

**Province of  
Newfoundland and Labrador**



**Public Accounts Volume I  
Consolidated Summary  
Financial Statements**

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FOR THE YEAR ENDED  
MARCH 31, 2013

  
**Newfoundland  
Labrador**



# **Province of Newfoundland and Labrador**

## **Public Accounts**

### **Volume I**

#### **Consolidated Summary Financial Statements**

**For The Year Ended  
31 March 2013**

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## INTRODUCTION

**Volume I** of 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 Canadian Institute of Chartered Accountants (CICA), 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 Public Accounts for the year ended 31 March 2013 also includes another volume, Volume II – Consolidated Revenue Fund Financial Statements. It presents the financial position of the Fund and the results of its activities.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2012-13 was released in August 2013 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. Another report containing a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities was released as a separate report in the Fall of 2013. 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](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 2012-13 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.

In the 2012-13 fiscal year, the Province continued to face challenges within the uncertain global economic environment. The Province reported a deficit for the 2012-13 fiscal year of \$195.0 million, slightly less than the original forecasted deficit of \$258.4 million for 2012-13. The decrease of \$63.4 million from our original forecast is primarily the result of lower than anticipated expenditures during the year.

The Province's economic conditions have remained strong in the 2012-13 fiscal year with growth in investment, consumption and employment. Responsible fiscal management and continued strategic investments are crucial in supporting the Province as it navigates through the sustained global economic uncertainty. The Province must continue to align the expenses and revenue to create and sustain long-term prosperity.

The Province's solid fiscal management practices have provided for significant progress in debt reduction, lower borrowing costs, and an improved provincial credit rating. The Province is leading all Canadian provinces in Gross Domestic Product (GDP) and capital investment growth. The continued development of major projects, such as Hebron and Muskrat Falls, will facilitate a strong base upon which the Province can diversify its interests.

Going forward, the Province will continue to strive to reduce reliance on revenue from the oil and gas sector through economic diversification and responsible expenditure management. This remains necessary in order to support the goal of long-term fiscal stability.



**THOMAS W. MARSHALL, Q.C.  
MINISTER OF FINANCE AND  
PRESIDENT OF TREASURY BOARD**

30 December 2013



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## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

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### **FINANCIAL REPORTS**

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

The Public Accounts consists of two volumes. These include:

*Volume I: Consolidated Summary Financial Statements*

- These are the combined 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 the Canadian Institute of Chartered Accountants (CICA).
- The consolidated summary (accrual) deficit for the year ended 31 March 2013 as presented in Volume I is \$195.0 million; net debt is \$8.3 billion; and accumulated deficit is \$4.4 billion.

*Volume II: Consolidated Revenue Fund (CRF) Financial Statements*

- These are the audited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) deficit for the year ended 31 March 2013 as presented in Volume II is \$467.1 million; net debt is \$8.6 billion; and accumulated deficit is \$6.3 billion.

The Auditor General issued an unqualified audit opinion on both volumes of the 2012-13 Public Accounts.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund presents the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2013.

- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary requirement of \$68.9 million for the year ended 31 March 2013 is comprised of a current account financial contribution of \$697.2 million offset by a capital account financial requirement of \$766.1 million.

The Public Accounts, 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](http://www.fin.gov.nl.ca/fin/public_accounts/index.html)

Copies of all volumes of the Public Accounts 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

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### **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 the Canadian Institute of Chartered Accountants. 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 2013 means the fiscal year ended 31 March 2013.

### **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

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*Tangible Capital Assets:* Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.

*Unfunded Pension Liability:* The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits.

## **CONSOLIDATED ACCRUAL RESULT**

### **Compared to Previous Year**

The difference between the annual deficit of \$195.0 million for 2013 and the annual surplus of \$974.2 million for 2012 is approximately \$1,169.2 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 decrease can be attributed to a decrease in total revenues of approximately \$1,306.3 million offset in part by a decrease in total expenses of \$137.1 million.

The decrease in total revenues of approximately \$1,306.3 million from 2012 to 2013 can be attributed to the following revenue sources:

- \$966.4 million decrease in offshore royalties as a result of lower oil prices, combined with decreased production;
- \$536.1 million decrease in the Atlantic Accord (1985) due to its expiration in the prior year;
- \$181.4 million decrease in mining and mineral rights tax due to a decrease in the total volume and value of mineral shipments;
- \$36.6 million decrease in Federal cost-shared programs including Federal/Provincial infrastructure programs and disaster assistance programs;
- \$29.6 million decrease in Canada health and social transfers and other Federal revenue;
- \$27.8 million decrease in net income from government business enterprises; and
- \$5.8 million net decrease in other various Provincial revenues.

These decreases in revenues are partially offset by the following increases:

- \$263.1 million increase in corporate income tax due to higher corporate profits;
- \$146.5 million increase in personal income tax due to growth in personal income; and
- \$67.8 million increase in sales tax due to higher consumer expenditure growth.

The decrease in total expenses of \$137.1 million from 2012 to 2013 can be attributed to decreases experienced in the following types of expenses:

- \$145.1 million decrease in grants and subsidies, the vast majority relating to decreased tax transfers and decreased expenditures in infrastructure programs, municipal grants, and the Upper Churchill Redress Agreement that was paid in 2011-12;
- \$105.5 million decrease in operating costs relating to decreased quantity and cost of purchased services and supplies due to fewer new projects and delays in active projects; and
- \$48.4 million net decrease in other various expenses.

## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

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

- \$118.8 million increase in salaries and employee benefits attributed mainly to increased retirement costs primarily due to a change in discount rates applied as part of the actuarial valuation process; and
- \$43.1 million increase in professional services primarily as a result of the agreement reached with physicians and higher than anticipated participation in Adult Dental program.

### Compared to Original Budget (Accrual)

The budgeted annual deficit of \$258.3 million as per the 2012-13 Budget Speech and the actual annual deficit of \$195.0 million differs by approximately \$63.3 million. This difference can be attributed to a decrease in total revenues of \$210.9 million combined with a decrease in total expenses of \$274.2 million.

The difference in total revenues of \$210.9 million from the original budget can be attributed to the following revenue sources:

- Offshore royalty revenue, compared to the original budget, decreased by \$424.8 million due to lower production and prices than expected;
- Net income of government business enterprises decreased from the budget by \$5.6 million which is primarily due to the downturn in the North American electricity markets and a decrease in oil production;
- Taxation revenues, compared to the original budget, increased by \$218.9 million primarily due to increases in personal income tax and sales tax of \$209.8 million and \$105.0 million respectively, as a result of higher than anticipated growth in personal income and higher than anticipated consumer spending for 2013. In addition, corporate income tax increased by \$33.1 million due to higher than anticipated corporate profits. These increases were somewhat offset by a decrease of \$166.2 million in mining and mineral rights tax which resulted from a decrease in both the volume and value of shipments including iron ore and nickel during the year and a net increase in various other tax sources of \$37.2 million;
- Fees and fines revenue, as compared to the original budget, increased by \$22.1 million due to a higher than anticipated uptake on various licenses and registration fees; and
- Other miscellaneous sources of revenue, compared to the original budget, experienced a net decrease of \$21.5 million.

The difference in total expenses of \$274.2 million from the original budget can be primarily attributed to the following types of expenses:

- \$189.8 million decrease, compared to the original budget, in operating costs including transportation and communication, purchased services and supplies, the majority of this relating to decreased quantity and cost due to fewer new projects and delays in active projects;
- \$144.6 million decrease, compared to the original budget, in grants and subsidies due to delays and lower than anticipated expenditures in various municipal infrastructure programs;
- \$50.9 million decrease, compared to the original budget, in debt expenses primarily due to higher than anticipated interest earned on pension plan assets;
- \$36.3 million decrease, compared to the original budget, in amortization due to project completion delays resulting in more assets remaining in work in progress and not subject to amortization;
- \$120.9 million increase, compared to the original budget, in salaries and employee benefits attributed mainly to increased retirement costs; and
- \$26.5 million increase, compared to the original budget, in other expenditure areas including professional services, valuation allowances and property, furnishings and equipment.

**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR**

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**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 2013, the Province's overall net cash outflow was \$473.2 million. As detailed in the following chart, there was a net cash inflow of \$230.2 million in the previous year, which resulted in a difference in cash flow of approximately \$703.4 million between 2012 and 2013.

<b>Cash Flow by Category</b>	<b>2013</b>	<b>2012</b>	<b>Difference</b>
	<i>(\$000's)</i>	<i>(\$000's)</i>	<i>(\$000's)</i>
Operating	454,636	1,456,398	(1,001,762)
Capital	(521,029)	(749,415)	228,386
Financing	(419,317)	(482,873)	63,556
Investing	12,491	6,079	6,412
Net Inflows (Outflows) of Cash	<u>(473,219)</u>	<u>230,189</u>	<u>(703,408)</u>

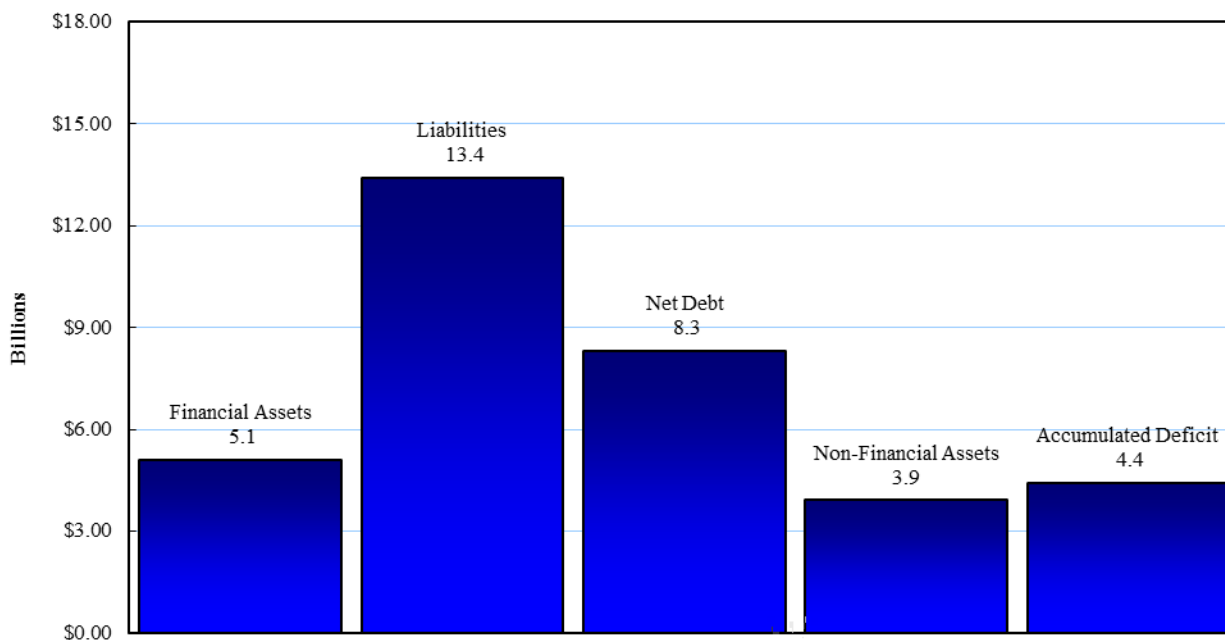
The change in cash flows was primarily driven by reduced cash inflows from operating activities.

The decrease in cash inflows from operating activities can be attributed to a deficit of \$195.0 million in 2013 compared to a surplus of \$974.2 million in 2012. 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 2013 is presented in the following chart. As depicted in the chart, the Province's net debt totals \$8.3 billion. The net debt is comprised of the difference between total financial assets of \$5.1 billion and liabilities of \$13.4 billion. The Province's net debt, less non-financial assets of \$3.9 billion, results in an accumulated deficit of \$4.4 billion. Net debt and accumulated deficit are comprised of the following components:



<i>(\$ billions)</i>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Borrowings (net of sinking funds)	5.15	5.30	5.70	6.01	6.59
Unfunded Pension Liability	3.27	3.09	2.67	2.18	1.70
Group Health and Life Insurance Retirement Benefits	2.32	2.08	1.91	1.77	1.63
Other Liabilities	2.72	2.89	2.95	2.60	2.49
Less: Total Financial Assets	(5.12)	(5.53)	(4.97)	(4.34)	(4.44)
<b>Net Debt</b>	<b>8.35</b>	<b>7.83</b>	<b>8.26</b>	<b>8.22</b>	<b>7.97</b>
Less: Tangible Capital Assets	(3.82)	(3.49)	(3.11)	(2.61)	(2.40)
Less: Other Non-financial Assets	(0.09)	(0.09)	(0.10)	(0.09)	(0.07)
<b>Accumulated Deficit</b>	<b>4.43</b>	<b>4.25</b>	<b>5.05</b>	<b>5.52</b>	<b>5.50</b>

## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

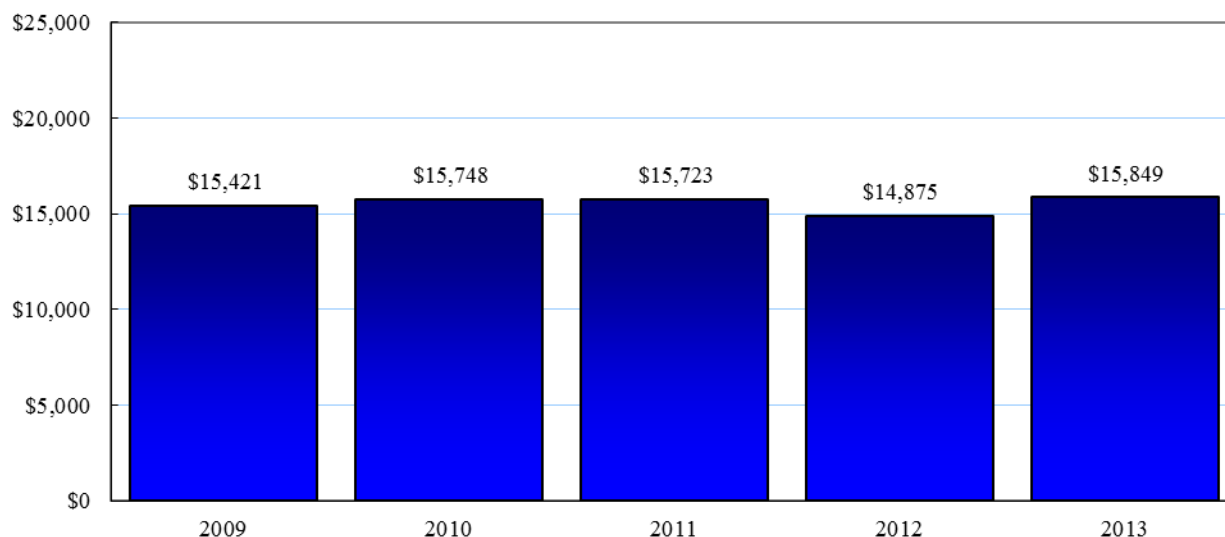
As seen in the previous table, accumulated deficit has declined from 2009 to 2013 while net debt has increased slightly. This can be attributed to combined surpluses in 2009, 2011 and 2012 of approximately \$3.9 billion partially offset by combined deficits in 2010 and 2013 of \$0.2 billion. Although net debt has increased in 2013, it remains relatively consistent over the past 5 years.

### Net Debt and Net Borrowing

For the fiscal year ended 31 March 2013, net debt of \$8.3 billion included net borrowings of \$5.1 billion. Net debt for the fiscal year ended 31 March 2013 increased from the previous year by \$511.0 million and net borrowings decreased by \$152.0 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 2013. As presented in the chart that follows, it increased from \$14,875 in 2012 to \$15,849 in 2013. This increase of \$974 per person is a result of previously noted increase in the Province's net debt. While there is an increase in the current year, it remains relatively consistent over the past 5 years.



Previous year's numbers have been revised to reflect most recent information available on the Province's population.

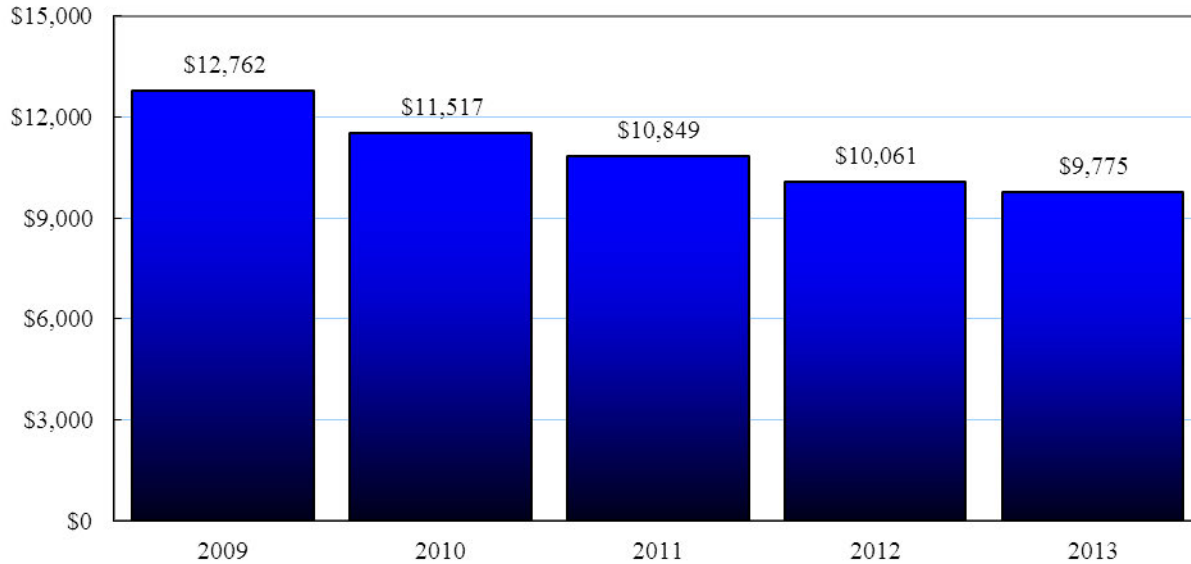


**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR**

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**b) Net Borrowings per Capita**

Net borrowings per capita indicates 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. A decrease in net borrowings in 2013 has resulted in a decrease in net borrowings per capita of \$286 since 2012. The net borrowings per capita are presented in the following chart.

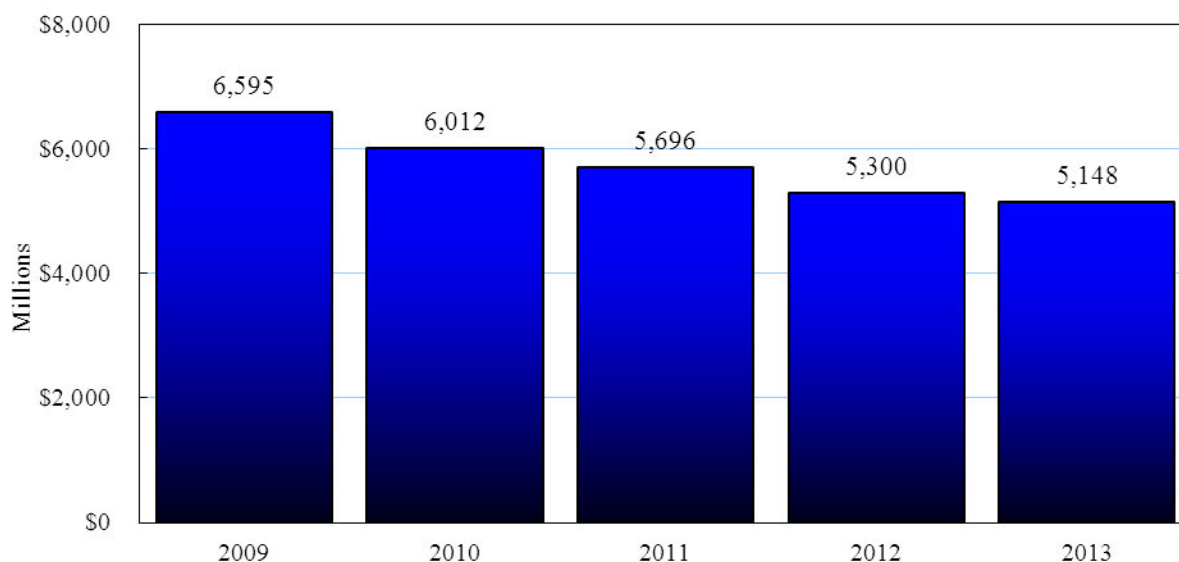


Previous year's numbers have been revised to reflect most recent information available on the Province's population.

## 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 decreased in 2013 by \$152.0 million. Net borrowings of \$4,817.5 million of the Consolidated Revenue Fund represented the most significant amount of the total net borrowings at 93.6%.



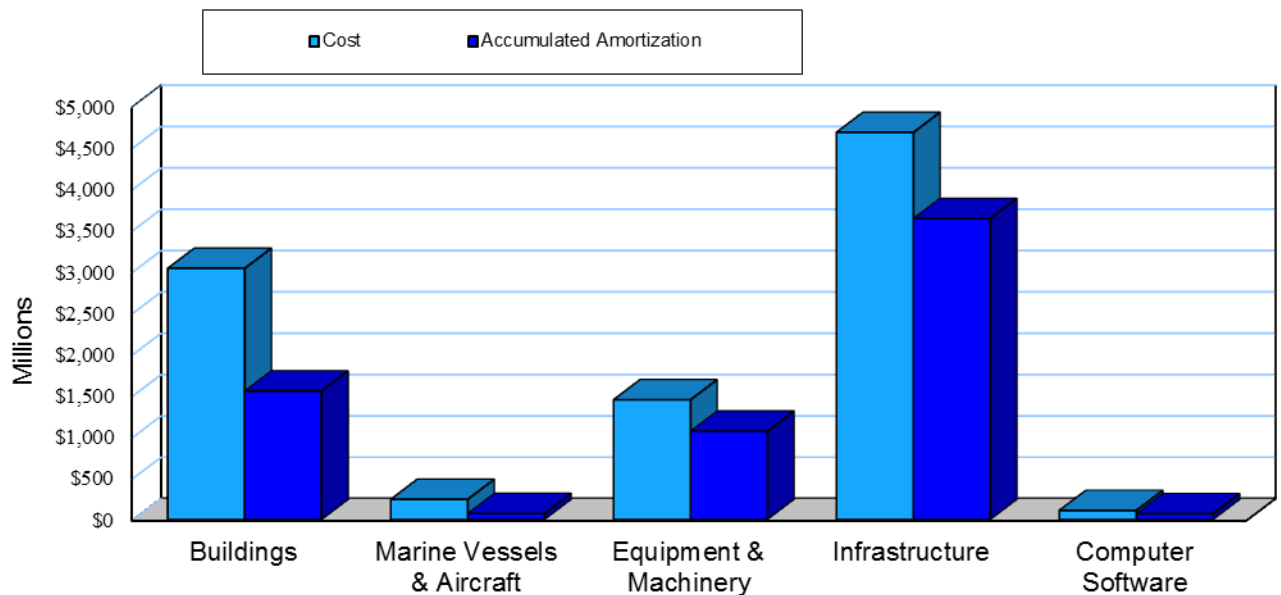
### Non-Financial Assets

The total non-financial assets of \$3.9 billion in 2013 included prepaid and deferred charges of \$43.4 million, inventory of supplies of \$48.3 million and tangible capital assets, the most significant component, of \$3.8 billion. The net book value of the tangible capital assets increased by \$332.8 million from 2012. 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 \$524.2 million in the current year that more than offset disposals and net accumulated amortization;
- Accumulated amortization of tangible capital assets represents 62.5% of the cost of tangible capital assets, which is a slight decrease from 64.0% in 2012. The most significant of the asset categories that are amortized are infrastructure and equipment and machinery where 77.7% and 73.8% of the original cost has been amortized respectively;
- Work in progress assets consist of \$693.1 million as at 31 March 2013 which is a \$151.1 million or 27.9% increase from 2012. 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 2013.



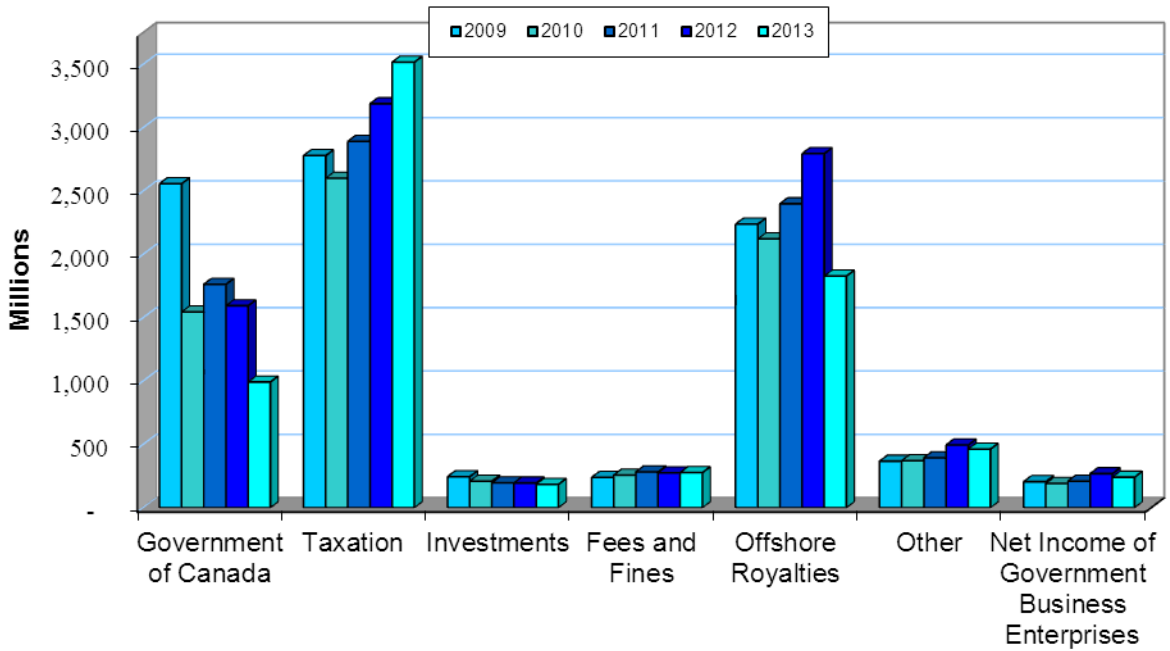
## HIGHLIGHTS - FINANCIAL OPERATIONS

### Revenues

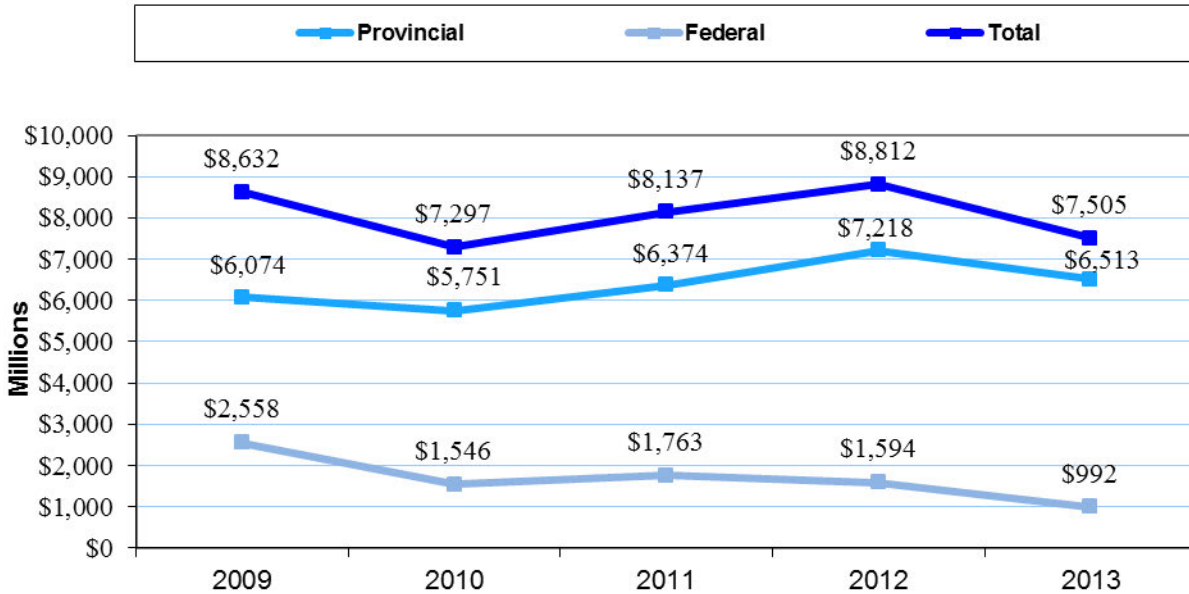
Revenues for 2013 totaled \$7.5 billion. Provincial revenue sources accounted for 86.8% of this total, which increased by 4.9% compared to 2012. The remaining 13.2% is derived from Federal Government sources. Details on the sources of revenues, including five-year historical comparisons, are provided 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

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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 decreased from 2012 by \$1,306.3 million. Since 2009, annual revenues have decreased by approximately \$1,126.8 million.
- Total provincial revenues decreased in 2013 by \$704.0 million after an increase of \$844.0 million in 2012.
- Federal revenue sources have decreased by approximately 1,566.0 million since 2009; a 60.8% decline.

### **c) Revenues by Source**

The most significant changes in revenues by source between 2012 and 2013 arise from offshore royalties, taxation and the Atlantic Accord (1985).

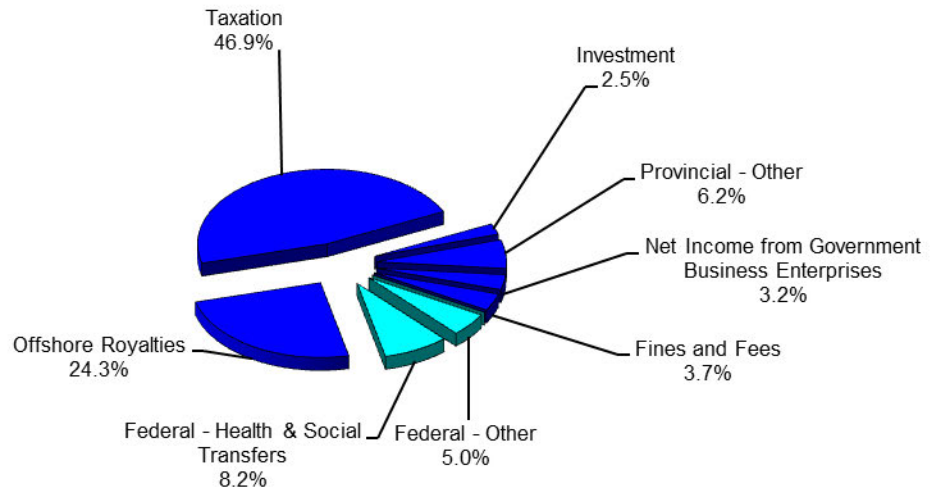
- Offshore royalties were \$966.4 million lower in 2013 than in 2012. This decrease is a result of lower oil prices and decreased production, triggering lower royalty rates. The volatility of oil prices continues to create uncertainty regarding the sustainability of this non-renewable revenue source.
- Taxation revenues were \$331.5 million higher in 2013 in comparison to 2012 primarily due to an increase of \$263.1 million in corporate income tax, \$146.5 million in personal income tax and \$67.8 million in sales tax. The increase in corporate income tax is primarily due to higher corporate profits. The increase in personal income tax and sales tax is attributable to growth in personal income and higher consumer expenditures. In addition, there is an increase of \$35.5 million in gasoline and other tax revenues. These increases are offset somewhat by a decrease of \$181.4 million in mining and mineral rights tax due to a decrease in total volume and value of mineral shipments.
- There were no revenues from the Atlantic Accord (1985) in 2013 as compared to \$536.1 million in 2012 due to its expiration.

The following graphs display the revenues by source as a percentage of total revenues for 2013 and 2012.

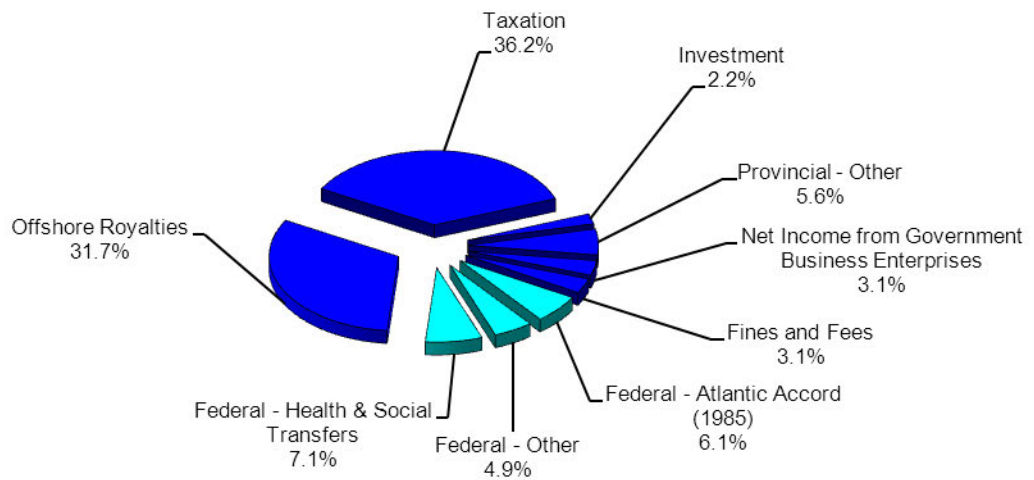
## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

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Revenues by Source - 2013



Revenues by Source - 2012

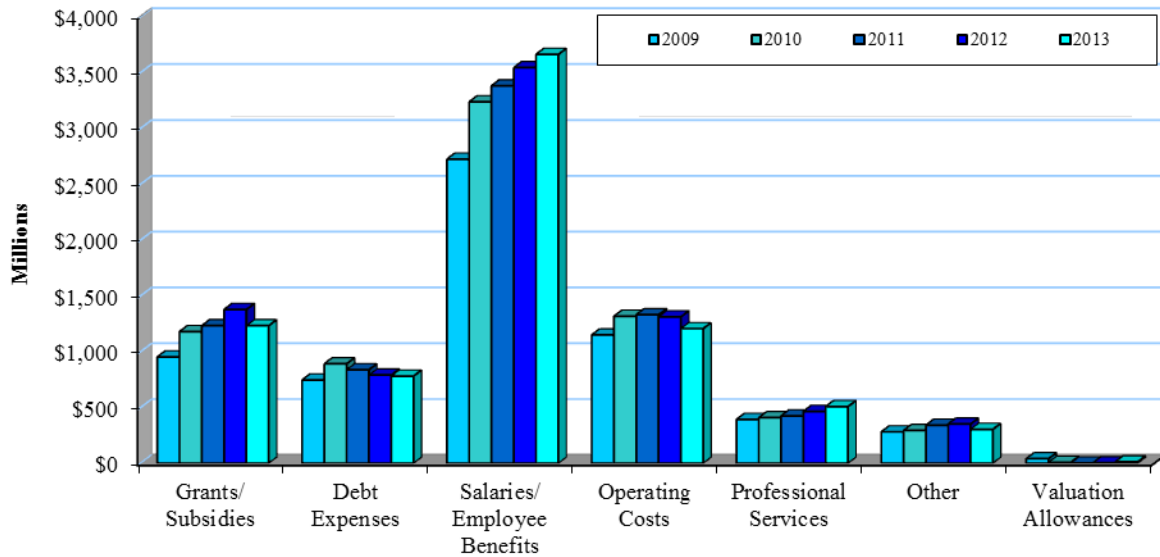


**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR**

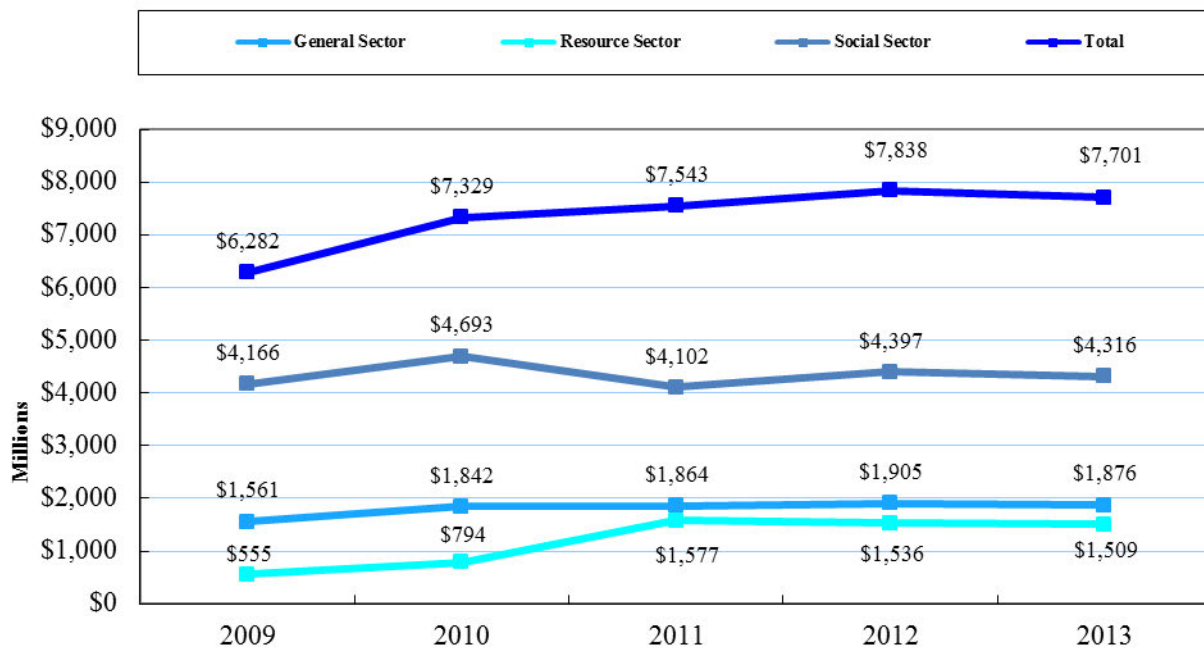
**Expenses**

The total expenses incurred by the Province for 2013 amounted to \$7.7 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, as well as amortization and loss on sale relating to tangible capital assets.

**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

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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 \$1.4 billion. The largest growth occurred between 2009 and 2010 at an amount of \$1.0 billion.
- Salaries and employee benefits remain the Province's most significant expense, rising steadily over the past five years from \$2.7 billion in 2009 to \$3.7 billion in 2013.
- Grants and subsidies represent 16.0% of the total expenses for 2013; this is a slight decrease compared to 17.6% in 2012.
- 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 2013 were approximately \$4.3 billion, a decrease of \$81.8 million from 2012, accounting for 56.0% of the total expenses for the year.

### **c) Expenses by Category**

The most significant changes in expenses by category between 2012 and 2013 relate to grants and subsidies, salaries and employee benefits and operating costs.

- The decrease in grants and subsidies from 2012 to 2013 was \$145.1 million, primarily due to decreased expenditures in infrastructure programs, municipal grants, and the Upper Churchill Redress Agreement that was paid in 2011-12;
- Salaries and employee benefits increased by \$118.8 million between 2012 and 2013. These increases are attributed mainly to increased retirement costs. These increases were offset in part due to the gains experienced on the value of the provincial pension plan assets in the marketplace during 2012.
- Operating costs were \$105.5 million lower in 2013 than in 2012, primarily attributed to decreased quantity and cost of purchased services and supplies due to fewer new projects and delays in active projects;
- \$43.1 million increase in professional services primarily as a result of the agreement reached with physicians and higher than anticipated participation in Adult Dental program;
- Amortization and (gain)/loss on sale of tangible capital assets decreased by \$23.8 million between 2012 and 2013; and
- Other miscellaneous expenses decreased by \$24.6 million.

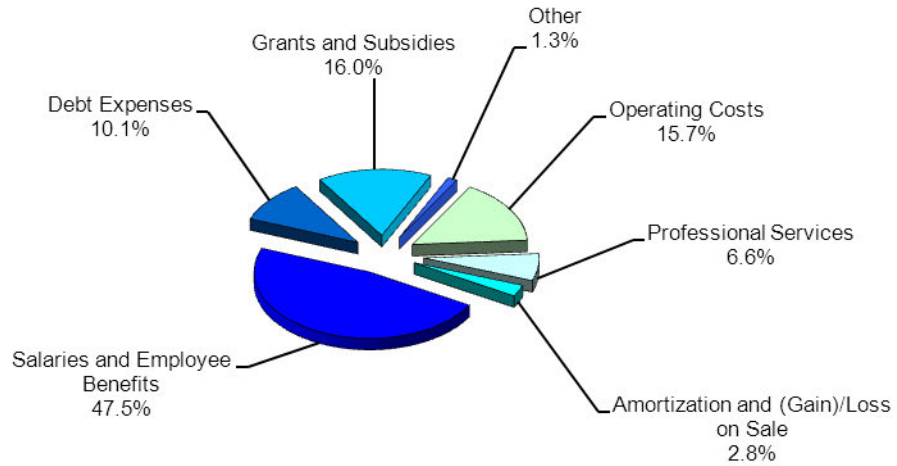
The following graphs display the expenses by category as a percentage of total expense for 2013 and 2012.



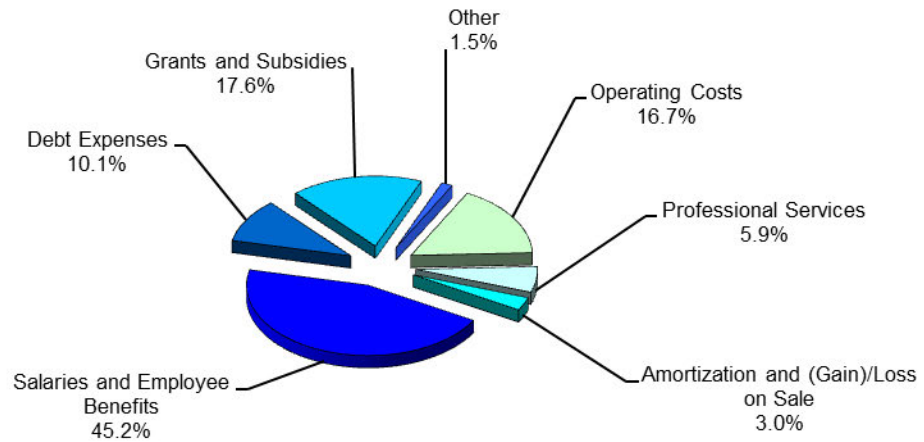
**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR**

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**Expenses by Major Category - 2013**



**Expenses by Major Category - 2012**



## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

### KEY INDICATORS

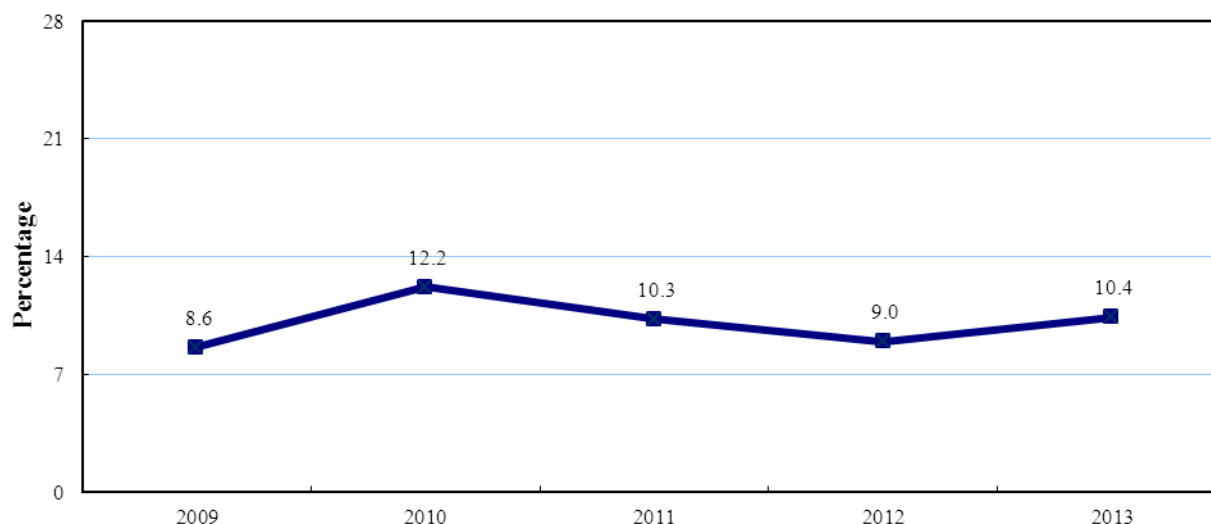
- Key indicators included in this document provide a complete picture of the Province's financial position at 31 March 2013.
- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants entitled *Indicators of Government 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 2013. The figures used in 2013 and 2012 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 increased in 2013 to 10.4%. The increase in the current year is a result of a decrease in revenue, primarily offshore royalties as well as the Atlantic Accord (1985) agreement, partially offset by a decrease in debt expenses from 2012. Over the past five years, the Province's interest costs as a percentage of revenues has increased from 8.6% in 2009. This increase is mainly attributable to the Province's decreased revenue base since 2009, compounded by an increase in interest costs over this period.
- The average of this ratio over the past five years is 10.1%. Interest costs continue to remain a significant expense incurred by the Province.

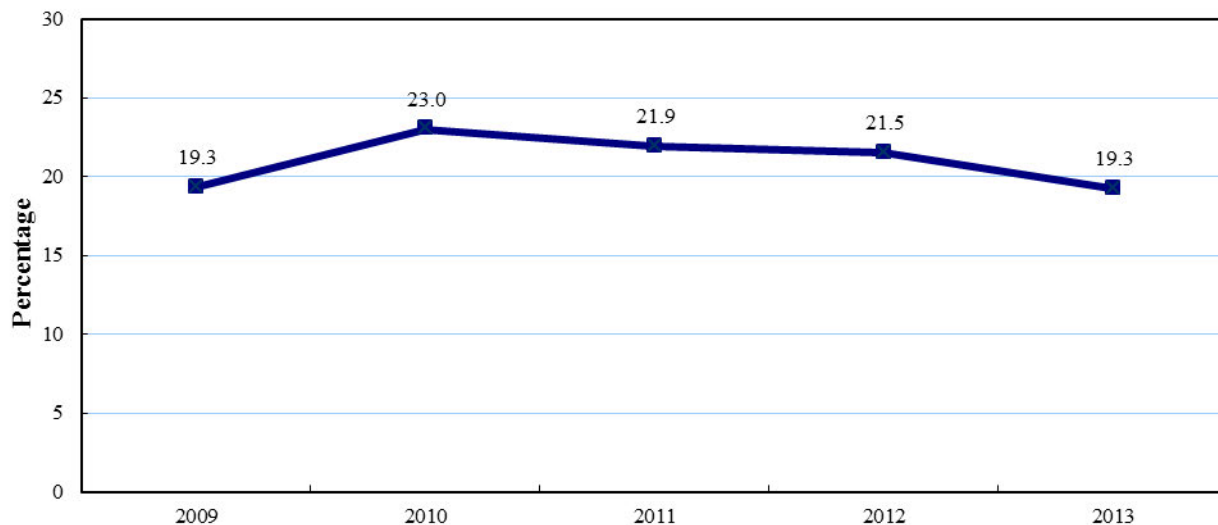


## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

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### 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 decreased slightly in the current year which is consistent with 2012. This portrays the impact that the economic downturn is having on the Province.
- The 2013 ratio is 19.3%, a decrease from 21.5% in 2012. This ratio is below the five-year average of 21.0%.



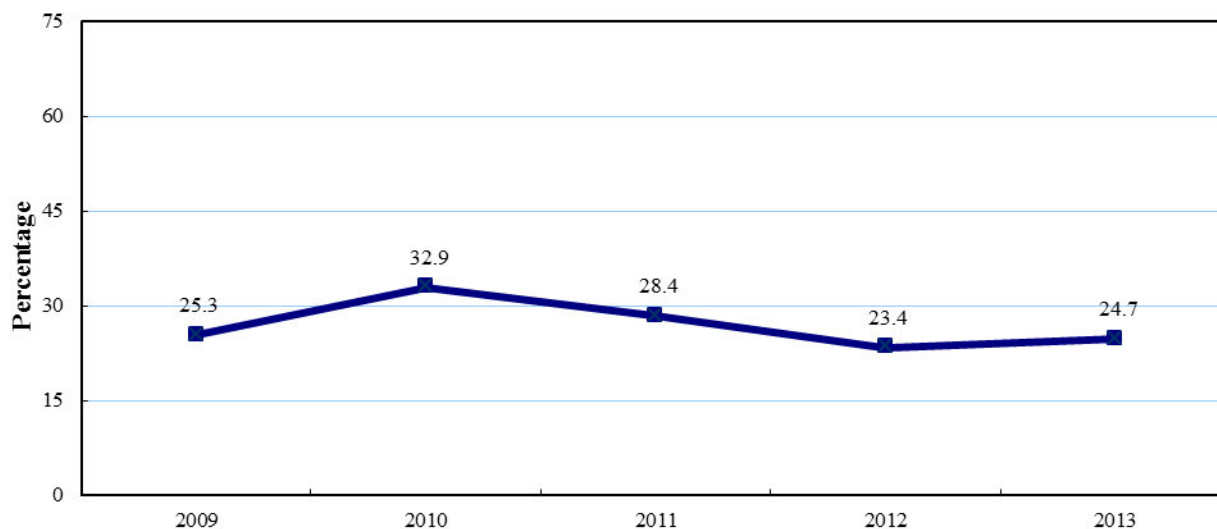
### Sustainability

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

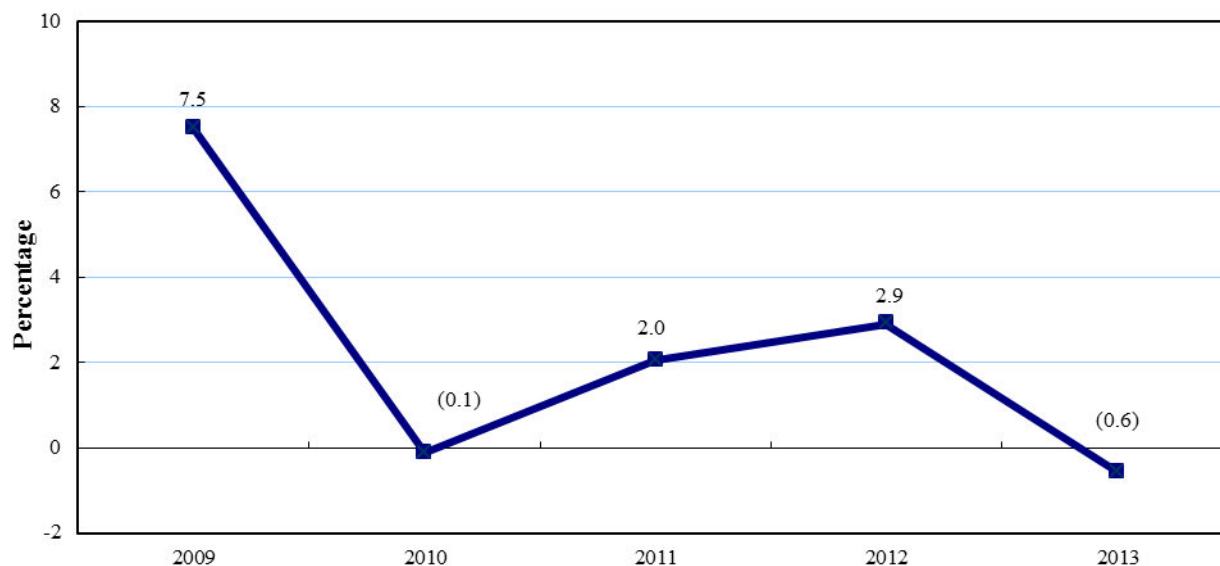
- This ratio measures the level of debt that the Province carries as a percentage of its GDP.
- As presented in the following graph, there has been an increase in net debt as a percentage of GDP in the current year; however it still remains significantly lower than 2010 and 2011. On a five year basis, the relationship implies that the rate of decline in net debt has been greater than the rate of economic growth and as such, it indicates that Government has reduced its demands on the provincial economy during this time.
- The average of this ratio over the past five years is 26.9%. Since 2010, it has experienced a significant decrease of approximately 8.2% .

## 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 moved to a deficit as a percentage of GDP to (0.6%) in 2013 after increases in 2011 and 2012. The average of this ratio over the past five years is 2.3%. The current decrease suggests that the Province's ability to meet its financial obligations has also decreased.



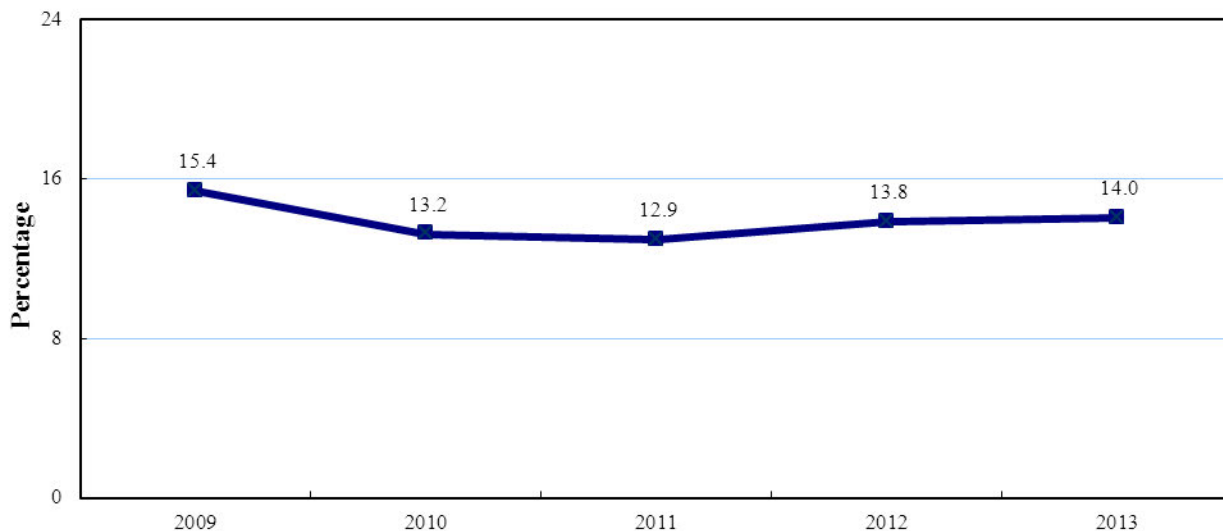
## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

### 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 to 14.0% in 2013. The increase in the current year occurred due to an overall decrease in net borrowings. As the foreign debt borrowings have remained 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 13.9%. Foreign currency debt has historically represented a significant portion of net borrowings which is consistent with the increase to 14.0%.

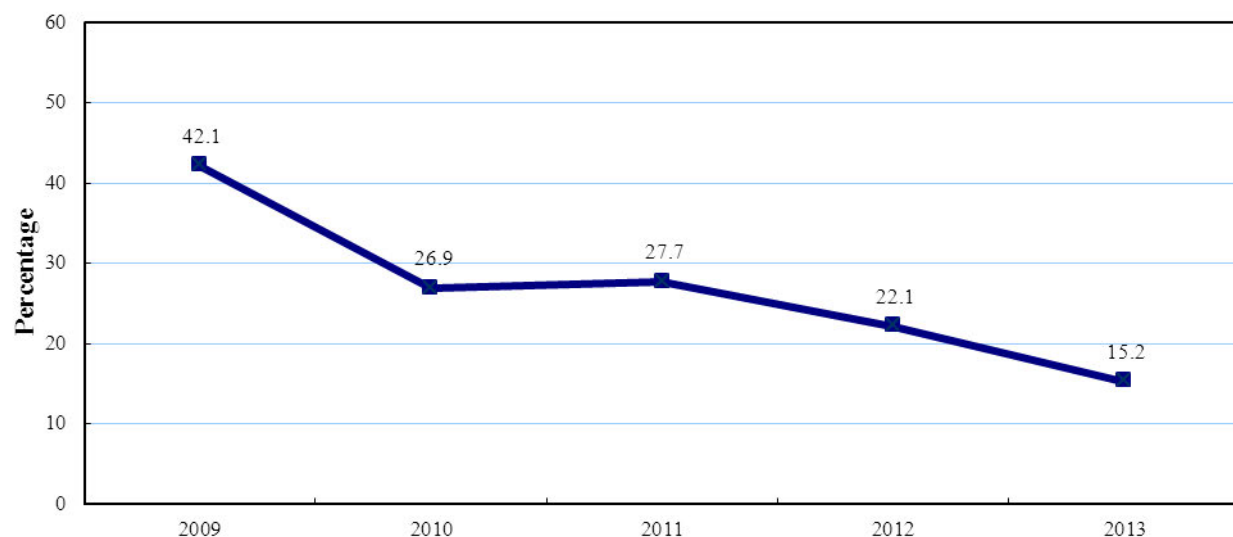


#### b) Federal Transfers as a Percentage of Provincial Revenues

- 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 much lower than 2012 with a decrease of 6.9%. The indicator has been declining since 2006 with the exception of an increase in 2009 and a minimal increase in 2011. The increase in 2009 was primarily due to recognition of the remaining unearned balance of the Atlantic Accord 2005. 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.
- The 2013 ratio of federal transfers as a percentage of revenue generated from provincial sources has decreased to 15.2% which is less than the five-year average of 26.8%. This indicates the Province's historically heavy dependence on funding from the Federal Government is gradually being reduced.

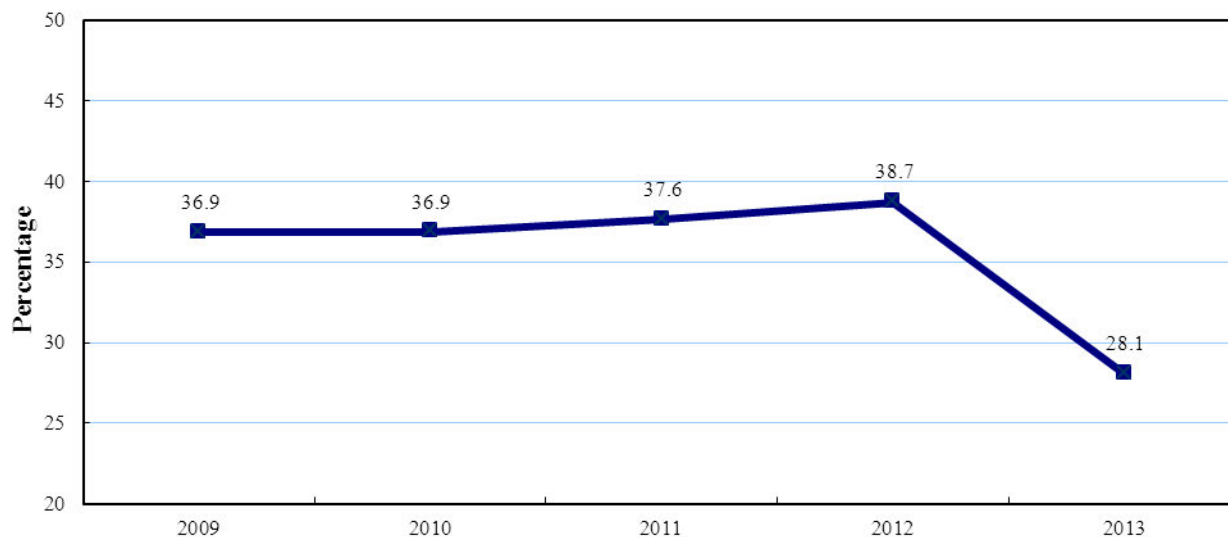
## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

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### 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 has decreased significantly in 2013.
- For the past five years, the average ratio of offshore royalties to provincial revenues is 35.6%. In 2013, the ratio is 28.1%, significantly lower than the five year average. Although a decrease was experienced in 2013, 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**

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**FINANCIAL PERFORMANCE**

As presented in this report, the Province experienced a deficit in 2012-13. This is the second deficit combined with six years of surplus in the past eight years with a cumulative value of \$5.5 billion. The recent deficit indicates the fiscal challenges the Province is currently facing and will continue to face in coming years. As good economic stewards, appropriate measures will continue to be required to ensure an expenditure base that is sustainable in the future. The Province must continue to manage spending and maintain financial resources at sustainable levels while continuing to face challenges to reduce the level of debt.



# **Province of Newfoundland and Labrador**

## **Consolidated Summary Financial Statements**

**For The Year Ended  
31 March 2013**



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December 30, 2013

## 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.



**THOMAS W. MARSHALL, Q.C.**  
**Minister of Finance and**  
**President of the Treasury Board**



**ANN MARIE MILLER, CMA**  
**Comptroller General of Finance**

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**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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**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, 2013, 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, 2013, 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, 2013, 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, CA**  
**Auditor General**

December 30, 2013  
St. John's, Newfoundland and Labrador

## SUMMARY FINANCIAL STATEMENTS

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Consolidated Statement of Financial Position As at 31 March 2013 with comparative figures for 2012

	Actuals 2013 (\$000)	Actuals 2012 (\$000)
<b>FINANCIAL ASSETS</b>		
	1,969,744	2,442,963
Sch. 1 Cash and temporary investments - note 2	936,683	1,209,003
Receivables (net of valuation allowances)	6,686	6,984
Inventories held for resale - note 3	364,814	372,780
Sch. 2 Loans, advances and investments (net of valuation allowances) - note 13	1,837,588	1,495,220
Sch. 3 Equity in government business enterprises - note 1(b)	5,115,515	5,526,950
<b>Total Financial Assets</b>		
<b>LIABILITIES</b>		
Sch. 5 Payables, accrued and other liabilities - note 13	2,410,877	2,519,132
Deferred revenue - note 4, 13	176,121	200,742
Sch. 6 Borrowings (net of sinking fund assets) - note 13	5,148,304	5,300,342
Plus: Unamortized unrealized foreign exchange gains (losses) - note 5	135,093	171,352
	5,283,397	5,471,694
Group health and life insurance retirement benefits - note 6	2,322,897	2,082,629
Unfunded pension liability - note 7	3,269,968	3,089,515
<b>Total Liabilities</b>	13,463,260	13,363,712
<b>NET DEBT</b>	8,347,745	7,836,762
<b>NON-FINANCIAL ASSETS</b>		
Sch. 9 Tangible capital assets	3,824,321	3,491,555
Prepaid and deferred charges - note 8	43,352	43,243
Inventories of supplies - note 3	48,282	47,802
<b>Total Non-Financial Assets</b>	3,915,955	3,582,600
<b>ACCUMULATED DEFICIT</b>	4,431,790	4,254,162
Contingent Liabilities - note 9		
Contractual Obligations - note 10		
Externally Restricted Assets - note 11		
Sch. 7 Guaranteed Debt - note 12		
Sch. 8 Trust Accounts - note 9(c)(i)		

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 2013  
with comparative figures for 2012**

	Actuals 2013 (\$000)	Original Estimates 2013 (Note 18) (\$000)	Actuals 2012 (\$000)
<b>NET DEBT - beginning of period</b>	7,836,762	7,768,640	8,255,409
Add (Deduct):			
Adjustments - note 13			
First time adoption of Public Sector Accounting Standards	(16,987)	-	96,052
Change in Government reporting entity	-	-	1,397
Government organization changes	(410)	-	(18,933)
Other adjustments	-	-	102,868
<b>ADJUSTED NET DEBT - beginning of period</b>	<u>7,819,365</u>	<u>7,768,640</u>	<u>8,436,793</u>
<b>Surplus (Deficit) for the period</b>	<u>(195,025)</u>	<u>(258,353)</u>	<u>974,157</u>
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	524,198	682,713	752,542
Net book value of tangible capital asset disposals/adjustments	17,592	-	(135,433)
Amortization of tangible capital assets	(209,024)	(249,894)	(238,989)
<b><i>Increase (Decrease) in net book value of tangible capital assets</i></b>	<u>332,766</u>	<u>432,819</u>	<u>378,120</u>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid and deferred charges (net of usage)	109	-	(2,512)
Acquisition of inventories of supplies (net of consumption)	480	-	(1,482)
<b><i>Increase (Decrease) in other non-financial assets</i></b>	<u>589</u>	<u>-</u>	<u>(3,994)</u>
<b><i>Increase (Decrease) in net debt</i></b>	<u>528,380</u>	<u>691,172</u>	<u>(600,031)</u>
<b>NET DEBT - end of period</b>	<u><u>8,347,745</u></u>	<u><u>8,459,812</u></u>	<u><u>7,836,762</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 2013  
with comparative figures for 2012

	Actuals 2013	Original Estimates 2013 (Note 18)	Actuals 2012
	(\$000)	(\$000)	(\$000)
<b>REVENUE</b>			
Sch. 10 Provincial			
Sch. 10 Taxation - note 1(e)	3,520,852	3,301,922	3,189,330
Sch. 10 Investment	183,968	265,721	195,047
Sch. 10 Fees and fines	277,028	254,899	275,200
Sch. 10 Offshore royalties	1,828,234	2,253,054	2,794,633
Sch. 10 Other - note 13	462,613	331,445	494,672
Sch. 10 Government of Canada	992,112	1,063,003	1,594,410
	<u>7,264,807</u>	<u>7,470,044</u>	<u>8,543,292</u>
Sch. 4 Net income of government business enterprises	240,686	246,311	268,496
<b>Total Revenue</b>	<u>7,505,493</u>	<u>7,716,355</u>	<u>8,811,788</u>
<b>EXPENSE</b>			
Sch. 11 General Government Sector and Legislative Branch	1,876,238	1,853,829	1,904,914
Sch. 11 Resource Sector	1,508,886	1,545,400	1,535,513
Sch. 11 Social Sector	4,315,394	4,575,479	4,397,204
Sch. 12 <b>Total Expense</b>	<u>7,700,518</u>	<u>7,974,708</u>	<u>7,837,631</u>
<b>ANNUAL SURPLUS (DEFICIT) - note 13</b>	<u>(195,025)</u>	<u>(258,353)</u>	<u>974,157</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 2013  
with comparative figures for 2012**

	Actuals 2013 (\$000)	Original Estimates 2013 (Note 18) (\$000)	Actuals 2012 (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b>	4,254,162		5,046,935
Add (Deduct):			
Adjustments - note 13			
First time adoption of Public Sector Accounting Standards	(16,987)		96,052
Change in Government reporting entity	-		1,397
Government organization changes	(410)		(18,933)
Other adjustments	-		102,868
<b>ADJUSTED ACCUMULATED DEFICIT - beginning of period</b>	4,236,765		5,228,319
<b>Surplus (Deficit) for the period</b>	(195,025)	(258,353)	974,157
<b>ACCUMULATED DEFICIT - end of period</b>	<u>4,431,790</u>		<u>4,254,162</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 2013**  
**with comparative figures for 2012**

	Actuals 2013 (\$000)	Actuals 2012 (\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual surplus (deficit)	(195,025)	974,157
Add (Deduct) non-cash items:		
Amortization of foreign exchange (gains)/losses	(17,840)	(20,650)
Amortization of tangible capital assets	209,024	238,989
Retirement costs	714,936	592,257
Valuation allowances	11,888	3,074
Unremitted net income of government business enterprises	(344,686)	(130,496)
Sinking fund earnings	(54,638)	(50,865)
Deferred revenue	(24,621)	45,132
Other	155,598	(195,200)
<b>Net cash provided from (applied to) operating transactions</b>	<u>454,636</u>	<u>1,456,398</u>
<b>CAPITAL</b>		
Acquisitions	(524,198)	(752,542)
Disposals	3,169	3,127
<b>Net cash provided from (applied to) capital transactions</b>	<u>(521,029)</u>	<u>(749,415)</u>
<b>FINANCING</b>		
Debt issued	4,538	4,014
Debt retirement	(69,282)	(539,519)
Special purpose funds/contractors' holdback funds	11,058	8,317
Treasury bills redeemed	(1,971,085)	(1,971,056)
Treasury bills purchased	1,971,050	1,971,159
Sinking fund proceeds	-	114,738
Sinking fund contributions	(51,596)	(51,546)
Retirement of pension liabilities	(314,000)	(18,980)
<b>Net cash provided from (applied to) financing transactions</b>	<u>(419,317)</u>	<u>(482,873)</u>
<b>INVESTING</b>		
Loan repayments	77,982	60,177
Investments	(16,168)	(27,686)
Loan advances	(49,323)	(26,412)
<b>Net cash provided from (applied to) investing transactions</b>	<u>12,491</u>	<u>6,079</u>
<b>Net cash provided (applied)</b>	<u>(473,219)</u>	<u>230,189</u>
Cash and temporary investments - beginning of period	2,442,963	2,212,774
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 2</b>	<u>1,969,744</u>	<u>2,442,963</u>

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

## SUMMARY FINANCIAL STATEMENTS

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# PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Notes to the Consolidated Financial Statements For the year ended 31 March 2013

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#### 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 14 - Government Reporting Entity.

##### (b) Method of Consolidation

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

A government business enterprise is an organization, included in the reporting entity, that has 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.

Government business enterprises are recorded on the modified equity method. Under this method, the Government's equity in these enterprises is adjusted annually to reflect the net income/loss and other net equity changes of the enterprise without adjusting the enterprise'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. 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

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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adjustments from the federal government. Refundable tax credits are not recognized as a reduction of tax revenues.

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*

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

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

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

(v) *Liabilities*

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

Deferred revenue represents amounts received but not earned.

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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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.

(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 consistent with generally accepted accounting principles for senior governments as established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

**(e) Changes in Accounting Policies**

**Tax Revenue**

A change in accounting policy has been implemented whereby tax revenues are recorded net of any tax concessions or expenditures that reduce the amount of tax payable. Tax transfers that do not affect the amount of tax payable are recorded as expenses. Previously, tax revenues were recorded net of all tax credits including both tax concessions and tax transfers.

This change in accounting policy is a result of an update to the Public Sector Accounting standards and has been applied retroactively with restatement. As a result, both tax revenues and grants and subsidies expense for the current year have both increased by \$75.4 million (31 March 2012 - \$86.3 million) with no impact on the annual deficit, net debt and accumulated deficits of either year.

**Government Transfers**

The Province prospectively adopted a revised accounting standard for government transfers, which establishes how to account for and report government transfers from both a transferring government and a recipient government perspective. As a result, 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. These revisions do not materially change how the Province previously accounted for government transfers. As a result, there is no impact on the annual deficit, net debt, and accumulated deficit.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 2. Cash and Temporary Investments

Cash and temporary investments consist of:

	<u>31 March 2013</u>	<u>31 March 2012</u>
	(\$mil)	(\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF)		
Cash balance (overdraft)	1,028.5	1,258.6
Temporary investments	<u>422.9</u>	<u>649.3</u>
Total cash and temporary investments – CRF	<u>1,451.4</u>	<u>1,907.9</u>
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	355.0	398.1
Temporary investments	<u>163.3</u>	<u>137.0</u>
Total cash and temporary investments – Other Entities	<u>518.3</u>	<u>535.1</u>
Total: Cash and Temporary Investments (CRF and Other Entities)	<u>1,969.7</u>	<u>2,443.0</u>

Temporary investments consist of investments with financial institutions. As at 31 March 2013, these investments are on call or have maturity dates ranging from 4 April 2013 to 30 June 2020 at interest rates which vary from 1.25% to 7.00%.

#### 3. Inventories

Inventories consist of:

	<u>31 March 2013</u>	<u>31 March 2012</u>
	(\$mil)	(\$mil)
<b>Inventories Held for Resale</b>		
University and college textbooks, stockroom and food supplies	3.3	3.5
Newfoundland and Labrador Housing Corporation land assemblies	-	0.5
Other entities	<u>3.4</u>	<u>3.0</u>
Total: Inventories Held for Resale	<u>6.7</u>	<u>7.0</u>
<b>Inventories of Supplies</b>		
Textbooks and stockroom supplies held within the Consolidated Revenue Fund	23.7	23.5
Medical and drug supplies held by health sector entities	23.0	21.3
Other miscellaneous supplies	<u>1.6</u>	<u>3.0</u>
Total: Inventories of Supplies	<u>48.3</u>	<u>47.8</u>

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 4. Deferred Revenue

Deferred revenue consists of:

	31 March 2013	31 March 2012	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	115.5	118.0	(2.5)
Entities in the health sector relating to the provision of various health care services including research and other contracts	20.4	25.3	(4.9)
Federal initiatives in support of community development, employment development and police officers	15.4	17.1	(1.7)
Gas tax initiatives	11.4	14.1	(2.7)
Federal government funding for various health care initiatives	-	4.5	(4.5)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	13.4	21.7	(8.3)
Total: Deferred Revenue	<u>176.1</u>	<u>200.7</u>	<u>(24.6)</u>

The balance as of 31 March 2013 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 2013 or the exchange rate at maturity for these 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 \$17.8 million which represents a credit adjustment (31 March 2012 - \$20.7 million-credit adjustment).

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	204.8	224.2
Sinking funds	<u>(66.2)</u>	<u>(67.2)</u>
Net	138.6	157.0
Total accumulated amortization	<u>(3.5)</u>	<u>14.4</u>
Net unamortized unrealized foreign exchange gains (losses)	<u>135.1</u>	<u>171.4</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 Public Service Pension Plan, 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 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.

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 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. 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. As at 31 March 2013, the total of all the plans provided benefits to 22,455 retirees.

#### Actuarial Valuations

An actuarial extrapolation was prepared to 31 March 2013 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 3.60%, 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 extrapolation was prepared to 31 March 2013 by NLHC's actuaries (valuation date 31 March 2012) for the programs sponsored by NLHC. The actuarial extrapolation 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 2013 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 4.0%, CPI of 2.5%, 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 Losses (\$mil)	Net Liability 2013 (\$mil)	Net Liability 2012 (\$mil)	Difference (\$mil)
Group health retirement benefits	2,737.6	(506.3)	2,231.3	1,996.6	234.7
Group life insurance retirement benefits	122.9	(31.3)	91.6	86.0	5.6
<b>Total</b>	<b>2,860.5</b>	<b>(537.6)</b>	<b>2,322.9</b>	<b>2,082.6</b>	<b>240.3</b>

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	91.8	106.6	(37.2)	56.4	17.1	234.7
Group life insurance retirement benefits	3.0	4.4	(4.5)	1.8	0.9	5.6
<b>Total</b>	<b>94.8</b>	<b>111.0</b>	<b>(41.7)</b>	<b>58.2</b>	<b>18.0</b>	<b>240.3</b>

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 2012 amounted to \$108.0 million.

Other adjustments of \$18.0 million have been reflected due to changes in estimates regarding unamortized experience losses related to plans sponsored by MUN.

#### 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.

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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#### 7. Retirement Benefits - Pensions

##### Defined Benefits

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, 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 42,350 participants as at 31 March 2013.

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 2013, the plans provided benefits to 27,651 pensioners. 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

###### Public Service Pension Plan

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (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 by a formulated amount representing CPP pension benefits for each year since 1967.

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 is administered in the accounts of the Consolidated Revenue Fund and provides for the remainder of benefits under the Plan.

###### 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 1/45<sup>th</sup> 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 is administered within the Province of Newfoundland and Labrador Pooled Pension Fund and provides benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and provides for the remainder of benefits under the Plan.

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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#### **Memorial University of Newfoundland Pension Plan**

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

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

#### **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, is administered within the Province of Newfoundland and Labrador Pooled Pension Fund. The second, or the Supplementary Employee Retirement component, is administered in the accounts of the Consolidated Revenue Fund.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 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 is 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:

#### Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan is 6.75%. 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 6.0%, the Supplemental Retirement Income Plan is 4.0% and the Voluntary Early Retirement Income Plan is 3.25% 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 3.60% 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 3.60% for the Supplementary Employee Retirement component, projected on a long term basis.

#### Expected Inflation Rates

The expected inflation rate for all pension plans is 2.5%.

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:

<u>Pension Plan</u>	<u>Valuation Date</u>
Public Service	31 December 2012
Teachers'	31 August 2012
Memorial University of Newfoundland	31 December 2012
Uniformed Services	31 December 2011
Members of the House of Assembly	31 December 2009
Provincial Court Judges'	31 December 2010

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

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### Pension Liability

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's and MUN's actuaries to 31 March 2013. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation (\$mil)	Fund Assets (\$mil)	Unamortized Experience Losses (\$mil)	Net Unfunded Liability 2013 (\$mil)	Net Unfunded Liability 2012 (\$mil)	Change (\$mil)
Public Service	7,225.8	4,252.7	(1,042.7)	1,930.4	1,829.6	100.8
Teachers'	4,423.4	2,577.4	(876.5)	969.5	905.3	64.2
Memorial University of Newfoundland	1,358.0	995.6	(270.4)	92.0	94.3	(2.3)
Uniformed Services	402.3	163.5	(49.4)	189.4	179.2	10.2
Members of the House of Assembly	109.0	15.9	(16.6)	76.5	70.8	5.7
Provincial Court Judges'	19.8	4.9	(2.7)	12.2	10.3	1.9
<b>Total</b>	<b>13,538.3</b>	<b>8,010.0</b>	<b>(2,258.3)</b>	<b>3,270.0</b>	<b>3,089.5</b>	<b>180.5</b>

Pension Fund Assets for all pension plans are valued at the market value at 31 December 2012 and projected to year end.

#### Special Payments

During 2012-13 the Province made payments of \$175.1 million to the Public Service Pension Plan, \$109.2 million to the Teachers' Pension Plan and \$10.0 million to the Uniformed Services Pension Plan to address the unfunded liabilities of each plan. In addition, MUN made a special payment of \$19.7 million towards the balance of the unfunded liability.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### Pension Expense

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

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

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	100.1	183.8	(291.3)	108.2	-	100.8
Teachers'	26.3	106.8	(152.3)	83.4	-	64.2
Memorial University of Newfoundland	27.7	(10.5)	(48.9)	21.5	7.9	(2.3)
Uniformed Services	3.8	14.6	(14.1)	5.9	-	10.2
Members of the House of Assembly	2.9	3.5	(5.8)	5.1	-	5.7
Provincial Court Judges'	1.5	0.5	(0.4)	0.3	-	1.9
<b>Total</b>	<b>162.3</b>	<b>298.7</b>	<b>(512.8)</b>	<b>224.4</b>	<b>7.9</b>	<b>180.5</b>

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2012 amounted to \$281.2 million.

Other adjustments of \$7.9 million have been reflected due to changes in estimates regarding unamortized experience losses related to plans sponsored by MUN.

#### 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.

#### Other Pension Plans

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 31,475 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 2013 assets had a market value of \$280.3 million (31 March 2012 - \$261.0 million).

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Workers' compensation fees	10.8	11.7
Software licences	7.6	7.0
Property taxes and other municipal fees	6.4	4.7
Insurance costs	4.7	4.6
Maintenance contracts	2.9	4.2
Library operating supplies	1.4	1.4
Rent	0.7	0.7
Membership fees and subscriptions	0.3	0.4
Computer network and accessories	-	0.4
Other prepaid and deferred charges	8.6	8.1
Total: Prepaid and Deferred Charges	43.4	43.2

#### 9. Contingent Liabilities

##### (a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2013 amounted to \$ 1,076.0 million (31 March 2012 - \$ 1,114.0 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

##### (b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of 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 of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Public Trustee as administrator, guardian, trustee, etc. (*Public Trustee Act*). See Schedule 8 - Trust Accounts.

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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b) *Registrar of the Supreme Court*

The Province of Newfoundland and Labrador guarantees all sums required to discharge the balances of the Registrar of the Supreme Court as administrator, guardian, trustee, etc. (*Judicature Act*). See Schedule 8 - 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 8 - 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 2013, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of \$347.0 million (31 March 2012 - \$293.8 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.

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 2013. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$10.0 million, of which \$6.8 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.



## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

(v) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, \$28.3 million has been recorded (see Schedule 5 - Payables, Accrued and Other Liabilities). Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

As at 31 March 2013, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable other than those indicated below. It is the responsibility of the departments and entities to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. As contaminated sites are identified, additional environmental liabilities may be recognized or contingent liabilities disclosed due to newly identified sites and/or changes in the assessments of currently known sites.

#### Former Abitibi-Consolidated Sites

In December 2008, the Province passed legislation entitled *Abitibi-Consolidated Rights and Assets Act*, to expropriate certain rights and assets from Abitibi-Consolidated. Abitibi filed for creditor protection, and was granted a stay of creditor proceedings under the *Companies' Creditor Arrangements Act* ("CCA") in April 2009. The Province petitioned the CCA court for a declaration that Abitibi is responsible for full compliance with the *Provincial Environmental Protection Act*, which included clean-up of its former sites. The CCA court ruled that any claims that the Province may have regarding clean-up of the former sites can be compromised and extinguished by the CCA process, the practical effect of which is that the Province could bear the burden of clean-up of these sites.

In November 2011, the Province brought the matter to the Supreme Court of Canada. The Supreme Court of Canada released its decision on 7 December 2012. As a result of the ruling, the Province is responsible for the remediation costs of sites formerly occupied by Abitibi and owned by the Province. For legal purposes, initial environmental site assessments estimated the extent of the contamination for potential remediation of approximately \$265 million. However, further environmental site assessments would be necessary to assess the human health and ecological risks and to determine the methods and related costs required to remediate the contamination. The completion of any such assessments would inform the Province as to the extent of the necessary remediation efforts and costs which would result in the giving up of future economic benefits and the recognition of a liability for the Province. As at March 31, 2013, a liability for \$2.5 million has been recorded to address the known health and safety concerns.

#### Former Mining Sites

The Province owns two former mining sites which have estimated costs for remediation that are potentially significant; the former Baie Verte Asbestos Mine (order of magnitude costs of \$40.0 million) and the former Consolidated Rambler Mines Copper Mine (order of magnitude costs of \$95.0 million). The Province has completed rehabilitation at these sites designed to address human health and safety issues. No remediation expenditures are planned for the next five years. In addition to these two sites, the Province is seeking to complete an inventory and risk based priority list of orphaned and abandoned mines.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### Newfoundland and Labrador Housing Corporation Sites

Possible environmental liabilities exist for the Newfoundland and Labrador Housing Corporation in relation to the following: potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area; environmental contaminants including hydrocarbons and various heavy metals in soil and groundwater on 20 hectares in the Paradise area; underground fuel tanks in various property locations in St. John's; and, a possible environmental liability relating to electrical transformers containing polychlorinated biphenyls (PCBs) located around various St. John's properties. The expenditures to date for environmental remediation of these sites is \$3.6 million with future site restoration costs estimated at \$54.1 million.

#### 10. Contractual Obligations

Contractual obligations consist of:

	31 March 2013	31 March 2012
	(\$mil)	(\$mil)
Capital projects	1,528.5	728.8
Lease payments	246.0	235.8
Provincial policing agreement	137.7	142.3
Power purchase agreements	124.2	130.5
Economic development	98.8	118.8
Ferry services	48.9	55.2
Information technology services	34.4	51.4
Letters of credit	26.0	25.9
Transmission service agreements	23.6	42.8
Telephone services	12.5	7.6
Reserve fund	-	75.0
Energy savings projects	-	4.5
Food services	-	1.3
Other agreements	59.9	62.2
Total: Contractual Obligations	<u>2,340.5</u>	<u>1,682.1</u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2013. 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.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### 11. Externally Restricted Assets

Externally restricted assets amount to \$104.7 million (31 March 2012 - \$96.8 million) of which \$100.2 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 \$4.5 million which relate to various donations designated for specified purposes.

#### 12. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt (see note 9(a)) is nil (31 March 2012 - nil).

#### 13. Adjustments to Beginning Balances

##### (a) First Time Adoption of Public Sector Accounting Standards

As a result of government organizations having to follow Public Sector Accounting Standards, the Net Debt and Accumulated Deficit have been restated. For the 31 March 2013 fiscal year, a decrease in Net Debt and Accumulated Deficit of \$17.0 million relates to Government entities' conversion to Public Sector Accounting Standards. These changes have been applied retroactively without restatement.

##### (b) Change in Government Reporting Entity

There was no change to Net Debt and Accumulated Deficit as there were no changes to entities included in the Government reporting entity (31 March 2012 - \$1.4 million increase).

##### (c) Accounting Policies and Entity Restatements

Net Debt and Accumulated Deficit decreased by \$0.4 million (31 March 2012 - \$18.9 million decrease) due to changes in entity accounting policies and entity restatements. This adjustment primarily relates to differences in accounting policies for a Government Business Enterprise as it pertains to recognizing accumulated other comprehensive income arising from changes in fair value of financial instruments, derivative instruments and hedging activities. These changes have been applied retroactively without restatement.

##### (d) Other Prior Period Adjustments

Through the application of Public Sector Accounting Standards by Government entities, certain contractual arrangements were reviewed to ensure the substance of the transactions were reflected in accordance with these standards. As a result, Borrowings, net of sinking funds, (increase of \$98.1 million) and Loans, advances and investments, net of valuation allowance, (decrease of \$4.8 million) as at 31 March 2012 have been restated leading to an increase in Net Debt and Accumulated Deficit of \$102.9 million. In addition, the Annual Surplus for 2011-12 has increased by \$9.1 million. The comparative figures for 31 March 2012 have been restated to reflect this prior period adjustment.

#### Deferred Capital Contributions

To ensure consistency in the application of Public Sector Accounting Standards by Government entities in relation to capital contributions, deferred revenue as at 31 March 2012 has been restated (decrease of \$52.0 million). In addition, the Annual Surplus for 2011-12 has increased by \$52.0 million. As a result, both Net Debt and Accumulated Deficit decreased by \$52.0 million as at 31 March 2012. The comparative figures for 31 March 2012 have been restated to reflect this prior period adjustment. There was no impact on prior year beginning balances.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### Mining and Mineral Rights Tax Installments

As at March 31, 2012, a liability was recognized for mining and mineral rights tax installments received in advance of a filed tax return. Subsequently, the installments were determined to have met the revenue recognition criteria. As a result, the prior year has been restated to reflect a \$30.4 million increase in the annual surplus and a respective decrease in net debt and accumulated deficit. There was no impact on prior year beginning balances.

#### 14. Change in Government Structure

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 24 October 2012. Pursuant to Cabinet direction, the new financial structure for the departments commenced for the 2012-13 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

#### 15. 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 the accrual of retirement benefits, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

#### 16. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2013 with amounts included in Statement I (Summary of Cash Requirement) 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 2013 for further information on the calculation of the Total Borrowing Contribution (Requirement) - CRF of \$(440.6) million noted below.

Borrowing Contributions (Requirements)	Actual	Estimates	Increase (Decrease)
	(\$mil)	(\$mil)	(\$mil)
CRF	(440.6)	(1,061.4)	(620.8)
Other Entities	28.7	-	(28.7)
Total Borrowing Contributions (Requirements)	<u>(411.9)</u>	<u>(1,061.4)</u>	<u>(649.5)</u>

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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#### 17. Subsequent Event

Subsequent to year end, the Province, through Nalcor Energy and its subsidiaries, entered into new commitments related to the Lower Churchill Project (the Project).

The Project, which is planned and developed by Nalcor Energy through its subsidiaries, consists of a Muskrat Falls hydroelectric plant, a transmission line connecting the Muskrat Falls plant to the Churchill Falls plant and a transmission line to move the power from the Muskrat Falls hydroelectric plant to the island part of Newfoundland and Labrador.

The electricity generated by the hydroelectric generating facility will be delivered through a high voltage transmission system to Newfoundland and Labrador, Nova Scotia and other Canadian and northeastern United States electricity markets. Construction is underway and will take approximately five years to complete. The Project will be financed in part by the Province through equity contributions to Nalcor Energy. The expected commitment will be approximately \$1.9 billion; in addition, the Province has committed to funding all contingent equity which may be required to cover cost overruns on each aspect of the Project. The Project has also been financed through an issuance of bonds by Nalcor Energy's project subsidiaries in the amount of \$5.0 billion over 40 years at a blended interest rate of 3.8%. The bonds are fully guaranteed by the Government of Canada. The Province has also provided a guarantee to the Government of Canada to compensate it for any costs under this Guarantee which are triggered by legislative or regulatory actions of the Province.

#### 18. Original Estimates

Certain amounts in the statements and exhibits of the 2012-13 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i).

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.

#### 19. Additional Notes

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

#### 20. Comparatives

Certain of the 31 March 2012 financial statement figures and related schedules have been restated to be consistent with the 31 March 2013 statement presentation.

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**SUMMARY FINANCIAL STATEMENTS**


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Schedule 1

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**
**Receivables**  
**As at 31 March 2013**  
**with comparative figures for 2012**


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	<u>2013</u>	<u>2012</u>
	(\$000)	(\$000)
Accounts receivable	307,060	300,687
Offshore royalties receivable	292,166	421,018
Due from Government of Canada	234,453	227,688
Taxes receivable	174,801	343,279
Accrued interest receivable	<u>12,129</u>	<u>11,832</u>
	1,020,609	1,304,504
Less: Allowance for doubtful accounts	<u>83,926</u>	<u>95,501</u>
Total: Receivables	<u><u>936,683</u></u>	<u><u>1,209,003</u></u>

## SUMMARY FINANCIAL STATEMENTS

Schedule 2

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Loans, Advances and Investments**  
**As at 31 March 2013**  
**with comparative figures for 2012**

	2013	2012
	(\$000)	(\$000)
Loans and Advances		
Student loans	139,428	155,229
Housing	84,003	79,933
Commercial	64,267	64,408
Municipalities	51,689	68,279
Other	-	197
Total: Loans and Advances	339,387	368,046
Less: Allowance for doubtful loans and advances	149,019	150,538
Provision for loan repayments through future appropriations (municipalities)	53,812	66,571
Discounts due to concessionary terms on loans - note 2	3,890	5,945
	132,666	144,992
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	40,791	38,857
Administered by Newfoundland & Labrador Film Development Corporation	28,539	23,754
Administered by Business Investment Corporation	13,463	14,505
Cold Ocean Salmon Inc.	10,000	10,000
Northern Harvest Sea Farms Newfoundland Ltd.	8,000	8,000
Gray Aqua Group Ltd.	4,827	3,000
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,818	3,818
Icewater Seafoods Inc.	3,500	3,500
ACF Equity Atlantic Inc.	2,231	2,231
Administered by Janeway Children's Hospital Foundation	2,075	1,601
Icewater Harvesting Inc.	2,000	-
Administered by Multi-Materials Stewardship Board	711	1,037
Orphan Industries Limited	582	824
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
Newfound Genomics Inc.	500	500
SAC Mfg. Inc.	500	500
Sexton Lumber Co. Ltd.	500	500
Newlab Clinical Research Inc.	484	484
Dynamic Air Shelters Ltd.	428	500
Other	3,546	3,523
	132,495	123,134

## SUMMARY FINANCIAL STATEMENTS

### LOANS, ADVANCES AND INVESTMENTS (continued)

	2013	2012
	(\$000)	(\$000)
Other Investments:		
Administered by Newfoundland and Labrador Immigrant Investor Fund Limited	93,523	91,150
Memorial University of Newfoundland - Fixed Income	56,113	50,788
Administered by Janeway Children's Hospital Foundation	3,523	4,396
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,214	1,145
Government of Canada Coupon investments	32	119
	154,405	147,598
Total: Investments	286,900	270,732
Less: Allowance for write-down of investments	53,567	42,944
Discounts due to concessionary terms on investments - note 3	1,185	-
	232,148	227,788
Total: Loans, Advances and Investments	364,814	372,780

#### 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 28 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 As at 31 March 2013 with comparative figures for 2012

	NL Liquor Corporation 6 Apr 2013	Nalcor Energy 31 Dec 2012	Total 2013	Total 2012
	(\$000)	(\$000)	(\$000)	(\$000)
Equity - beginning of year	68,620	1,426,600	1,495,220	1,343,128
Adjustment to opening balance	(1,618)	2,100	482	2,496
Adjusted equity - beginning of period	<u>67,002</u>	<u>1,428,700</u>	<u>1,495,702</u>	<u>1,345,624</u>
Net income for year	147,986	92,700	240,686	268,496
Accumulated other comprehensive income - see note	-	(2,800)	(2,800)	19,100
Capital transactions:				
Transfers from government	-	245,000	245,000	-
Transfers to government	(141,000)	-	(141,000)	(138,000)
Equity - end of year	<u><u>73,988</u></u>	<u><u>1,763,600</u></u>	<u><u>1,837,588</u></u>	<u><u>1,495,220</u></u>
Equity represented by:				
Assets				
Cash and temporary investments	27,414	23,600	51,014	67,019
Receivables	11,950	324,600	336,550	174,603
Oil and gas properties	-	344,600	344,600	279,400
Inventories	36,340	62,100	98,440	98,202
Prepaid and deferred charges	5,357	70,600	75,957	77,575
Reserve fund	-	50,900	50,900	45,400
Capital and intangible assets	30,561	2,435,000	2,465,561	2,129,113
Total Assets	<u><u>111,622</u></u>	<u><u>3,311,400</u></u>	<u><u>3,423,022</u></u>	<u><u>2,871,312</u></u>
Liabilities				
Accounts payable and accruals	37,634	556,300	593,934	472,092
Deferred government assistance	-	35,200	35,200	11,300
Borrowings	-	956,300	956,300	892,700
Total Liabilities	<u><u>37,634</u></u>	<u><u>1,547,800</u></u>	<u><u>1,585,434</u></u>	<u><u>1,376,092</u></u>
Equity	<u><u>73,988</u></u>	<u><u>1,763,600</u></u>	<u><u>1,837,588</u></u>	<u><u>1,495,220</u></u>

#### NOTE

#### Other Comprehensive Income

Other comprehensive income comprises revenues, expenses, gains and losses that are recognized in comprehensive income, but excluded from net income. Comprehensive income is the change in equity (net assets) of an enterprise during a period of transactions and other events and circumstances from non-owner sources.

## SUMMARY FINANCIAL STATEMENTS

Schedule 4

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Net Income of Government Business Enterprises For the year ended 31 March 2013 with comparative figures for 2012

	NL Liquor Corporation 6 Apr 2013	Nalcor Energy 31 Dec 2012	Total 2013	Total 2012
	(\$000)	(\$000)	(\$000)	(\$000)
Revenue				
Revenue from operations	<u>300,254</u>	<u>726,100</u>	<u>1,026,354</u>	<u>1,018,857</u>
Expense				
Expenses from operations	<u>152,268</u>	<u>633,400</u>	<u>785,668</u>	<u>750,361</u>
Net Income	<u><u>147,986</u></u>	<u><u>92,700</u></u>	<u><u>240,686</u></u>	<u><u>268,496</u></u>

#### NOTE

##### Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support new and offshore petroleum exploration, funding for energy conservation as well as oil and gas royalties for a total amount of \$2.3 million (31 December 2011 - \$4.2 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. This offsetting amount results in a cost recovery of expenses in the amount of \$19.8 million (31 December 2011 - \$16.1 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 \$39.9 million (31 December 2011 - \$41.1 million); accounts payable include \$25.0 million (31 December 2011 - \$20.0 million); and deferred credits include \$6.7 million (31 December 2011 - \$10.4 million). In addition, Nalcor Energy invested \$88.1 million (31 December 2011 - \$83.1 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.

## SUMMARY FINANCIAL STATEMENTS

Schedule 5

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Payables, Accrued and Other Liabilities As at 31 March 2013 with comparative figures for 2012

	2013	2012
	(\$000)	(\$000)
Accrued salaries and employee benefits - note 1	997,017	972,027
Accounts payable	573,093	646,159
Due to Government of Canada	571,153	612,379
Accrued interest payable	148,008	151,503
Due to municipalities	53,267	64,547
Capital leases - note 2	28,418	31,515
Environmental liabilities	28,340	29,720
Provision for student loan debt reduction payable	6,786	7,708
Other	4,795	3,574
Total: Payables, Accrued and Other Liabilities	2,410,877	2,519,132

### NOTES

#### 1. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$471.9 million for severance (31 March 2012 - \$421.5 million), \$386.1 million for leave and other employee benefits (31 March 2012 - \$353.7 million), \$106.8 million for salaries (31 March 2012 - \$164.8 million) and \$32.2 million related to the self-insured workers' compensation benefits liability (31 March 2012 - \$32.0 million). During the 2010-11 fiscal year, an actuarial valuation as of 31 December 2010, with disclosures as at 31 March 2013, was obtained for the Province's self-insured workers' compensation benefits.

#### 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 2013 with comparative figures for 2012

	2013			Interest Rate Range (%)	2012
	Total Borrowings (\$000)	Sinking Fund Balance (\$000)	Net Borrowings (\$000)		Net Borrowings (\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	492,788	-	492,788	0.98 - 1.00	492,823
General debentures	4,946,286	1,017,997	3,928,289	4.50 - 10.95	4,014,105
Sun Life Assurance Company of Canada	89,906	-	89,906	7.55 - 9.20	93,707
Government of Canada	306,497	-	306,497	4.91 - 7.88	335,296
	<u>5,835,477</u>	<u>1,017,997</u>	<u>4,817,480</u>		<u>4,935,931</u>
Health care organizations	166,087	13,506	152,581	prime-1.10- 10.50	159,330
Newfoundland and Labrador Housing Corporation	115,806	-	115,806	1.67 - 19.75	122,238
Newfoundland and Labrador Municipal Financing Corporation	35,446	-	35,446	4.85 - 6.85	55,262
Memorial University of Newfoundland	15,091	-	15,091	4.76 - 5.88	15,568
School Districts	11,900	-	11,900	prime-1 - 5.05	12,013
	<u>6,179,807</u>	<u>1,031,503</u>	<u>5,148,304</u>		<u>5,300,342</u>

See accompanying notes.

## SUMMARY FINANCIAL STATEMENTS

### NOTES TO THE SCHEDULE OF BORROWINGS As at 31 March 2013

#### 1. Borrowings

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2013 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	1.0160	1,066,800	185,905	1,252,705
Canadian			5,113,007	-	5,113,007
		Sub-total	6,179,807	185,905	6,365,712
	Foreign sinking funds		(344,134)	(50,812)	(394,946)
	Canadian sinking funds		(687,369)	-	(687,369)
	Total		<u>5,148,304</u>	<u>135,093</u>	<u>5,283,397</u>

#### 2. Contributions and Repayment Requirements

Sinking fund contributions and debt repayments which are not funded by a sinking fund, by major currency, in Canadian dollars are as follows:

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2013-2014	7,250	81,223	88,473
2014-2015	7,250	362,130	369,380
2015-2016	7,250	330,784	338,034
2016-2017	5,000	59,397	64,397
2017-2018	5,000	55,433	60,433
2018-2043	17,500	1,330,769	1,348,269
	<u>49,250</u>	<u>2,219,736</u>	<u>2,268,986</u>

#### 3. Foreign Exchange Gain

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is \$17.8 million (31 March 2012 - \$20.7 million).

#### 4. Sensitivity Analysis

An increase/decrease of one cent in the foreign exchange rates at 31 March 2013 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2012 - \$10.5 million).

## SUMMARY FINANCIAL STATEMENTS

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### NOTES TO THE SCHEDULE OF BORROWINGS (continued)

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#### 5. Related Sinking Fund Investments

At year end, the Province held \$579.1 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2012 - \$576.1 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of \$446.6 million in Canadian investments and \$132.5 million in US investments.

#### 6. 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.

Nalcor Energy operates in an environment with various forms of financial risk including changes in interest rates, and fluctuation in foreign currency exchange rates and commodity prices. Nalcor Energy utilizes a combination of financial instruments and portfolio management to manage these risks. Net borrowings of Nalcor Energy is reflected in the Equity in government business enterprises on the Consolidated Statement of Financial Position.

## SUMMARY FINANCIAL STATEMENTS

Schedule 7

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Guaranteed Debt**  
**As at 31 March 2013**  
**with comparative figures for 2012**

	2013 (\$000)	2012 (\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	969,158	999,843
Newfoundland and Labrador Housing Corporation	81,975	89,648
Municipalities	464	470
	<u>1,051,597</u>	<u>1,089,961</u>
Guaranteed Bank Loans		
Fisheries	22,540	22,380
Other corporations	1,824	1,706
	<u>24,364</u>	<u>24,086</u>
Total: Guaranteed Debt	<u><u>1,075,961</u></u>	<u><u>1,114,047</u></u>

## NOTES

**1. Limit of Loan Guarantees**

The limit of loan guarantees for Guaranteed Debentures is \$1,051.6 million and \$40.3 million for Guaranteed Bank Loans.

**2. Provision for Guaranteed Debt**

The provision for probable losses on guaranteed debt is nil (31 March 2012 - nil).

## SUMMARY FINANCIAL STATEMENTS

Schedule 8

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Trust Accounts As at 31 March 2013 with comparative figures for 2012

	2013	2012
	(\$000)	(\$000)
Office of the Public Trustee	32,905	29,705
Teachers' Accrued Salary Trust Account	8,794	8,736
Registrar of the Supreme Court	7,182	7,810
Patients' Funds Held in Trust	5,873	6,068
Rate Stabilization Fund	5,449	5,538
Consolidated Tender Account	5,346	5,239
Scholarships and Awards	4,955	4,874
Federal/Provincial Contractors' Security Account	4,317	8,477
Replacement Reserve Funds	3,869	4,280
Support Enforcement	1,286	900
Provincial Courts Trust Account	454	559
Contractors' Security Account - Transportation and Works	447	186
Other Trust Accounts	2,027	1,944
Total: Trust Accounts	82,904	84,316

#### 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 2012, the Commission reported a net fund deficiency of \$81.8 million (31 December 2011 - net fund deficiency of \$71.6 million) and an accumulated operating deficit of \$82.3 million (31 December 2011 - \$72.2 million). Under legislation, no liability on behalf of the Province has been established.



## SUMMARY FINANCIAL STATEMENTS

Schedule 9

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2013 with comparative figures for 2012

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2013	Net Book Value 31 March 2012
	Balance 31 March 2012	Additions 2013	Disposals 2013	Balance 31 March 2013	Balance 31 March 2012	Amort. Net of Disposals 2013		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	2,855.4	246.3	62.8	3,038.9	1,484.7	52.9	1,537.6	1,370.7
Marine vessels & aircraft	240.3	4.0	-	244.3	63.1	10.3	73.4	177.2
Equipment & machinery	1,380.9	80.7	12.7	1,448.9	999.9	70.1	1,070.0	381.0
Infrastructure	4,571.8	106.2	7.5	4,670.5	3,576.0	52.9	3,628.9	995.8
Computer software	90.2	20.5	0.2	110.5	65.3	6.7	72.0	24.9
Sub-total	<u>9,138.6</u>	<u>457.7</u>	<u>83.2</u>	<u>9,513.1</u>	<u>6,189.0</u>	<u>192.9</u>	<u>6,381.9</u>	<u>2,949.6</u>
Work in progress				<u>693.1</u>			<u>693.1</u>	<u>542.0</u>
Total				<u>10,206.2</u>			<u>3,824.3</u>	<u>3,491.6</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 2013 of \$693.1 million (31 March 2012 - \$542.0 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 \$457.7 million include \$123.8 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$286.2 million less disposals of \$11.3 million for 2012-13.

## SUMMARY FINANCIAL STATEMENTS

### TANGIBLE CAPITAL ASSETS (continued)

#### 3. Accumulated Amortization

The \$192.9 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$209.0 million less accumulated amortization on assets disposed of in the year in the amount of \$71.8 million. The remaining increase in accumulated amortization of \$55.7 million is the result of changes in estimates by certain entities.

The \$270.0 million change in accumulated amortization as at 31 March 2012 consisted of amortization expense of \$239.0 million less accumulated amortization on assets disposed of in the year in the amount of \$29.8 million. The remaining increase of \$60.8 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:

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

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

#### 5. Historical or Cultural Assets

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

**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 \$41.2 million (31 March 2012 - \$122.6 million), amortization expense is \$1.6 million (31 March 2012 - \$1.4 million) and accumulated depreciation is \$24.7 million (31 March 2012 - \$49.6 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, no decision has been made on whether the assets will continue to be held by the Province, or transferred to Nalcor Energy or other parties. 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. \$137.5 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2013 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 10

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Revenue by Source**  
**For the year ended 31 March 2013**  
**with comparative figures for 2012**

	Actuals 2013 (\$000)	Actuals 2012 (\$000)
Provincial Sources		
Taxation		
Personal income tax	1,158,522	1,011,980
Sales tax	941,014	873,177
Corporate income tax	766,576	503,437
Gasoline tax	170,684	168,566
Mining and mineral rights tax	135,986	317,449
Other	348,070	314,721
	<u>3,520,852</u>	<u>3,189,330</u>
Investment		
Sinking fund earnings	54,825	55,772
Interest	39,885	32,049
Other	89,258	107,226
	<u>183,968</u>	<u>195,047</u>
Fees and Fines		
Fees	265,818	265,352
Fines	11,210	9,848
	<u>277,028</u>	<u>275,200</u>
Offshore royalties	1,828,234	2,794,633
Other		
Sales and rentals	60,892	65,543
Cost recoveries	48,283	56,540
Miscellaneous	353,438	372,589
	<u>462,613</u>	<u>494,672</u>
Total Provincial Sources	<u>6,272,695</u>	<u>6,948,882</u>
Federal Sources		
Health and social transfers	612,965	625,347
Cost-shared programs	347,928	384,496
Atlantic Accord (1985)	-	536,121
Other	31,219	48,446
Total Federal Sources	<u>992,112</u>	<u>1,594,410</u>
Net income of government business enterprises - see note	240,686	268,496
Total: Revenue by Source	<u>7,505,493</u>	<u>8,811,788</u>

**NOTE**

See Schedule 4 for a breakdown by entity.

## SUMMARY FINANCIAL STATEMENTS

Schedule 11

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Expenses by Department  
For the year ended 31 March 2013  
with comparative figures for 2012**

	Actuals 2013 (\$000)	Actuals 2012 (\$000)
General Government Sector and Legislative Branch		
General Government Sector		
Consolidated Fund Services	341,990	358,156
Executive Council	101,635	127,469
Finance	914,035	864,059
Public Service Commission	2,482	5,642
Service NL	44,515	45,455
Transportation and Works	447,660	476,688
Legislative Branch		
Legislature	23,921	27,445
	<u>1,876,238</u>	<u>1,904,914</u>
Resource Sector		
Advanced Education and Skills	1,134,700	1,138,793
Environment and Conservation	68,809	82,602
Fisheries and Aquaculture	36,052	21,515
Innovation, Business and Rural Development	52,532	30,541
Natural Resources	149,649	192,837
Tourism, Culture and Recreation	67,144	69,225
	<u>1,508,886</u>	<u>1,535,513</u>
Social Sector		
Child, Youth and Family Services	175,965	164,230
Education	757,897	763,112
Health and Community Services	2,844,262	2,846,344
Justice	245,672	240,950
Municipal Affairs	162,843	249,681
Newfoundland and Labrador Housing Corporation	128,755	132,887
	<u>4,315,394</u>	<u>4,397,204</u>
<b>Total: Expenses by Department</b>	<u><u>7,700,518</u></u>	<u><u>7,837,631</u></u>

**NOTE**

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

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**SUMMARY FINANCIAL STATEMENTS**


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Schedule 12

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**
**Expenses by Object  
For the year ended 31 March 2013  
with comparative figures for 2012**


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	Actuals 2013 (\$000)	Actuals 2012 (\$000)
Salaries and employee benefits	3,661,625	3,542,848
Grants and subsidies	1,231,470	1,376,598
Operating costs	1,205,271	1,310,760
Debt expenses	779,781	789,425
Professional services	507,219	464,096
Amortization and (gain)/loss on the sale of tangible capital assets	213,600	237,352
Property, furnishings and equipment - see note	89,664	113,478
Valuation allowances	11,888	3,074
Total: Expenses by Object	<u>7,700,518</u>	<u>7,837,631</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 13

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

Revenue and Expense by Sector  
For the year ended 31 March 2013

	General Government Sector and Legislative Branch	Resource Sector	Social Sector	Total
	(\$000)	(\$000)	(\$000)	(\$000)
<b>REVENUE</b>				
Provincial				
Taxation	3,560,266	272	-	3,560,538
Investment	163,183	15,736	5,049	183,968
Fees and Fines	130,163	130,295	16,570	277,028
Offshore Royalties	464	1,827,770	-	1,828,234
Other	61,437	234,095	204,590	500,122
Government of Canada	645,516	189,890	156,706	992,112
	<u>4,561,029</u>	<u>2,398,058</u>	<u>382,915</u>	<u>7,342,002</u>
Net income of government business enterprises	147,986	92,700	-	240,686
<b>Total Sector Revenue - note 2</b>	<u>4,709,015</u>	<u>2,490,758</u>	<u>382,915</u>	<u>7,582,688</u>
<b>EXPENSE</b>				
Salaries and employee benefits	670,102	711,088	2,319,624	3,700,814
Operating costs	271,150	291,145	660,747	1,223,042
Grants and subsidies	85,388	420,115	745,978	1,251,481
Debt expenses	753,051	369	26,361	779,781
Professional services	19,096	31,148	457,199	507,443
Amortization and loss on sale of tangible capital assets	75,844	47,995	89,761	213,600
Property, furnishings, and equipment	300	12,274	77,090	89,664
Valuation allowances	1,308	9,532	1,048	11,888
<b>Total Sector Expense - note 3</b>	<u>1,876,239</u>	<u>1,523,666</u>	<u>4,377,808</u>	<u>7,777,713</u>
Sector Results - before adjustments	2,832,776	967,092	(3,994,893)	(195,025)
Inter-Sector Eliminations	(39,687)	(15,205)	54,892	-
Annual Surplus (Deficit)	<u>2,793,089</u>	<u>951,887</u>	<u>(3,940,001)</u>	<u>(195,025)</u>

See accompanying notes.

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**SUMMARY FINANCIAL STATEMENTS**

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**NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR**  
**For the year ended 31 March 2013**

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**1. Sectors**

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations and the 2012-13 Estimates. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 11 - 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 \$77.2 million resulting in total revenue of \$7,505.5 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 \$77.2 million resulting in total expense of \$7,700.5 million as per the Consolidated Statement of Operations.



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**SUMMARY FINANCIAL STATEMENTS**


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Schedule 14

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**
**Government Reporting Entity  
For the year ended 31 March 2013**


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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
J - note 3	Eastern School District
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Labrador-Grenfell Regional Health Authority
J	Labrador School Board
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
	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
J	Nova Central School District
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
	Public Health Laboratory
	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
J	Western School District

#### GOVERNMENT BUSINESS ENTERPRISES

D	Nalcor Energy
F	Newfoundland and Labrador Liquor Corporation

#### LEGEND

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

#### NOTES

- 1 Churchill Falls (Labrador) Corporation Trust is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.
- 2 Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2012-13 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 Eastern 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 2012-13 Consolidated Summary Financial Statements. These entities are as follows: 1) Eastern Education Foundation Inc.; and 2) Newfoundland International Student Education Program Inc.

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