 million since 2011. The past three fiscal years have seen an essential flat lining of the revenues provided by the Federal Government.

c) Revenues by Source

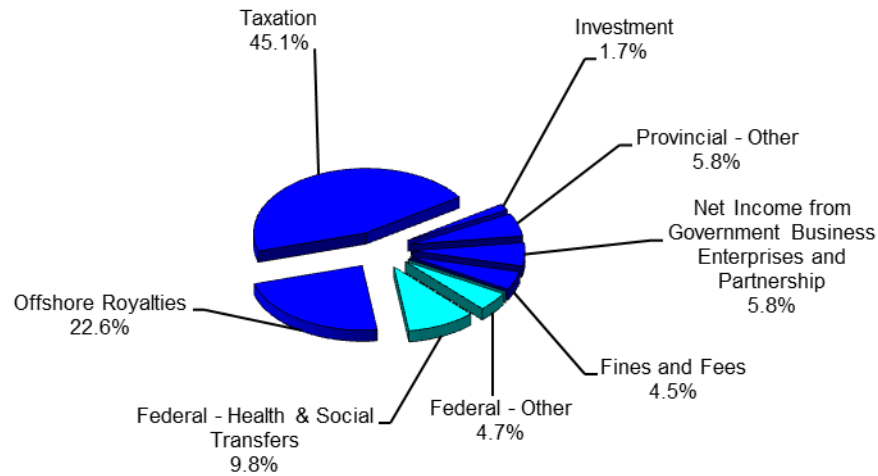
The most significant changes in revenues by source between 2014 and 2015 arise from offshore royalties and taxation revenues.

- Offshore royalties were \$563.5 million lower in 2015 than in 2014. This decrease is the result of a decrease in oil prices, resulting in lower royalty rates. The volatility of oil prices continues to create uncertainty regarding the sustainability of this non-renewable revenue source;
- Taxation revenues were \$79.4 million lower in 2015 in comparison to 2014. The decrease is primarily attributed to a decrease of \$139.2 million in corporate income tax mainly due to adjustments to payments made in prior years and a decrease of \$65.0 million in mining and mineral rights. These decreases were partially offset by an increase of \$88.5 million in personal income tax as well as increases in sales tax of \$29.8 million and other tax of \$6.5 million. The variances in personal income tax and sales tax are due to growth in personal income and an increase in consumer expenditure.

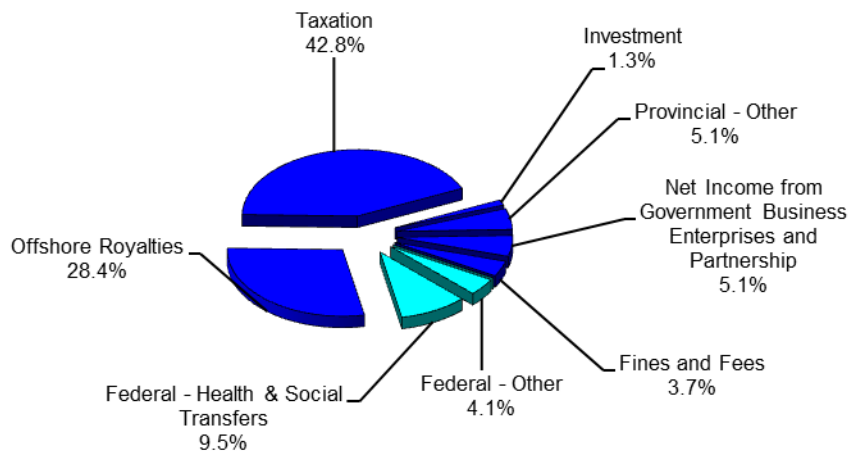
The following graphs display the revenues by source as a percentage of total revenues for 2015 and 2014.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenues by Source - 2015



Revenues by Source - 2014

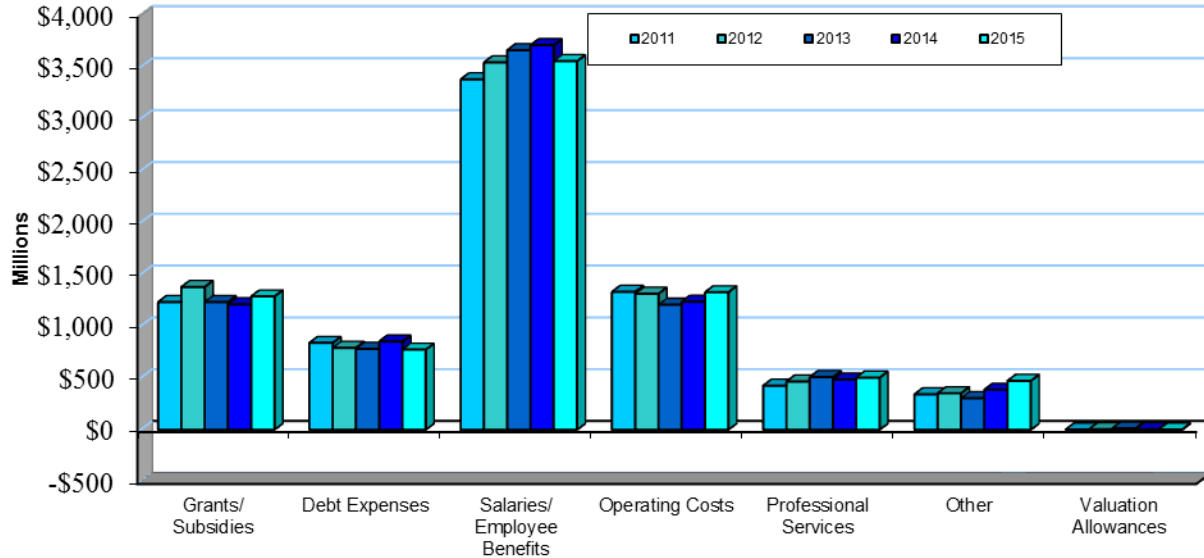


UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

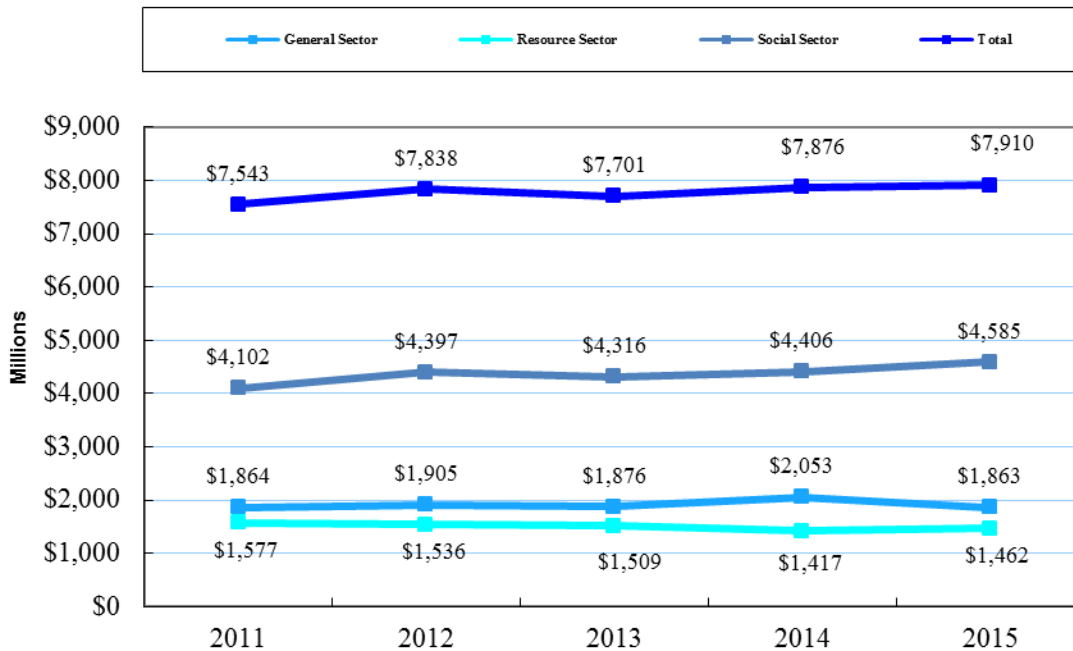
Expenses

The total expenses incurred by the Province for 2015 amounted to \$7.9 billion. The following charts and discussion analyze the nature of these expenses by category and sector. In the discussion of expenses by category, it should be noted that the 'Other' category represents minor capital property acquisitions and valuation allowances (recovery).

a) Expenses by Major Category - 5 Year Comparison



b) Expenses by Sector - 5 Year Comparison



UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

From an analysis of the previous charts and the information presented in the consolidated summary financial statements, the following observations can be made:

- In the past five years, total expenses of the Province have grown by \$0.4 billion. The largest growth occurred between 2011 and 2012 at an amount of \$0.3 billion. The increase in that year is largely attributed to increased salaries and employee benefits mainly due to negotiated salary increases, increased professional services primarily as a result of the new agreement reached with physicians and increased grants and subsidies relating to activity level of various social sector programs. Expenses remained relatively unchanged from 2014 to 2015.
- Salaries and employee benefits remain the Province's most significant expense, rising steadily from \$3.4 billion in 2011 to \$3.7 billion in 2014. It decreased to \$3.6 billion in 2015.
- Operating costs and grants and subsidies are the next most significant expenses, each representing 16.8% of the total expenses for 2015. This is a slight increase over 2014 levels in which operating costs and grants and subsidies represented 15.7% and 15.4% of the total respectively.
- Expenses for the social sector were the most significant portion of total expenses by sector in the past five years. This sector's expenses in 2015 were approximately \$4.6 billion, an increase of \$178.6 million from 2014, accounting for 58.0% of the total expenses for the year.

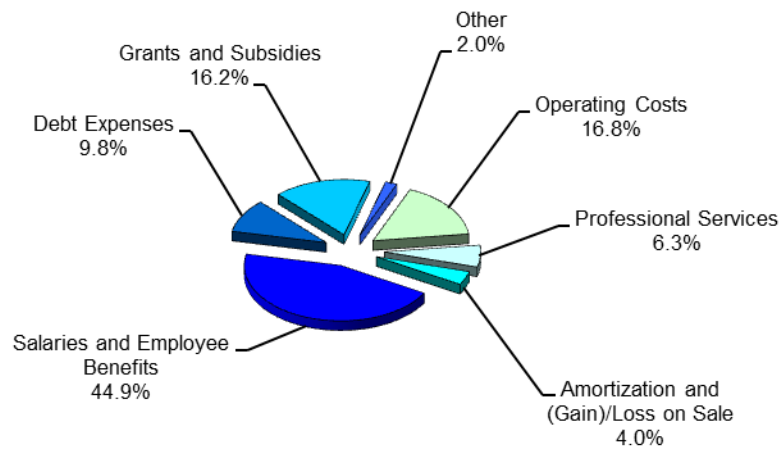
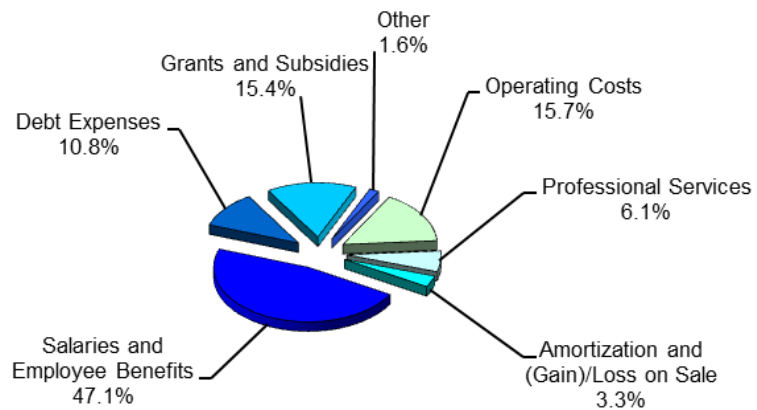
c) Expenses by Category

The most significant changes in expenses by category between 2014 and 2015 relate to salaries and employee benefits, operating activities, debt expenses, and grants and subsidies;

- Salaries and employee benefits decreased by \$154.5 million primarily due to retirement costs for group insurance resulting from retirement benefits reform. This decrease is partially offset by an increase in salaries, including signing bonuses and retroactive costs, resulting from the latest collective agreements with the Registered Nurses' Union Newfoundland and Labrador and the Newfoundland and Labrador Teachers Association;
- Operating costs and property, furnishings and equipment increased by \$127.4 million primarily due to the recognition of contaminated sites liabilities consistent with the implementation of a new accounting standard. Furthermore, there was an increase in purchased services, including repairs and maintenance, for provincial roads, bridges and causeways. This is the result of many of the 2014 projects not having been completed during that year and were subsequently carried forward into the 2015 fiscal year end. As a result, purchased services for provincial roads for 2015 includes the regular maintenance work for the year as well as the completion of prior year projects;
- Debt expenses decreased by \$78.7 million as a result of decreases in interest expense on both pensions and group insurance due to retirement benefits reform, as well as a decrease in Memorial University's pension expense as a result of positive returns on interest earned on pension assets;
- Grants and subsidies increased by \$76.0 million primarily due to an increase in the demand for skills development from programs offered by the Department of Advanced Education and Skills in the current year. Furthermore, there were increases in assistance provided to nursing homes from the Regional Health Authorities, as well as, increases in the Research and Development Tax Credit and Home Heating Fuel Tax Credit recorded for tax transfers as per the tax revenue standard.

The following graphs display the expenses by category as a percentage of total expense for 2015 and 2014.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Major Category - 2015**Expenses by Major Category - 2014**

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

KEY INDICATORS

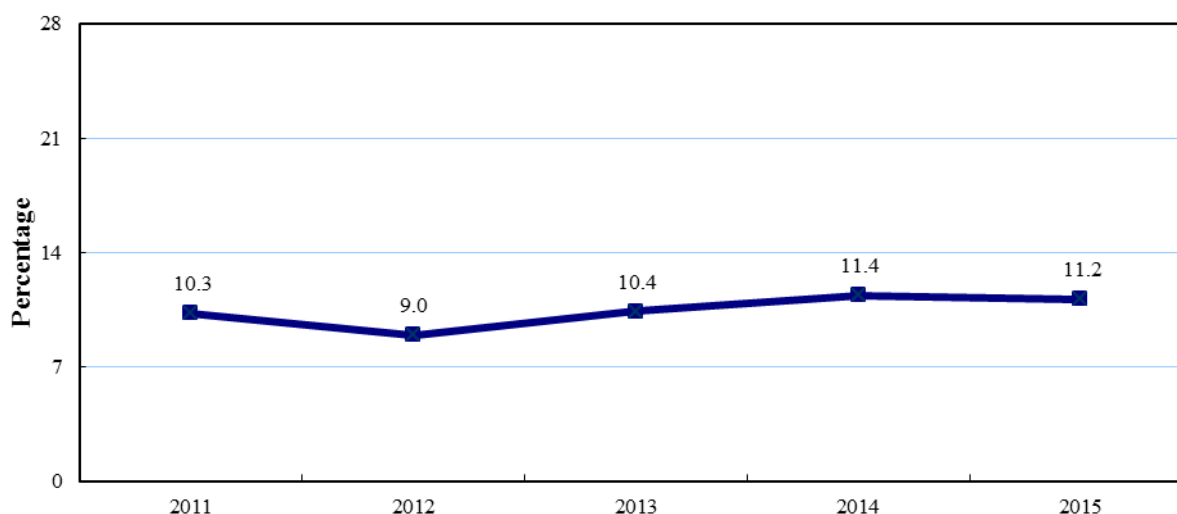
- Key indicators included in this document provide a complete picture of the Province's financial position at 31 March 2015.
- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants (now represented as Chartered Professional Accountants of Canada) entitled *Indicators of Government Financial Condition*. These indicators, which are used in assessing a government's financial health in the context of the overall economic and financial environment, can be summarized under the headings of *flexibility, sustainability and vulnerability*.
- While there are no established public sector benchmarks for these indicators, one can assess the Province's financial condition through a comparison of previous years' indicators.
- Gross Domestic Product (GDP) and population figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest non-forecasted information available as of 31 March 2015. The figures used in 2015 and 2014 analysis were the most recently available for each respective year.

Flexibility

Flexibility refers to the degree to which a government can respond to rising commitments by either expanding its revenues or increasing its debt. Indicators of flexibility include:

a) *Province's Interest Cost as a Percentage of Revenues*

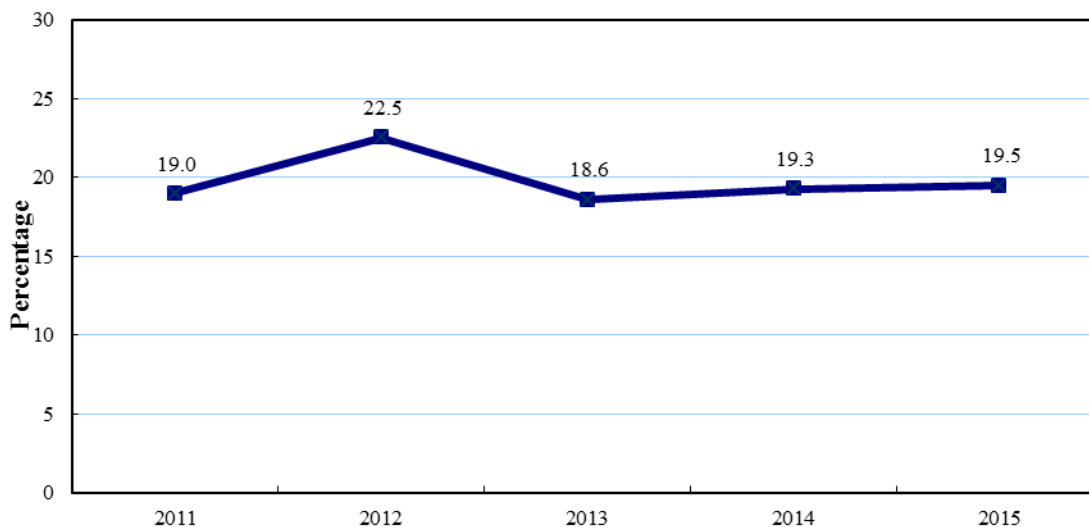
- This ratio measures the extent to which past borrowings may impact the Province's ability to provide for the economic and social needs of its citizens.
- The following graph indicates that the Province's interest costs as a percentage of revenues has decreased in 2015 to 11.2%. The decrease in the current year is mainly the result of a decrease in debt expenses from 2014 which is partially offset by a decrease in revenue.
- The average of this ratio over the past five years is 10.5%. Interest costs continue to remain a significant expense incurred by the Province.



UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

b) 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 slightly in the current year from 2014. The Province's GDP decreased in 2015 which coincided with a decrease in revenue resulting in relatively consistent revenue as percentage of GDP.
- The 2015 ratio is 19.5%, a slight increase from 19.3% in 2014. This ratio is below the five-year average of 19.8%.



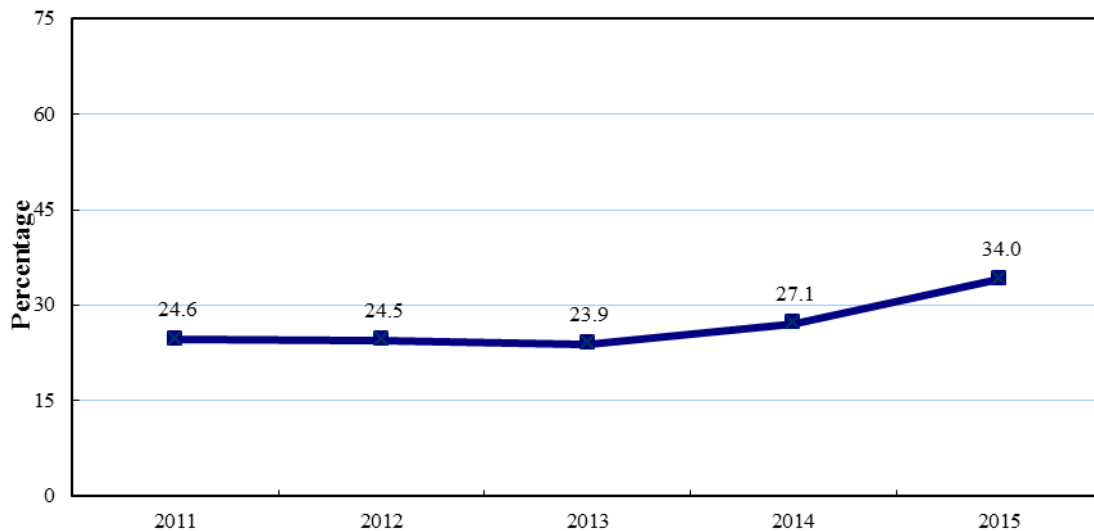
Sustainability

Sustainability refers to the degree to which a government can meet its existing program commitments and creditor requirements without increasing the debt burden on the economy. Indicators of sustainability include:

a) Net Debt as a Percentage of GDP

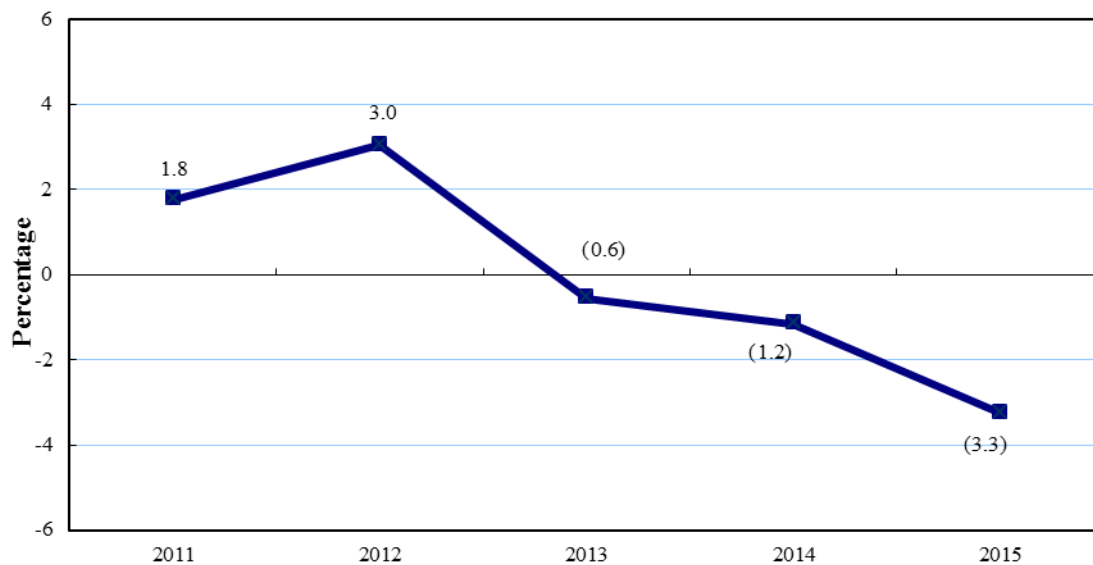
- This ratio measures the level of debt that the Province carries as a percentage of its GDP.
- As presented in the following graph, there has been an increase in net debt as a percentage of GDP in the current year resulting from both an increase in debt and a contraction in the economy. On a five year basis, the relationship implies that the rate of increase in net debt has 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 2015 ratio is 34.0%, an increase of 6.9% from 2014. The average of this ratio over the past five years is 26.8%. Since 2011, it has experienced a significant increase of approximately 9.4% .

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR



b) Annual Surplus (Deficit) as a Percentage of GDP

- This ratio measures the difference between revenues and expenses expressed as a percentage of GDP.
- As indicated in the following graph, the annual surplus (deficit) as a percentage of GDP increased to a greater deficit as a percentage of GDP to (3.3%) in 2015. The average of this ratio over the past five years is 0.1%. The current decrease suggests that the Province's ability to meet its financial obligations has also decreased.



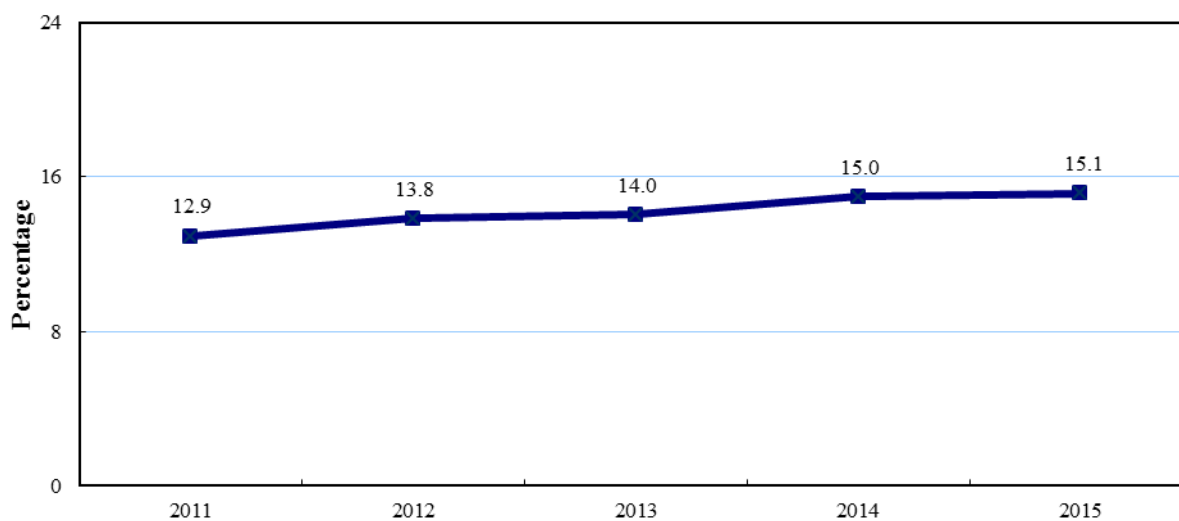
UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

Vulnerability

Vulnerability refers to the degree to which a government is dependent on, and therefore vulnerable to, sources of funding outside of its control or influence. Indicators of vulnerability include:

a) Foreign Currency Debt as a Percentage of Net Borrowings

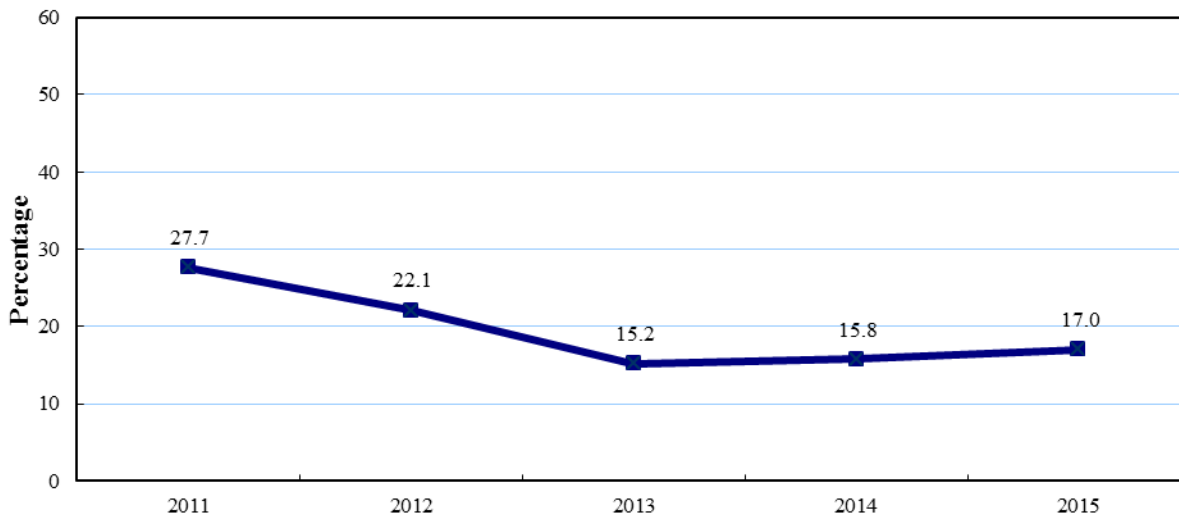
- This ratio measures the Province's foreign currency debt relative to its net borrowings. It reflects the degree of vulnerability to which the Province is subject in relation to foreign currency swings.
- As indicated in the following graph, foreign currency debt as a percentage of net borrowings has increased slightly to 15.1% in 2015. The increase in the current year occurred due to a higher exchange rate offset by an increase in overall borrowings. As the foreign debt borrowings have remained relatively unchanged from the prior year, the Province is no more vulnerable to changes in foreign currency exchange rates than in the previous years.
- The average of this ratio over the past five years is 14.2%. Foreign currency debt has historically represented a significant portion of net borrowings which is consistent with the increase to 15.1%.



b) Federal Transfers as a Percentage of Provincial Revenues

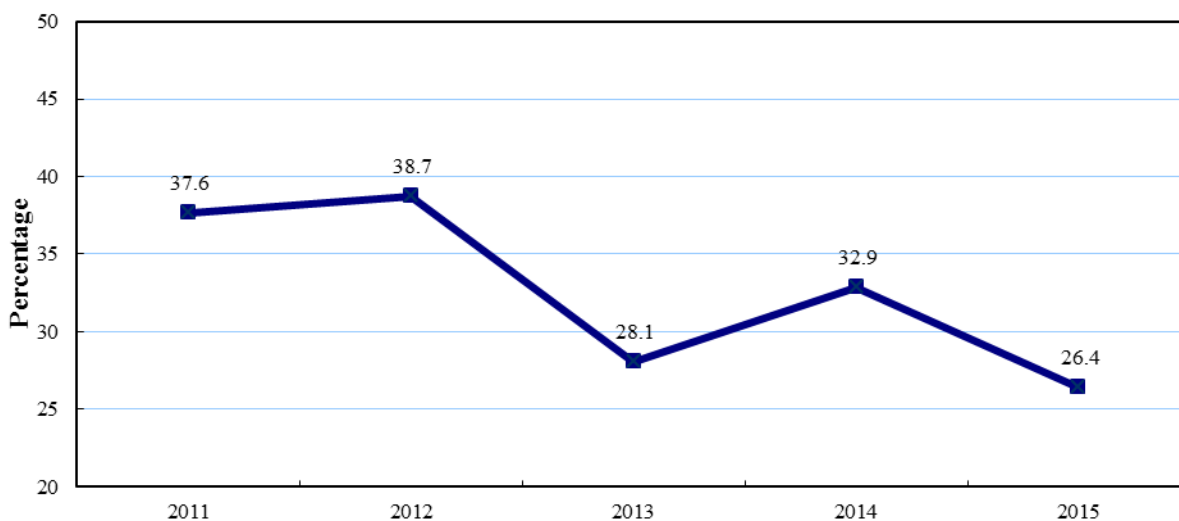
- This ratio measures the extent to which the Province increases its own revenues from within the Province as compared to the extent it receives funds from the Federal Government.
- As indicated in the following graph, Federal transfers as a percentage of Provincial revenues is relatively consistent with 2014 with a slight increase of 1.2%. The indicator has declined significantly over the past 5 years mainly due to the expiration of the Atlantic Accord (1985) agreement in 2012. While this trend indicates that the Province is becoming more self-reliant, the fiscal policy decisions of the Federal Government continue to have an impact on the Province's financial position.
- Although the 2015 ratio of Federal transfers as a percentage of revenue generated from Provincial sources increased slightly to 17.0%, this is still significantly less than the five-year high of 27.7% in 2011. Furthermore, while this ratio has increased from 2014, Federal source revenues actually declined in 2015. Therefore, the increase in this ratio is more so attributed to the decline in Provincial source revenues.

UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR



c) Offshore Royalties as a Percentage of Provincial Revenues

- This ratio measures the Province's offshore royalty revenues in relation to total Provincial revenues. It reveals the degree to which the Province relies on revenues from offshore royalties as a source of funding.
- As indicated in the following graph, offshore royalties as a percentage of Provincial revenues have decreased significantly from 2014 primarily due to falling oil prices and decreased production.
- For the past five years, the average ratio of offshore royalties to Provincial revenues is 32.7%. In 2015, the ratio is below average at 26.4%. Although the ratio has decreased in the most recent fiscal year, offshore royalties continue to be a significant component of Provincial revenues; a revenue source which is subject to the volatility of market factors such as the price of oil.



UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

FINANCIAL PERFORMANCE

As presented in this report, the Province experienced a deficit in 2014-15 for the third consecutive year. The Province experienced economic decline in 2014-15 and will continue to face fiscal challenges including a large level of debt. The financial challenges are a consequence of the Province's dependence on resource based revenues which are inherently volatile. To ensure the future financial health of the Province, it is necessary that the Province address this fiscal reality through strong financial management of its resources to ensure sustainable spending levels, generating increased sources of revenues and ensuring the efficient delivery of public services.



Province of Newfoundland and Labrador

Consolidated Summary Financial Statements

**For The Year Ended
31 March 2015**

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January 20, 2016

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 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.



CATHY BENNETT
Minister of Finance and
President of Treasury Board



ANN MARIE MILLER, CPA, CMA
Comptroller General 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 Consolidated Summary Financial Statements

I have audited the accompanying Consolidated Summary Financial Statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Government's Responsibility for the Consolidated Summary Financial Statements

Government is responsible for the preparation and fair presentation of these Consolidated Summary Financial Statements in accordance with Canadian public sector accounting standards, and for such internal control as Government determines is necessary to enable the preparation of Consolidated Summary Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these Consolidated Summary Financial Statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Summary Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Summary Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Summary Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Summary Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Government, as well as evaluating the overall presentation of the Consolidated Summary Financial Statements.

INDEPENDENT AUDITOR'S REPORT (cont.)

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

Opinion

In my opinion, the Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2015, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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, 2015, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit, and its 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 these Consolidated Summary Financial Statements.



TERRY PADDON, CPA, CA
Auditor General

January 21, 2016
St. John's, Newfoundland and Labrador

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Financial Position

As at 31 March 2015

with comparative figures for 2014

	Actuals 2015 (\$000)	Actuals 2014 (\$000)
FINANCIAL ASSETS		
	1,334,123	1,583,054
Sch. 1	554,974	919,772
	4,830	6,374
Sch. 2	395,043	335,993
Sch. 3	2,814,262	2,425,794
	<i>Total Financial Assets</i>	<i>5,270,987</i>
LIABILITIES		
Sch. 5	2,819,387	2,621,814
	160,934	152,696
Sch. 6	5,527,106	5,066,111
	(62,902)	53,111
	5,464,204	5,119,222
	2,609,492	2,554,039
	1,742,531	3,908,168
	2,636,250	-
	4,378,781	3,908,168
	<i>Total Liabilities</i>	<i>14,355,939</i>
	NET DEBT	9,084,952
NON-FINANCIAL ASSETS		
Sch. 10	4,261,668	4,055,575
	38,528	45,808
	49,081	46,870
	<i>Total Non-Financial Assets</i>	<i>4,148,253</i>
	ACCUMULATED DEFICIT	4,936,699
Sch. 7		
Sch. 9		

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

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Change in Net Debt
For the year ended 31 March 2015
with comparative figures for 2014

	Actuals 2015 (\$000)	Original Budget 2015 (Note 19) (\$000)	Actuals 2014 (\$000)
NET DEBT - beginning of period	9,084,952	9,018,024	8,347,745
Add (Deduct):			
Adjustments - note 14			
First time adoption of Public Sector Accounting Standards	-	-	75,734
Change in Government reporting entity	-	-	15,661
Government organization changes	46,890	-	(7,811)
Contaminated sites	19,417	-	-
ADJUSTED NET DEBT - beginning of period	<u>9,151,259</u>	<u>9,018,024</u>	<u>8,431,329</u>
Surplus (Deficit) for the period	<u>(986,295)</u>	<u>(537,856)</u>	<u>(388,567)</u>
Changes in tangible capital assets			
Acquisition of tangible capital assets	555,973	551,044	562,203
Net book value of tangible capital asset disposals/adjustments	(80,921)	-	(77,081)
Amortization of tangible capital assets	(268,959)	(281,290)	(253,868)
<i>Increase (Decrease) in net book value of tangible capital assets</i>	<u>206,093</u>	<u>269,754</u>	<u>231,254</u>
Changes in other non-financial assets			
Acquisition of prepaid and deferred charges (net of usage)	(7,280)	-	2,456
Acquisition of inventories of supplies (net of consumption)	2,211	-	(1,412)
<i>Increase (Decrease) in other non-financial assets</i>	<u>(5,069)</u>	<u>-</u>	<u>1,044</u>
Changes in net debt from operations			
Sch. 3 Other comprehensive (income) loss	(9,012)	-	32,758
<i>Increase (Decrease) from operations</i>	<u>(9,012)</u>	<u>-</u>	<u>32,758</u>
<i>Increase (Decrease) in net debt</i>	<u>1,178,307</u>	<u>807,610</u>	<u>653,623</u>
NET DEBT - end of period	<u><u>10,329,566</u></u>	<u><u>9,825,634</u></u>	<u><u>9,084,952</u></u>

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

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Operations
For the year ended 31 March 2015
with comparative figures for 2014

	Actuals 2015	Original Budget 2015 (Note 19)	Actuals 2014
	(\$000)	(\$000)	(\$000)
REVENUE			
Sch. 11 Provincial			
Sch. 11 Taxation	3,125,564	3,091,951	3,204,965
Sch. 11 Investment	113,998	197,149	98,322
Sch. 11 Fees and fines	314,313	470,095	279,452
Sch. 11 Offshore royalties	1,562,307	2,397,636	2,125,837
Sch. 11 Miscellaneous	398,212	145,756	380,067
Sch. 11 Federal	1,006,194	1,169,870	1,020,298
	<u>6,520,588</u>	<u>7,472,457</u>	<u>7,108,941</u>
Sch. 4 Net income of government business enterprises and partnership	403,252	263,921	378,531
Total Revenue	<u>6,923,840</u>	<u>7,736,378</u>	<u>7,487,472</u>
EXPENSE			
Sch. 12 General Government Sector and Legislative Branch	1,863,454	2,078,926	2,053,213
Sch. 12 Resource Sector	1,462,007	1,485,907	1,416,709
Sch. 12 Social Sector	4,584,674	4,709,401	4,406,117
Sch. 13 Total Expense	<u>7,910,135</u>	<u>8,274,234</u>	<u>7,876,039</u>
ANNUAL SURPLUS (DEFICIT)	<u>(986,295)</u>	<u>(537,856)</u>	<u>(388,567)</u>

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

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Consolidated Statement of Change in Accumulated Deficit
For the year ended 31 March 2015
with comparative figures for 2014**

	Actuals 2015 (\$000)	Original Budget 2015 (Note 19) (\$000)	Actuals 2014 (\$000)
ACCUMULATED DEFICIT - beginning of period	4,936,699		4,431,790
Add (Deduct):			
Adjustments - note 14			
First time adoption of Public Sector Accounting Standards	-		75,734
Change in Government reporting entity	-		15,661
Government organization changes	46,890		(7,811)
Contaminated sites	19,417		-
ADJUSTED ACCUMULATED DEFICIT - beginning of period	5,003,006		4,515,374
Surplus (Deficit) for the period	(986,295)	(537,856)	(388,567)
Sch. 3 Other comprehensive (income) loss	(9,012)		32,758
ACCUMULATED DEFICIT - end of period	<u>5,980,289</u>		<u>4,936,699</u>

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

SUMMARY FINANCIAL STATEMENTS

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Consolidated Statement of Cash Flows
For the year ended 31 March 2015
with comparative figures for 2014

	<u>Actuals</u>	<u>Actuals</u>
	2015	2014
	(\$000)	(\$000)
Funds provided from (applied to):		
OPERATIONS		
Annual surplus (deficit)	(986,295)	(388,567)
Add (Deduct) non-cash items:		
Accounts receivable	364,678	10,894
Accounts payable	197,573	174,861
Amortization of foreign exchange (gains)/losses	(6,801)	(15,630)
Amortization of tangible capital assets	268,959	253,868
Retirement costs	574,856	869,500
Valuation allowances	(1,022)	4,068
Unremitted net income of government business enterprises and partnership	(107,556)	(105,939)
Sinking fund earnings	(54,477)	(55,635)
Deferred revenue	8,238	(23,425)
Other	81,816	15,407
Net cash provided from (applied to) operating transactions	<u>339,969</u>	<u>739,402</u>
CAPITAL		
Acquisitions	(555,973)	(560,627)
Disposals	458	23,220
Net cash provided from (applied to) capital transactions	<u>(555,515)</u>	<u>(537,407)</u>
FINANCING		
Debt issued	518,344	2,788
Debt retirement	(475,830)	(110,977)
Retirement of pension liabilities	(25,388)	(20,300)
Retirement of promissory note	(48,750)	-
Sinking fund contributions	(47,746)	(49,981)
Sinking fund proceeds	140,688	64,003
Special purpose funds/contractors' holdback funds	(4,917)	(4,427)
Treasury bills purchased	3,890,402	1,971,046
Treasury bills redeemed	(3,604,729)	(1,971,030)
Net cash provided from (applied to) financing transactions	<u>342,074</u>	<u>(118,878)</u>
INVESTING		
Loan repayments	73,534	78,322
Investments	33,831	16,352
Loan advances	(145,224)	(34,557)
Investment in government business enterprises	(337,600)	(531,000)
Net cash provided from (applied to) investing transactions	<u>(375,459)</u>	<u>(470,883)</u>
Net cash provided (applied)	(248,931)	(387,766)
Cash and temporary investments - beginning of period	<u>1,583,054</u>	<u>1,970,820</u>
CASH AND TEMPORARY INVESTMENTS - end of period - note 2	<u><u>1,334,123</u></u>	<u><u>1,583,054</u></u>

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 2015****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.

(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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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).

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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.

(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.

(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) Change in Accounting Policy

PS 3260 - Liability for Contaminated Sites

The Province has adopted a new accounting standard for liability of contaminated sites. The Public Sector Accounting Board issued Section PS 3260 - Liability for Contaminated Sites, which establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. As defined in the standard, contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. 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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

and a reasonable estimate of the amount can be made. An obligation is not recognized unless all criteria above are satisfied. The Province has recognized a liability of \$96.9 million (31 March 2014 - \$20.2 million) related to the remediation of such contaminated sites subject to certain recognition criteria. The standard has been applied retroactively without restatement resulting in an adjustment to beginning Net Debt and Accumulated Deficit of \$19.4 million.

(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 2017:

PS 2200 Related Party Disclosures – a new standard defining related parties and establishing disclosure requirements for related party transactions.

PS 3210 Assets – a new standard providing guidance for applying the definition of assets and establishing general disclosure requirements for assets but does not provide guidance for the recognition and disclosure of specific types of assets.

PS 3320 Contingent Assets – a new standard defining and establishing disclosure requirements for contingent assets but does not include disclosure standards for specific types of contingent assets.

PS 3380 Contractual Rights – a new standard defining and establishing disclosure requirements for contractual rights but does not include disclosure standards for specific types of contractual rights.

PS 3420 Inter-entity Transactions – a new standard on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Effective 1 April 2018:

PS 3430 Restructuring Transactions – a new standard on how to account for and report restructuring transactions by both transferors and recipients of assets and/or liabilities.

Effective 1 April 2019:

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.

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.

(g) Change in Financial Statement Presentation

The Consolidated Statement of Change in Net Debt and Consolidated Statement of Change in Accumulated Deficit have been adjusted for presentation purposes to include other comprehensive (income) loss of government business enterprises and partnership, previously reported in Government organization changes. Prior year figures have been restated to be consistent with 31 March 2015 presentation.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2015 (\$mil)	31 March 2014 (\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	688.9	816.3
Temporary investments	-	149.0
Total cash and temporary investments – CRF	688.9	965.3
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	476.7	427.5
Temporary investments	168.5	190.3
Total cash and temporary investments – Other Entities	645.2	617.8
Total: Cash and Temporary Investments (CRF and Other Entities)	1,334.1	1,583.1

Temporary investments consist of investments with financial institutions. As at 31 March 2015, these investments are on call or have maturity dates ranging from 10 April 2015 to 30 June 2020 at interest rates which vary from 1.25% to 7.00%.

3. Inventories

Inventories consist of:

	31 March 2015 (\$mil)	31 March 2014 (\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	3.6	3.4
Other entities	1.2	3.0
Total: Inventories Held for Resale	4.8	6.4
Inventories of Supplies		
Medical and drug supplies held by health sector entities	24.2	22.5
Textbooks and stockroom supplies held within the CRF	23.4	22.7
Other miscellaneous supplies	1.5	1.7
Total: Inventories of Supplies	49.1	46.9

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Deferred Revenue

Deferred revenue consists of:

	31 March 2015	31 March 2014	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	117.6	116.9	0.7
Gas tax initiatives	21.1	9.6	11.5
Entities in the health sector relating to the provision of various health care services including research and other contracts	5.2	7.2	(2.0)
Federal initiatives in support of community and employment development	1.6	4.9	(3.3)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	15.4	14.1	1.3
Total: Deferred Revenue	<u>160.9</u>	<u>152.7</u>	<u>8.2</u>

The balance as of 31 March 2015 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

5. Unamortized Unrealized Foreign Exchange Gains and Losses

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2015 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is \$6.8 million which represents a credit adjustment (31 March 2014 - \$15.6 million-credit adjustment).

	31 March 2015	31 March 2014
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	(58.3)	110.8
Sinking funds	21.3	(38.6)
Net	(37.0)	72.2
Total accumulated amortization	<u>(25.9)</u>	<u>(19.1)</u>
Net unamortized unrealized foreign exchange gains (losses)	<u>(62.9)</u>	<u>53.1</u>

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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. 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 new 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 sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

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.

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 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 2015, the total of all the plans provided benefits of \$30.8 million to 24,558 retirees.

Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2015 by the Province's actuaries based on the latest actuarial valuation (valuation date of 31 March 2012) 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 2.90%, Consumer Price Index (CPI) of 2.50%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial valuation was prepared to 31 March 2015 by NLHC's actuaries (valuation date 31 March 2015) 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. 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 2015 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2012) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 3.4%, 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. 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 2015 (\$mil)	Net Liability 2014 (\$mil)	Difference (\$mil)
Group health retirement benefits	2,600.7	(89.8)	2,510.9	2,455.4	55.5
Group life insurance retirement benefits	128.3	(29.7)	98.6	98.6	-
Total	2,729.0	(119.5)	2,609.5	2,554.0	55.5

There are no fund assets associated with these plans.

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)	Employer's Current Period Contributions (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Other Adjustments (\$mil)	Change (\$mil)
Group health retirement benefits	79.2	87.6	(28.7)	(20.3)	(62.3)	55.5
Group life insurance retirement benefits	2.8	4.3	(2.1)	0.8	(5.8)	-
Total	82.0	91.9	(30.8)	(19.5)	(68.1)	55.5

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest expense for 31 March 2014 amounted to \$105.4 million.

Other Adjustments

Other adjustments include plan amendments of \$68.1 million relating to changes to the eligibility requirements of \$148.1 million as a result of changes to the Public Service Pension Plan and are offset by \$80.0 million relating to the recognition of the reduced early retirement eligibility for attribution purposes and change in the assumed termination rate.

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 \$315.1 million was decreased by \$434.6 million during the year resulting in a closing unamortized experience loss of \$119.5 million. This decrease consists of \$408.4 million for

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

new experience losses, amortization of \$19.5 million and an adjustment of \$6.7 million relating to recognition of a termination experience study.

The expected average remaining service life (EARSL) of programs sponsored by the Province and the NLTA is 12 years while NLHC and MUN consists of 11 years.

7. Retirement Benefits - Pensions

Defined Benefits

The defined benefit pension plans provided to employees of the Province are maintained in two funds; the Public Service Pension Plan 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 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. 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. On 31 March 2015, one payment of \$48.75 million was made to the PSPP Corporation in accordance with the terms of the promissory note. As at 31 March 2015, the balance of the promissory note is \$2.636 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 January 2015. Amendments include an increase to contribution rates, increase in the number of years on which employee pension benefits are based, and suspension of indexing on future service. In addition, there is an increase in minimum years of service required for pension eligibility, with a five-year transition period effective January 1, 2015. The impact of the plan amendment during fiscal 2014-15 resulted in a gain of \$68.7 million.

As at 31 March 2015, the PSPP has 28,348 participants who contributed \$143.2 million and the plan provided benefits of \$383.9 million to 18,538 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 new employees based on the number of years of pensionable service times 2% of the employee's best six years average salary, and for existing employees, 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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Province of Newfoundland and Labrador Pooled Pension Fund

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for many of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are – the Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. In addition, Memorial University of Newfoundland (MUN) also has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan. Combined, the plans have 10,767 participants who contributed \$78.9 million as at 31 March 2015 as follows: Teachers' - \$45.6 million, MUN - \$28.0 million, Uniformed Services - \$4.5 million, Members of the House of Assembly - \$0.5 million and Provincial Court Judges' - \$0.3 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 2015, the plans provided benefits of \$368.3 million to 11,946 pensioners as follows: Teachers' - \$273.8 million, MUN - \$63.1 million, Uniformed Services - \$24.0 million, Members of the House of Assembly - \$6.7 million and Provincial Court Judges' - \$0.7 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' 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 with the exception of the Memorial University of Newfoundland Pension Plan. The financial activity of the Memorial University of Newfoundland Pension Plan 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

Teachers' Pension Plan

Employee contributions are 9.35% 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 five years average salary, plus 2% of the employee's best five 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 plan legislation 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.

Subsequent to year end, the Province and the Newfoundland and Labrador Teachers' Association (NLTA) reached an agreement regarding reform of the Teachers' Pension Plan - See note 18(b).

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

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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.

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 plan legislation 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 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.

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.

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. 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:

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan used for the extrapolation is 6.75% changing to 6% at 31 March 2015 due to the pension reform. The expected rate for the Teachers' Pension Plan is 6.75% projected on a long-term basis. The expected rate of return for the Memorial University of Newfoundland Pension Plan is 6.30%, the Supplemental Retirement Income Plan is 3.40% and the Voluntary Early Retirement Income Plan is 2.60% projected on a long-term basis. The expected rate for the Uniformed Services Pension Plan is 6.75% projected on a long-term basis. The expected rate for the Members of the House of Assembly Pension Plan is 6.75% for the Registered component and 3.90% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Provincial Court Judges' Pension Plan is 6.50% for the Registered component and 3.90% for the Supplementary Employee Retirement component, projected on a long term basis.

Expected Inflation Rates

The expected inflation rate for all pension plans is 2.50%.

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 2012
Teachers'	31 August 2012
Memorial University of Newfoundland	31 December 2014
Uniformed Services	31 December 2011
Members of the House of Assembly	31 December 2012
Provincial Court Judges'	31 December 2013

Actuarial extrapolations are provided for accounting purposes by the Province's and MUN's actuaries based on the above dates, unless otherwise noted.

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 2015 (\$mil)	Net Unfunded Liability 2014 (\$mil)	Change (\$mil)
Public Service	5,726.7	2,830.2	(338.2)	2,558.3	2,277.6	280.7
Teachers'	4,670.2	3,139.0	(157.5)	1,373.7	1,192.7	181.0
Memorial University of Newfoundland	1,499.7	1,359.3	(32.4)	108.0	128.8	(20.8)
Uniformed Services	440.0	191.8	(10.5)	237.7	213.8	23.9
Members of the House of Assembly	123.6	22.0	(17.0)	84.6	80.7	3.9
Provincial Court Judges'	25.9	7.5	(1.9)	16.5	14.6	1.9
Total	12,486.1	7,549.8	(557.5)	4,378.8	3,908.2	470.6

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension Fund Assets are valued at the market value at 31 March 2015 (31 March 2014 – \$9,322.6 million).

As at 31 March 2015, the net unfunded liability of \$4,378.8 million is comprised of the \$2,636.3 million outstanding balance of the promissory note delivered by the Province upon joint sponsorship to address the unfunded liability related to the Public Service Pension Plan and \$1,742.5 million in net unfunded pension liabilities.

Special Payments

During 2014-15, MUN made a special payment of \$25.4 million towards the balance of the unfunded liability.

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 on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	117.1	178.8	(171.5)	485.2	(328.9)	280.7
Teachers'	39.2	115.5	(43.8)	70.1	-	181.0
Memorial University of Newfoundland	31.4	(20.8)	(50.9)	19.5	-	(20.8)
Uniformed Services	4.6	16.5	(4.2)	7.0	-	23.9
Members of the House of Assembly	3.2	3.7	(6.0)	3.0	-	3.9
Provincial Court Judges'	1.6	0.6	(0.6)	0.3	-	1.9
Total	197.1	294.3	(277.0)	585.1	(328.9)	470.6

Interest Expense

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 2015	Interest Earned on Fund Assets 2015	Net Interest Expense 2015
	(\$mil)	(\$mil)	(\$mil)
Public Service	518.3	(339.5)	178.8
Teachers'	306.3	(190.8)	115.5
Memorial University of Newfoundland	89.9	(110.7)	(20.8)
Uniformed Services	28.3	(11.8)	16.5
Members of the House of Assembly	5.0	(1.3)	3.7
Provincial Court Judges'	1.0	(0.4)	0.6
Total	948.8	(654.5)	294.3

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Pension interest expense for 31 March 2014 amounted to \$373.0 million.

Other Adjustments

Other adjustments include plan amendments of \$68.7 million for increased member contribution rates, changes in eligibility for early retirement and a change in the calculation of future service benefits. The reduction in the obligation due to the benefit changes is recognized immediately in expense, with offsetting recognition of the earliest outstanding net unamortized losses. Other adjustments also include impacts of the move to joint trusteeship of \$260.2 million.

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) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	(622.4)	(831.8)	793.0	(661.2)
Teachers'	(564.1)	78.9	66.8	(418.4)
Memorial University of Newfoundland	(138.9)	9.3	13.4	(116.2)
Uniformed Services	(52.2)	-	8.0	(44.2)
Members of the House of Assembly	(17.3)	(6.9)	3.2	(21.0)
Provincial Court Judges'	(1.6)	(1.8)	0.4	(3.0)
Total	(1,396.5)	(752.3)	884.8	(1,264.0)

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) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	264.0	366.8	(307.8)	323.0
Teachers'	43.2	214.4	3.3	260.9
Memorial University of Newfoundland	17.3	60.4	6.1	83.8
Uniformed Services	21.6	13.1	(1.0)	33.7
Members of the House of Assembly	2.7	1.5	(0.2)	4.0
Provincial Court Judges'	0.7	0.5	(0.1)	1.1
Total	349.5	656.7	(299.7)	706.5

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	Expected average remaining service life of related employee groups (EARSL)
Public Service	12 years
Teachers'	13 years
Memorial University of Newfoundland	16 years
Uniformed Services	13 years
Members of the House of Assembly	7 years
Provincial Court Judges'	8 years

Other Pension Plan

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 33,186 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 London Life Insurance Company and at 31 March 2015 assets had a market value of \$342.3 million (31 March 2014 - \$312.7 million). The expense recognized for 31 March 2015 amounted to \$13.8 million (31 March 2014 - \$13.3 million).

8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2015 (\$mil)	31 March 2014 (\$mil)
Maintenance contracts	7.7	2.5
Property taxes and other municipal fees	7.3	10.8
Software licences	6.7	3.0
Insurance costs	4.6	4.3
Library operating supplies	2.2	2.1
Workers' compensation fees	1.4	11.3
Membership fees and subscriptions	0.5	0.2
Rent	0.4	0.2
Other prepaid and deferred charges	7.7	11.4
Total: Prepaid and Deferred Charges	<u>38.5</u>	<u>45.8</u>

9. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2015 amounted to \$1,230.5 million (31 March 2014 - \$1,098.8 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(b) Legal Actions

- (i) There have been a number of statements of claim alleging negligence on the part of 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) *Pensions*

a) Province of Newfoundland and Labrador Pooled Pension Fund

Pursuant to Section 9 of the *Pensions Funding Act*, the Consolidated Revenue Fund is liable for any deficiency in the Province of Newfoundland and Labrador Pooled Pension Fund covered by that Act. See note 7.

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2015, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of \$202.6 million (31 March 2014 - \$295.8 million). However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due. See note 7.

(iii) *Canadian Saltfish 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.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 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.

(iv) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2015. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$10.0 million, of which \$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.

(v) *Contaminated Sites*

The Province has identified approximately 185 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 regarding the oil refinery in Come by Chance. While an environmental assessment is not yet complete, the preliminary estimate indicates a range of \$34 - \$269 million.

(vi) *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.

(vii) *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 \$95.0 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.

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 185 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, ten were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2015, a total liability for contaminated sites of \$96.9 million (31 March 2014 – \$20.2

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$92.0 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 \$4.9 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 \$508.6 million present valued at a discount rate of 7.45%.

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.

11. Contractual Obligations

Contractual obligations consist of:

	31 March 2015	31 March 2014
	(\$mil)	(\$mil)
Lower Churchill Project	3,719.7	2,625.6
Capital projects	527.7	391.7
Power purchase agreements	357.3	123.2
Lease payments	225.5	243.6
Oil and Gas	217.6	223.0
Economic development	187.0	178.8
Provincial policing agreement	150.9	143.0
Transmission service agreements	101.0	99.5
Information technology services	46.3	76.9
Ferry services	33.5	18.9
Road maintenance	30.2	60.0
Residential services	27.8	32.4
Building maintenance	3.7	21.3
Letters of credit	2.1	7.7
Telephone services	1.2	4.3
Other agreements	38.4	10.7
Total: Contractual Obligations	<u>5,669.9</u>	<u>4,260.6</u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2015. 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 \$4.4 billion (31 March 2014 - \$2.9 billion) for government business enterprises and \$22.2 million (31 March 2014 - \$22.0 million) for government business partnership.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. Externally Restricted Assets

Externally restricted assets amount to \$113.4 million (31 March 2014 - \$121.4 million) of which \$110.1 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 \$3.3 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 2014 - nil).

14. Adjustments to Beginning Balances

(a) First Time Adoption of Public Sector Accounting Standards

For the 2014-15 fiscal year, there was no change in Net Debt and Accumulated Deficit as no Government entities' converted to Public Sector Accounting Standards (31 March 2014 - \$75.7 million increase).

(b) Change in Government Reporting Entity

There was no change in Net Debt and Accumulated Deficit as a result of changes to entities included in the Government reporting entity (31 March 2014 - \$15.7 million increase). Newfoundland and Labrador 911 Bureau Inc. was included for the 2014-15 fiscal year, however, given the organization was created in February 2015, no financial information was included for this entity due to the minimal impact on the Public Accounts for the current year.

(c) Government Organization Changes

Net Debt and Accumulated Deficit increased by \$46.9 million (31 March 2014 - \$7.8 million decrease) relating to the following government organization changes:

- (i) Entity accounting policies and entity restatements resulted in an increase in accumulated deficit of \$53.6 million (31 March 2014 - \$3.8 million increase);
- (ii) Prior period adjustments relating to deferred revenue resulted in a decrease in accumulated deficit by \$6.7 million (31 March 2014 - \$11.6 million decrease).

These changes have been applied retroactively without restatement.

(d) Contaminated Sites

Net debt and Accumulated Deficit increased by \$19.4 million (31 March 2014 - nil) as a result of the Province adopting a new accounting standard PS3260 - Liability for Contaminated Sites (see note 1(e)). The standard has been applied retroactively without restatement.

15. Change in Government Structure

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 30 September 2014. Pursuant to Cabinet direction, the new financial structure for the departments commenced for the 2014-15 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. 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.

17. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2015 with amounts included in Statement I (Summary of Cash (Requirement) / Contribution) of the Estimates approved by the Legislature. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2015 for further information on the calculation of the Total Borrowing Contribution (Requirement) - CRF of \$(1,031.1) million noted below.

Borrowing Contributions (Requirements)	Actual	Estimates	Increase (Decrease)
	(\$mil)	(\$mil)	(\$mil)
CRF	(1,031.1)	(1,326.2)	(295.1)
Other Entities	19.4	-	(19.4)
Total Borrowing Contributions (Requirements)	<u>(1,011.7)</u>	<u>(1,326.2)</u>	<u>(314.5)</u>

18. Subsequent Events

(a) Nalcor Energy Commitments

Subsequent to year end, the Province, through Nalcor Energy and its subsidiaries, entered into new commitments related to the Lower Churchill Project in the amount of \$183.8 million.

(b) Teachers' Pension Plan Reform

Subsequent to year end, the Province and the Newfoundland and Labrador Teachers' Association (NLTA) reached an agreement to sustain the Teachers' Pension Plan. The agreement includes a Provincial Government contribution of \$1.862 billion in the form of a promissory note to the plan, over the next 30 years, to address the sustainability of the plan. The agreement also commits to joint trusteeship of the plan, changes in members' and employer contributions to come into effect 01 September 2015, suspension of indexing for future service and changes to the average pensionable earnings formula.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amendments to the *Teachers' Pension Act* to reflect the terms of the agreement signed by the Provincial Government and NLTA have been approved by the House of Assembly.

19. Original Budget

Certain amounts in the statements and exhibits of the 2014-15 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.

In addition, amounts for Net Debt (Consolidated Statement of Change in Net Debt) as per these statements and exhibits have also been presented for comparative purposes.

20. Additional Notes

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

21. Comparatives

Certain of the 31 March 2014 financial statement figures and related schedules have been restated to be consistent with the 31 March 2015 statement presentation.

SUMMARY FINANCIAL STATEMENTS

Schedule 1
PROVINCE OF NEWFOUNDLAND AND LABRADOR
Receivables
As at 31 March 2015
with comparative figures for 2014

	<u>2015</u>	<u>2014</u>
	(\$000)	(\$000)
Accounts receivable	283,543	366,054
Offshore royalties receivable	142,243	359,994
Due from Government of Canada	115,325	139,942
Taxes receivable	97,825	133,721
Accrued interest receivable	<u>3,565</u>	<u>7,468</u>
	642,501	1,007,179
Less: Allowance for doubtful accounts	<u>87,527</u>	<u>87,407</u>
Total: Receivables	<u><u>554,974</u></u>	<u><u>919,772</u></u>

SUMMARY FINANCIAL STATEMENTS

Schedule 2

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Loans, Advances and Investments
As at 31 March 2015
with comparative figures for 2014

	<u>2015</u>	<u>2014</u>
	(\$000)	(\$000)
Loans and Advances		
Commercial	147,370	49,726
Student loans	111,110	123,745
Housing	78,630	84,618
Municipalities	25,904	37,533
Other	4,928	630
Total: Loans and Advances	<u>367,942</u>	<u>296,252</u>
Less: Discounts due to concessionary terms on loans - note 2	79,105	85,388
Allowance for doubtful loans and advances	45,155	51,322
Provision for loan repayments through future appropriations (municipalities)	<u>25,904</u>	<u>37,533</u>
	<u>217,778</u>	<u>122,009</u>
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	41,312	31,288
Administered by Newfoundland & Labrador Film Development Corporation	36,390	33,092
Administered by Business Investment Corporation	11,765	12,676
Cold Ocean Salmon Inc.	10,000	10,000
Northern Harvest Sea Farms Newfoundland Ltd.	8,200	7,314
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,818	3,818
Administered by Janeway Children's Hospital Foundation	3,364	1,955
ACF Equity Atlantic Inc.	2,203	2,203
Icewater Seafoods Inc.	2,016	2,191
Newfoundland Aqua Services Ltd. - redeemable	2,000	1,024
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
Newfound Genomics Inc.	500	500
Sexton Lumber Co. Ltd.	500	500
Newlab Clinical Research Inc.	484	484
Dynamic Air Shelters Ltd.	428	428
Administered by Multi-Materials Stewardship Board	377	631
Orphan Industries Limited	290	290
Icewater Harvesting Inc.	-	2,000
Other	3,812	3,798
	<u>138,286</u>	<u>125,019</u>

SUMMARY FINANCIAL STATEMENTS

LOANS, ADVANCES AND INVESTMENTS (continued)

	2015	2014
	(\$000)	(\$000)
Other Investments:		
Memorial University of Newfoundland - Fixed Income	66,289	64,406
Administered by Newfoundland and Labrador Immigrant Investor Fund Limited	27,480	76,285
Administered by Janeway Children's Hospital Foundation	2,510	3,537
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,123	1,287
Government of Canada Coupon investments	5	14
	97,407	145,529
Total: Investments	235,693	270,548
Less: Discounts due to concessionary terms on investments - note 3	36,891	33,998
Allowance for write-down of investments	21,537	22,566
	177,265	213,984
Total: Loans, Advances and Investments	395,043	335,993

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 26 years.

2. 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.

3. 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.

SUMMARY FINANCIAL STATEMENTS

Schedule 3

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Equity in Government Business Enterprises and Partnership

As at 31 March 2015

with comparative figures for 2014

	Atlantic Lottery Corporation 31 Mar 2015	NL Liquor Corporation 5 Apr 2015	Nalcor Energy 31 Dec 2014	Total 2015	Total 2014
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity - beginning of year	(8,476)	77,070	2,357,200	2,425,794	1,837,588
Adjustment to opening balance	-	-	(65,700)	(65,700)	(15,975)
Adjusted equity - beginning of period	(8,476)	77,070	2,291,500	2,360,094	1,821,613
Net income for year	126,557	161,095	115,600	403,252	378,531
Other comprehensive income (loss) - note 1	(1,933)	(355)	11,300	9,012	(32,758)
Capital transactions:					
Transfers from government - note 2	-	-	337,600	337,600	531,000
Transfers to government	(125,196)	(170,500)	-	(295,696)	(272,592)
Equity - end of year	<u>(9,048)</u>	<u>67,310</u>	<u>2,756,000</u>	<u>2,814,262</u>	<u>2,425,794</u>
Equity represented by:					
Assets					
Cash and temporary investments	5,846	17,332	1,225,800	1,248,978	656,892
Receivables	6,469	14,019	320,400	340,888	205,834
Inventories	1,191	42,578	97,100	140,869	113,090
Prepaid and deferred charges	3,960	2,047	155,600	161,607	77,109
Investments	-	-	2,885,700	2,885,700	4,479,813
Reserve fund	-	-	34,200	34,200	50,500
Capital and intangible assets	39,983	33,615	5,630,700	5,704,298	3,814,909
Total Assets	<u>57,449</u>	<u>109,591</u>	<u>10,349,500</u>	<u>10,516,540</u>	<u>9,398,147</u>
Liabilities					
Accounts payable and accruals	22,860	42,281	1,475,900	1,541,041	981,760
Deferred government assistance	-	-	4,900	4,900	4,500
Borrowings	43,637	-	6,112,700	6,156,337	5,986,093
Total Liabilities	<u>66,497</u>	<u>42,281</u>	<u>7,593,500</u>	<u>7,702,278</u>	<u>6,972,353</u>
Equity	<u>(9,048)</u>	<u>67,310</u>	<u>2,756,000</u>	<u>2,814,262</u>	<u>2,425,794</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 2015 amounted to \$19.8 million (31 March 2014 - \$10.8 million). The other comprehensive income recognized during the year was \$9.0 million (31 March 2014 - \$32.8 million loss).

2. Transfers from Government

Capital transfers from the Province include \$114.6 million (31 March 2014 - \$386.0 million) for the Lower Churchill Project and \$223.0 million (31 March 2014 - \$145.0 million) for oil and gas development.

SUMMARY FINANCIAL STATEMENTS

Schedule 4

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Net Income of Government Business Enterprises and Partnership

As at 31 March 2015

with comparative figures for 2014

	Atlantic Lottery Corporation 31 Mar 2015	NL Liquor Corporation 5 Apr 2015	Nalcor Energy 31 Dec 2014	Total 2015	Total 2014
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue					
Revenue from operations	<u>302,027</u>	<u>322,090</u>	<u>796,100</u>	<u>1,420,217</u>	<u>1,398,014</u>
Expense					
Expenses from operations	<u>175,470</u>	<u>160,995</u>	<u>680,500</u>	<u>1,016,965</u>	<u>1,019,483</u>
Net Income	<u><u>126,557</u></u>	<u><u>161,095</u></u>	<u><u>115,600</u></u>	<u><u>403,252</u></u>	<u><u>378,531</u></u>

NOTE

Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support new and offshore petroleum exploration, funding for wind feasibility studies in Labrador, as well as Churchill Falls Trust contributions, for a total amount of \$6.0 million (31 December 2013 - \$1.5 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 \$0.8 million (31 December 2013 - expense of \$0.5 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 \$40.4 million (31 December 2013 - \$35.7 million); accounts payable include \$7.1 million (31 December 2013 - \$25.4 million); and deferred credits include \$4.4 million (31 December 2013 - \$4.9 million). In addition, Nalcor Energy invested \$57.4 million (31 December 2013 - \$88.3 million) in Provincial bonds.

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 \$128.9 million (31 March 2014 - \$122.7 million). In relation to profit earnings, there exists an accounts payable of \$3.9 million (31 March 2014 - \$2.2 million).

SUMMARY FINANCIAL STATEMENTS

Schedule 5

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Payables, Accrued and Other Liabilities
As at 31 March 2015
with comparative figures for 2014

	2015	2014
	(\$000)	(\$000)
Accrued salaries and employee benefits - note 1	1,100,114	1,073,758
Accounts payable	874,285	738,230
Due to Government of Canada	527,224	558,062
Accrued interest payable	145,814	146,074
Contaminated sites	96,887	20,162
Due to municipalities	40,652	48,152
Capital leases - note 2	24,771	26,535
Provision for student loan debt reduction payable	5,502	8,072
Other	4,138	2,769
Total: Payables, Accrued and Other Liabilities	<u>2,819,387</u>	<u>2,621,814</u>

NOTES

1. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$459.8 million for severance (31 March 2014 - \$453.3 million), \$493.9 million for leave and other employee benefits (31 March 2014 - \$485.3 million), \$103.6 million for salaries (31 March 2014 - \$93.9 million) and \$42.8 million related to the self-insured workers' compensation benefits liability (31 March 2014 - \$41.2 million). During the 2013-14 fiscal year, an actuarial valuation as of 31 December 2013, with disclosures as at 31 March 2015, 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.

2. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 16.0% and have repayment schedules ranging in duration from less than a year to 10 years.

SUMMARY FINANCIAL STATEMENTS

Schedule 6

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Borrowings
As at 31 March 2015
with comparative figures for 2014

	2015			Interest Rate Range	2014
	Total Borrowings	Sinking Fund Balance	Net Borrowings		Net Borrowings
	(\$000)	(\$000)	(\$000)	(%)	(\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	778,476	-	778,476	0.66 - 1.05	492,804
General debentures	5,177,775	1,104,961	4,072,814	2.30 - 10.95	3,873,557
Sun Life Assurance Company of Canada	81,274	-	81,274	7.55 - 9.20	85,772
Government of Canada	306,431	-	306,431	4.91 - 7.88	306,465
	<u>6,343,956</u>	<u>1,104,961</u>	<u>5,238,995</u>		<u>4,758,598</u>
Health care organizations	157,640	16,447	141,193	1.12 - 10.50	146,362
Newfoundland and Labrador Housing Corporation	103,364	-	103,364	1.67 - 19.75	109,830
Newfoundland and Labrador Municipal Financing Corporation	18,064	-	18,064	5.00 - 6.50	25,630
School Districts	13,694	-	13,694	prime-1 - 5.05	12,329
Memorial University of Newfoundland	11,796	-	11,796	5.88	13,362
	<u>6,648,514</u>	<u>1,121,408</u>	<u>5,527,106</u>		<u>5,066,111</u>
Total: Borrowings					

See accompanying notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF BORROWINGS As at 31 March 2015

1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2015 are as follows:

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) (\$000)	Net (\$000)
U.S.	1,050,000	1.2666	1,329,930	(108,419)	1,221,511
Canadian			<u>5,318,584</u>	-	<u>5,318,584</u>
		Sub-total	6,648,514	(108,419)	6,540,095
		Foreign sinking funds	(493,044)	45,517	(447,527)
		Canadian sinking funds	<u>(628,364)</u>	-	<u>(628,364)</u>
		Total	<u><u>5,527,106</u></u>	<u><u>(62,902)</u></u>	<u><u>5,464,204</u></u>

2. 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 2015 and the maturity dates and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2015-2016	9,063	71,583	80,646
2016-2017	6,250	59,392	65,642
2017-2018	6,250	56,260	62,510
2018-2019	6,250	57,763	64,013
2019-2020	6,250	89,668	95,918
2020-2043	<u>603,605</u>	<u>2,187,893</u>	<u>2,791,498</u>
	<u><u>637,668</u></u>	<u><u>2,522,559</u></u>	<u><u>3,160,227</u></u>

3. Interest Expense

The gross interest expense associated with borrowings, recognized for 31 March 2015, amounted to \$386.1 million (31 March 2014 - \$372.6 million).

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF BORROWINGS (continued)

4. Foreign Exchange Gain

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is \$6.8 million (31 March 2014 - \$15.6 million).

5. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2015 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2014 - \$10.5 million).

6. Related Sinking Fund Investments

At year end, the Province held \$511.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2014 - \$555.1 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of \$341.4 million in Canadian investments and \$169.7 million in US investments.

7. 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.

SUMMARY FINANCIAL STATEMENTS

Schedule 7

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Guaranteed Debt
As at 31 March 2015
with comparative figures for 2014

	<u>2015</u>	<u>2014</u>
	(\$000)	(\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,116,112	986,914
Newfoundland and Labrador Housing Corporation	65,458	73,625
Municipalities	<u>542</u>	<u>525</u>
	<u>1,182,112</u>	<u>1,061,064</u>
Guaranteed Bank Loans		
Fisheries	46,942	35,988
Other corporations	<u>1,453</u>	<u>1,743</u>
	<u>48,395</u>	<u>37,731</u>
Total: Guaranteed Debt	<u><u>1,230,507</u></u>	<u><u>1,098,795</u></u>

NOTES

1. Limit of Loan Guarantees

The limit of loan guarantees for guaranteed debentures is \$1,182.1 million and \$78.6 million for guaranteed bank loans.

2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2014 - nil).

3. General Terms and Conditions

Guaranteed debentures for government business enterprises have maturity dates ranging from October 2016 to December 2045 at interest rates varying from 3.6% to 10.25%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from June 2015 to December 2035 at interest rates varying from 1.12% to 10.5%.

SUMMARY FINANCIAL STATEMENTS

Schedule 8

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Losses, Uncollectible Accounts and Other Amounts Written Off

As at 31 March 2015

with comparative figures for 2014

Department	2015 (\$000)	2014 (\$000)
Finance:		
Remissions	1,084	2,882
Tax Forgiveness	-	296
	1,084	3,178
Advanced Education and Skills:		
Uncollectible accounts	2	1,256
Business, Tourism, Culture and Rural Development:		
Loan forgiveness	83	5,714
Uncollectible accounts	-	534
	83	6,248
Fisheries and Aquaculture:		
Loan forgiveness	-	3,094
Justice and Public Safety:		
Uncollectible accounts	-	1,051
Municipal and Intergovernmental Affairs:		
Uncollectible accounts	200	-
Natural Resources:		
Tax Forgiveness	1,571	1,372
Service Newfoundland and Labrador:		
Uncollectible accounts	38	-
Transportation and Works:		
Uncollectible accounts	-	193
	2,978	16,392

NOTE

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

SUMMARY FINANCIAL STATEMENTS

Schedule 9

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Trust Accounts
As at 31 March 2015
with comparative figures for 2014

	2015	2014
	(\$000)	(\$000)
Office of the Public Trustee	43,245	37,893
Supreme Court of Newfoundland and Labrador	36,833	6,580
Rate Stabilization Fund	11,224	7,939
Teachers' Accrued Salary Trust Account	8,903	8,585
Federal/Provincial Contractors' Security Account	7,871	2,834
Scholarships and Awards	7,036	5,000
Patients' Funds Held in Trust	5,928	6,109
Consolidated Tender Account	4,956	5,944
Replacement Reserve Funds	3,862	3,857
Support Enforcement	1,393	1,332
Provincial Courts Trust Account	312	432
Contractors' Security Account - Transportation and Works	236	1
Other Trust Accounts	2,126	2,236
Total: Trust Accounts	<u>133,925</u>	<u>88,742</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 2014, the Commission reported a net fund surplus of \$129.8 million (31 December 2013 - net fund surplus of \$67.1 million) and an accumulated operating surplus of \$130.2 million (31 December 2013 - surplus of \$67.1 million). Under legislation, no liability on behalf of the Province has been established.

SUMMARY FINANCIAL STATEMENTS

Schedule 10

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Tangible Capital Assets
As at 31 March 2015
with comparative figures for 2014

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2015	Net Book Value 31 March 2014	
	Balance 31 March 2014	Additions 2015	Disposals 2015	Balance 31 March 2015	Balance 31 March 2014	Amort. Net of Disposals 2015			
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	
Buildings	3,213.7	433.0	0.2	3,646.5	1,616.8	88.0	1,704.8	1,941.7	1,596.9
Marine vessels & aircraft	207.2	40.5	-	247.7	74.1	9.9	84.0	163.7	133.1
Equipment & machinery	1,538.8	115.5	31.1	1,623.2	1,159.7	64.3	1,224.0	399.2	379.1
Infrastructure	4,764.6	79.2	1.8	4,842.0	3,689.6	70.9	3,760.5	1,081.5	1,075.0
Computer software	122.3	33.6	10.9	145.0	83.2	15.1	98.3	46.7	39.1
Sub-total	<u>9,846.6</u>	<u>701.8</u>	<u>44.0</u>	<u>10,504.4</u>	<u>6,623.4</u>	<u>248.2</u>	<u>6,871.6</u>	<u>3,632.8</u>	<u>3,223.2</u>
Work in progress				<u>628.9</u>				<u>628.9</u>	<u>832.4</u>
Total				<u>11,133.3</u>				<u>4,261.7</u>	<u>4,055.6</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 2015 of \$628.9 million (31 March 2014 - \$832.4 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 \$701.8 million include \$459.5 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$313.6 million less disposals of \$57.6 million for 2014-15.

SUMMARY FINANCIAL STATEMENTS

TANGIBLE CAPITAL ASSETS (continued)

3. Accumulated Amortization

The \$248.2 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$269.0 million less accumulated amortization on assets disposed of in the year in the amount of \$25.5 million. The remaining increase in accumulated amortization of \$4.7 million is the result of changes in estimates by certain entities.

The \$241.5 million change in accumulated amortization as at 31 March 2014 consisted of amortization expense of \$253.9 million less accumulated amortization on assets disposed of in the year in the amount of \$22.7 million. The remaining increase of \$10.3 million is the result of adjustments by certain entities.

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:

<u>Asset</u>	<u>Estimated Useful Life</u>
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.

SUMMARY FINANCIAL STATEMENTS

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 \$57.5 million (31 March 2014 - \$53.6 million), amortization expense is \$1.4 million (31 March 2014 - \$1.5 million) and accumulated depreciation is \$43.0 million (31 March 2014 - \$38.5 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. \$140.9 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2015 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.

SUMMARY FINANCIAL STATEMENTS

Schedule 11

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue by Source
For the year ended 31 March 2015
with comparative figures for 2014

	Actuals 2015 (\$000)	Actuals 2014 (\$000)
Provincial Sources		
Taxation		
Personal income tax	1,310,225	1,221,741
Sales tax	936,821	907,008
Corporate income tax	218,577	357,792
Gasoline tax	185,858	185,666
Mining and mineral rights tax	95,440	160,438
Other	378,643	372,320
	<u>3,125,564</u>	<u>3,204,965</u>
Investment		
Sinking fund earnings	55,208	55,635
Interest	26,860	32,681
Other	31,930	10,006
	<u>113,998</u>	<u>98,322</u>
Fees and Fines		
Fees	303,567	270,749
Fines	10,746	8,703
	<u>314,313</u>	<u>279,452</u>
Offshore royalties	1,562,307	2,125,837
Miscellaneous		
Sales and rentals	61,514	65,923
Cost recoveries	43,856	45,494
Other	292,842	268,650
	<u>398,212</u>	<u>380,067</u>
Total Provincial Sources	<u>5,514,394</u>	<u>6,088,643</u>
Federal Sources		
Health and social transfers	679,867	713,278
Cost-shared programs	300,741	263,938
Other	25,586	43,082
Total Federal Sources	<u>1,006,194</u>	<u>1,020,298</u>
Net income of government business enterprises and partnership - see note	403,252	378,531
Total: Revenue by Source	<u><u>6,923,840</u></u>	<u><u>7,487,472</u></u>

NOTE

See Schedule 4 for a breakdown by entity.

SUMMARY FINANCIAL STATEMENTS

Schedule 12

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Department
For the year ended 31 March 2015
with comparative figures for 2014

	<u>Actuals</u>	<u>Actuals</u>
	2015	2014
	(\$000)	(\$000)
General Government Sector and Legislative Branch		
General Government Sector		
Consolidated Fund Services	360,482	347,553
Executive Council	107,292	102,391
Finance	858,830	1,098,419
Public Service Commission	2,322	2,404
Service NL	41,367	42,833
Transportation and Works	469,411	436,828
Legislative Branch		
Legislature	<u>23,750</u>	<u>22,785</u>
	<u>1,863,454</u>	<u>2,053,213</u>
Resource Sector		
Advanced Education and Skills	1,072,470	1,116,973
Business, Tourism, Culture and Rural Development	112,802	100,755
Environment and Conservation	44,829	49,370
Fisheries and Aquaculture	17,843	17,488
Natural Resources	<u>214,063</u>	<u>132,123</u>
	<u>1,462,007</u>	<u>1,416,709</u>
Social Sector		
Child, Youth and Family Services	135,013	134,620
Education and Early Childhood Development	826,743	832,747
Health and Community Services	3,024,805	2,860,826
Justice and Public Safety	255,563	239,900
Municipal and Intergovernmental Affairs	200,256	196,265
Newfoundland and Labrador Housing Corporation	122,954	120,506
Seniors, Wellness and Social Development	<u>19,340</u>	<u>21,253</u>
	<u>4,584,674</u>	<u>4,406,117</u>
Total: Expenses by Department	<u><u>7,910,135</u></u>	<u><u>7,876,039</u></u>

NOTE

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

SUMMARY FINANCIAL STATEMENTS

Schedule 13

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Expenses by Object
For the year ended 31 March 2015
with comparative figures for 2014

	Actuals 2015 (\$000)	Actuals 2014 (\$000)
Salaries and employee benefits	3,555,220	3,709,732
Operating costs	1,325,814	1,234,123
Grants and subsidies	1,285,175	1,209,207
Debt expenses	772,325	851,017
Professional services	501,857	482,627
Amortization and (gain)/loss on the sale of tangible capital assets	312,213	262,453
Property, furnishings and equipment - see note	158,553	122,812
Valuation allowances (recovery)	<u>(1,022)</u>	<u>4,068</u>
Total: Expenses by Object	<u><u>7,910,135</u></u>	<u><u>7,876,039</u></u>

NOTE

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

SUMMARY FINANCIAL STATEMENTS

Schedule 14

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector
For the year ended 31 March 2015

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
REVENUE				
Provincial				
Taxation	3,165,811	159	-	3,165,970
Investment	93,177	15,468	5,353	113,998
Fees and Fines	162,085	131,258	20,970	314,313
Offshore Royalties	412	1,561,895	-	1,562,307
Other	14,166	187,249	221,115	422,530
Federal sources	<u>719,221</u>	<u>168,523</u>	<u>118,448</u>	<u>1,006,192</u>
	4,154,872	2,064,552	365,886	6,585,310
Net income of government business enterprises and partnership	<u>287,652</u>	<u>115,600</u>	<u>-</u>	<u>403,252</u>
Total Sector Revenue - note 2	<u>4,442,524</u>	<u>2,180,152</u>	<u>365,886</u>	<u>6,988,562</u>
EXPENSE				
Salaries and employee benefits	568,054	655,968	2,332,433	3,556,455
Operating costs	322,212	328,882	718,951	1,370,045
Grants and subsidies	106,639	373,654	823,463	1,303,756
Debt expenses	750,883	(3,881)	25,323	772,325
Professional services	12,705	21,908	467,268	501,881
Amortization and loss on sale of tangible capital assets	99,224	57,125	155,864	312,213
Property, furnishings, and equipment	3,562	44,071	111,571	159,204
Valuation allowances	<u>175</u>	<u>(1,814)</u>	<u>617</u>	<u>(1,022)</u>
Total Sector Expense - note 3	<u>1,863,454</u>	<u>1,475,913</u>	<u>4,635,490</u>	<u>7,974,857</u>
Sector Results - before adjustments	2,579,070	704,239	(4,269,604)	(986,295)
Inter-Sector Eliminations	<u>(40,406)</u>	<u>(2,546)</u>	<u>42,952</u>	<u>-</u>
Annual Surplus (Deficit)	<u>2,538,664</u>	<u>701,693</u>	<u>(4,226,652)</u>	<u>(986,295)</u>

See accompanying notes.

SUMMARY FINANCIAL STATEMENTS

NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR
For the year ended 31 March 2015

1. Sectors

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2014-15 Estimates, as well as the reorganization of government departments which was effective 30 September 2014. 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 \$64.8 million resulting in total revenue of \$6,923.8 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 \$64.8 million resulting in total expense of \$7,910.1 million as per the Consolidated Statement of Operations.

SUMMARY FINANCIAL STATEMENTS

Schedule 15

PROVINCE OF NEWFOUNDLAND AND LABRADOR
**Government Reporting Entity
For the year ended 31 March 2015**

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	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
	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.
N	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
	Newfoundland Ocean Enterprises Limited
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
	Research and Development Corporation of Newfoundland and Labrador

SUMMARY FINANCIAL STATEMENTS

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.
N This entity is new to the reporting entity for 31 March 2015.

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 2014-15 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 The Newfoundland and Labrador English School District was formed 1 September 2013 after the Province amalgamated four previous boards known as Eastern School District, Western School District, Nova Central School District, and Labrador School District. 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 2014-15 Consolidated Summary Financial Statements. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland International Student Education Program Inc.