

Province of  
Newfoundland and Labrador



**Public Accounts  
Consolidated Summary  
Financial Statements**

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FOR THE YEAR ENDED  
MARCH 31, 2022





# **Province of Newfoundland and Labrador**

## **Public Accounts**

### **Consolidated Summary Financial Statements**

**For The Year Ended  
31 March 2022**

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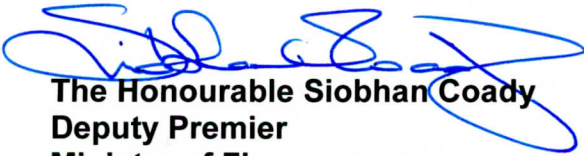
**MESSAGE FROM THE MINISTER OF FINANCE AND  
PRESIDENT OF TREASURY BOARD**

I am presenting the Public Accounts of the Province of Newfoundland and Labrador for the 2021-22 fiscal year. These audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a deficit of \$271.9 million for the 2021-22 fiscal year, which reflects a \$553.6 million decrease compared to the original estimated deficit of \$825.5 million. The decrease in deficit from our estimate is primarily related to expenses of \$8.9 billion being lower than the original estimate of \$9.3 billion, largely due to the timing in which various grant expenses were anticipated to be incurred. In addition, revenues of \$8.6 billion were slightly higher than the original estimate of \$8.5 billion, primarily due to higher than anticipated revenue associated with taxation revenue and offshore royalties, and lower than anticipated federal revenues.

The reduction in the deficit for 2021-22 compared to both the prior year and original budget is indicative of government's commitment to a strong strategic plan that is focused on a return to balanced budgets, lower cost of borrowing, and decreased debt, including the establishment of the Future Fund.

We are continuing on a path to achieve a stronger, more sustainable Newfoundland and Labrador, to hold the line on expenses where possible, to support residents with cost of living increases, and to invest strategically.



**The Honourable Siobhan Coady  
Deputy Premier  
Minister of Finance  
President of Treasury Board**

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

**For the Fiscal Year Ended 31 March 2022**



## **INTRODUCTION**

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

## **FINANCIAL REPORTS**

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

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

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

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

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

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

<https://www.gov.nl.ca/exec/tbs/publications/public-accounts/>

## **WHAT TO EXPECT IN THIS REPORT**

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

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

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

The financial statement discussion and analysis report will also summarize an outlook on 2022 by providing available information on what can be expected to impact government's financial position in the future.

Refer to the glossary of terms on page 46 for definitions and explanations of key terms that have been bolded throughout the document.

## **FINANCIAL HIGHLIGHTS**

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

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

- Presents **financial assets**, liabilities and **non-financial assets** at a point in time. The statement calculates **net debt**, the difference between financial assets and liabilities; and **accumulated deficit**, the net financial position of government from all years of operations at a point in time.
- Net debt for the 2021-22 fiscal year is \$16.4 billion. The accumulated deficit is \$11.4 billion.
- As at 31 March 2022, both net debt and accumulated deficit are more than they were at the end of the previous fiscal year. This is mainly due to an increase in total liabilities, primarily net borrowings, which increased by \$1.1 billion compared to fiscal 2020-21.

### **CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT**

- Highlights the changes in Net Debt from the previous fiscal year and provides a comparison to Original Budget figures.
- This statement shows that net debt totaled \$16.4 billion in the 2021-22 fiscal year and increased 2.2% in comparison to the prior year (31 March 2021 - \$16.0 billion).
- The assets and liabilities contributing to the change in net debt are presented in the Consolidated Statement of Financial Position. The intent of this statement is to report the extent the surplus/deficit has impacted net debt after removing the effects of changes to non-financial assets (i.e. **tangible capital assets**) from the surplus/deficit. As well, any changes in accounting policy or restatements of prior year's results are also reflected on this statement.

### **CONSOLIDATED STATEMENT OF OPERATIONS**

- Reports the revenues and expenses from operations in a fiscal year, the resulting surplus or deficit and provides a comparison to Original Budget figures and previous year actuals.
- The **annual deficit** of \$271.9 million represents a decrease of \$553.6 million compared to the \$825.5 million deficit originally budgeted for 2021-22 fiscal year. Furthermore, the annual deficit in 2021-22 decreased by \$1.2 billion from the prior year (31 March 2021 - \$1.5 billion).
- For the fiscal year ended 31 March 2022, total revenue was \$8.6 billion (31 March 2021 - \$7.3 billion) and total expenses were \$8.9 billion (31 March 2021 - \$8.8 billion).

- Revenues increased by 17.3% from the prior year and increased by 0.9% from the Original Budget. Expenses increased by 0.5% from the prior year and decreased from the Original Budget by 5.1%.
- Despite the increase in revenues from the prior year and the Original Budget, revenues remained lower than expenses, resulting in a deficit for the current fiscal year. However, the deficit was significantly lower than the prior year and the Original Budget deficit amounts.

### **CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED DEFICIT**

- Highlights the changes in accumulated deficit from the Original Budget and the previous fiscal year.
- The main increase in accumulated deficit in 2021-22 is due to the deficit for the current year.
- The accumulated deficit of \$11.4 billion for 2021-22 increased by \$0.2 billion in comparison to 2020-21 of \$11.2 billion.

### **CONSOLIDATED STATEMENT OF CASH FLOWS**

- Explains the change in cash and temporary investments from the previous fiscal year to the government generated and disbursed cash in the current fiscal year.
- Cash and temporary investments increased by 7.1% from the previous fiscal year. Cash flows decreased due to the expenditures exceeding revenues as represented in the annual deficit, however, this was offset by an increase in cash flows resulting from financing transactions, primarily due to issuance long-term debt of \$1.6 billion.

**KEY FINANCIAL HIGHLIGHTS**

For the fiscal year ended 31 March 2022

(In \$ millions)

	Original Budget 2021-22 <sup>1</sup>	Actual Results 2021-22 <sup>2</sup>	Actual Results 2020-21	Change from Original Budget			Change from Prior Year Actual Results		
				\$	%	⇅	\$	%	⇅
<b>REVENUE</b>									
Provincial									
Taxation	4,044.2	4,501.9	3,804.3	457.7	11.3	↑	697.6	18.3	↑
Investment	76.2	97.7	93.0	21.5	28.2	↑	4.7	5.1	↑
Fees and fines	356.1	500.6	357.5	144.5	40.6	↑	143.1	40.0	↑
Offshore royalties	1,059.2	1,196.0	576.4	136.8	12.9	↑	619.6	107.5	↑
Other	511.8	516.9	495.0	5.1	1.0	↑	21.9	4.4	↑
<b>Total Provincial</b>	<b>6,047.5</b>	<b>6,813.1</b>	<b>5,326.2</b>	<b>765.6</b>	<b>12.7</b>	<b>↑</b>	<b>1,486.9</b>	<b>27.9</b>	<b>↑</b>
Federal	1,890.3	1,387.3	1,572.5	(503.0)	(26.6)	↓	(185.2)	(11.8)	↓
Net income of government business enterprises and partnership	580.3	395.5	429.4	(184.8)	(31.8)	↓	(33.9)	(7.9)	↓
<b>Total Revenue</b>	<b>8,518.1</b>	<b>8,595.9</b>	<b>7,328.1</b>	<b>77.8</b>	<b>0.9</b>	<b>↑</b>	<b>1,267.8</b>	<b>17.3</b>	<b>↑</b>
<b>EXPENSE</b>									
Salaries and employee benefits	3,543.6	3,455.0	3,568.7	(88.6)	(2.5)	↓	(113.7)	(3.2)	↓
Grants and subsidies	2,520.0	2,037.1	1,852.5	(482.9)	(19.2)	↓	184.6	10.0	↑
Operating costs	1,303.4	1,411.6	1,357.6	108.2	8.3	↑	54.0	4.0	↑
Debt expenses	994.9	941.6	1,131.8	(53.3)	(5.4)	↓	(190.2)	(16.8)	↓
Professional services	532.8	534.4	499.6	1.6	0.3	↑	34.8	7.0	↑
Other	448.9	488.1	409.7	39.2	8.7	↑	78.4	19.1	↑
<b>Total Expense</b>	<b>9,343.6</b>	<b>8,867.8</b>	<b>8,819.9</b>	<b>(475.8)</b>	<b>(5.1)</b>	<b>↓</b>	<b>47.9</b>	<b>0.5</b>	<b>↑</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(825.5)</b>	<b>(271.9)</b>	<b>(1,491.8)</b>	<b>553.6</b>	<b>67.1</b>	<b>↑</b>	<b>1,219.9</b>	<b>81.8</b>	<b>↑</b>

<sup>1</sup> The Budget figures are from pages ii and vii of the Budget 2021 Speech Statements and Schedules and certain figures have been restated as consistent with the Public Accounts.

<sup>2</sup> Prior year amounts have been restated as consistent with the Public Accounts 31 March 2022 presentation.

**HISTORICAL DATA**

For the past 5 fiscal years  
(\$ thousands)

	2018	2019	2020	2021	2022	5 Year Trend
Total Revenue	7,280,145	7,826,842	9,583,631	7,328,109	8,595,885	↑
Total Expense	8,190,895	8,379,371	8,466,450	8,819,930	8,867,795	↑
Surplus (Deficit)	(910,750)	(552,529)	1,117,181	(1,491,821)	(271,910)	↑
Financial Assets	7,858,667	8,066,271	11,677,712	11,721,142	12,094,226	↑
Liabilities:						
Borrowings	11,505,532	12,797,070	14,879,622	15,955,509	16,966,445	↑
Group Health/ Life Insurance	2,937,396	3,035,970	3,149,114	3,247,979	3,353,621	↑
Pension	4,952,465	4,927,736	4,889,959	4,904,687	4,629,673	↓
Other Liabilities	3,136,990	2,683,577	3,193,877	3,629,148	3,516,178	↑
Net Debt	14,673,716	15,378,082	14,434,860	16,016,181	16,371,691	↑
Non-Financial Assets	4,493,026	4,582,777	4,759,974	4,850,403	4,959,669	↑
Accumulated Deficit	10,180,690	10,795,305	9,674,886	11,165,778	11,412,022	↑

<sup>1</sup> Prior year amounts have been restated as consistent with the Public Accounts 31 March 2022 presentation.

## CONSOLIDATED FINANCIAL RESULTS

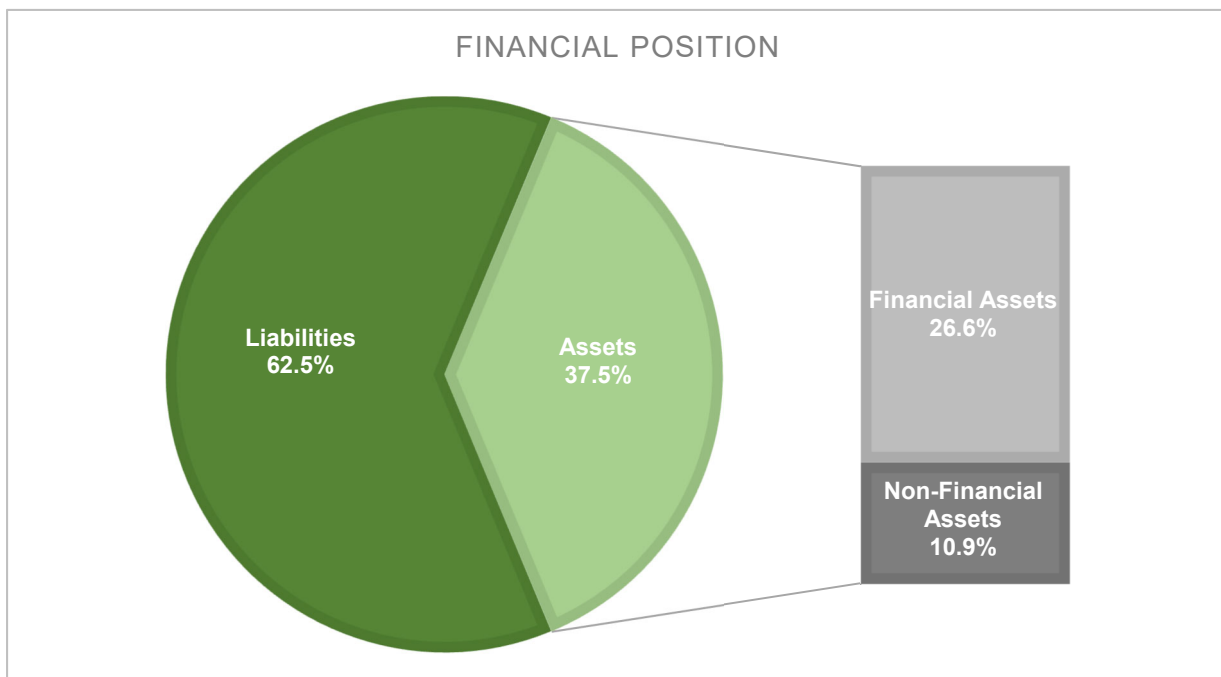
The largest expense variance between actual results and Original Budget figures relates to grants and subsidies. Grants and subsidies were \$482.8 million lower than the projected amount.

Debt expenses was the largest variance from the previous fiscal year with a decrease of \$190.1 million from 2020-21.

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

## FINANCIAL POSITION

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



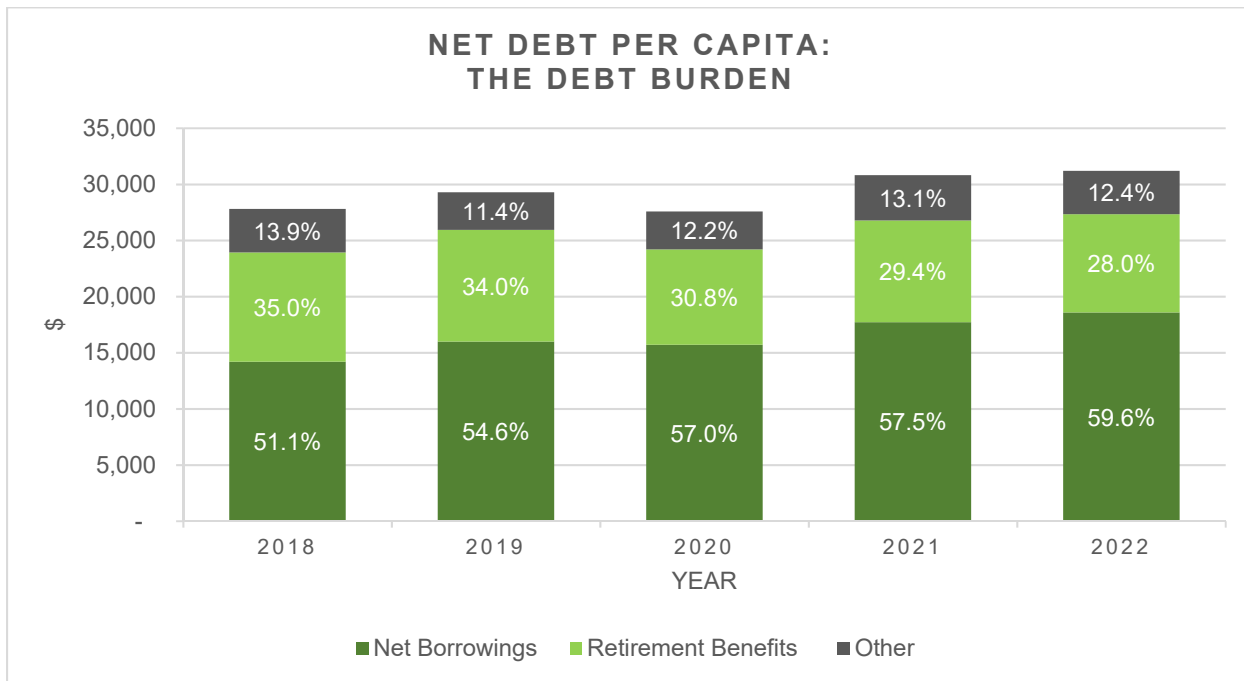
The Province's accumulated deficit position and net debt as at 31 March 2022 is presented in the following chart. The Province's net debt totals \$16.4 billion and represents the amount needed to be funded from future generations to pay for past activities.

Net debt increased by \$0.4 billion and accumulated deficit increased by \$0.2 billion from the previous year mainly due to the annual deficit. Details of the annual deficit will be discussed later in this report.



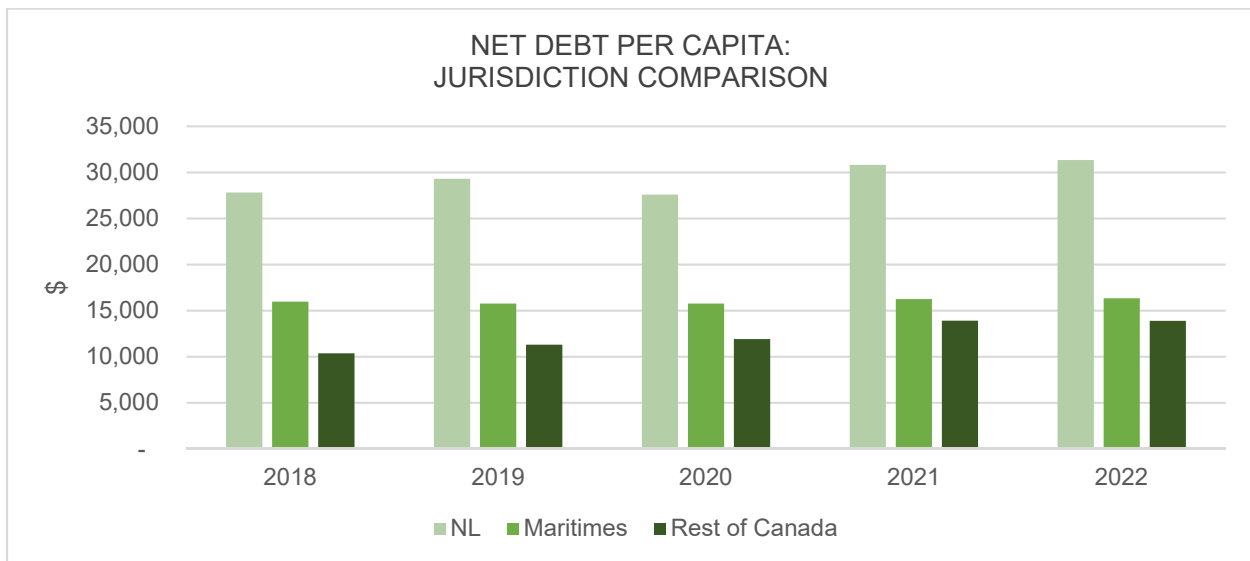
### NET DEBT PER CAPITA

Net debt per capita indicates the average amount of the Province’s net debt attributed to each citizen of the Province and is calculated by dividing the net debt by the Province’s population. Each citizen’s share of the net debt increased in 2021-22. As presented in the chart that follows, net debt per capita increased from \$30,820 in 2020-21 to \$31,336 in 2021-22. This increase of \$516 per person is primarily the result of the increase in the Province’s net debt offset by a slight increase in population. The following graph also indicates the portion of each type of debt that makes up the net debt per capita.





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



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

Newfoundland and Labrador's net debt per capita has been greater than the average of the other jurisdictions for the past five years and is greater than it was in 2017-18. The Maritimes' net debt per capita has increased slightly from 2020-21. Net debt per capita for the rest of Canada has decreased slightly from 2020-21, but remains under half of that of Newfoundland and Labrador.

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

Average Population per jurisdiction (in 000's)	2018	2019	2020	2021	2022 <sup>[1]</sup>	5 Year Change
<b>NL</b>	527.5	524.8	523.3	519.7	522.5	(5.0)
<b>Maritimes</b>	624.5	630.7	639.2	642.6	655.3	30.8
<b>Rest of Canada</b>	3,821.9	3,874.4	3,940.9	3,957.9	4,004.3	182.4

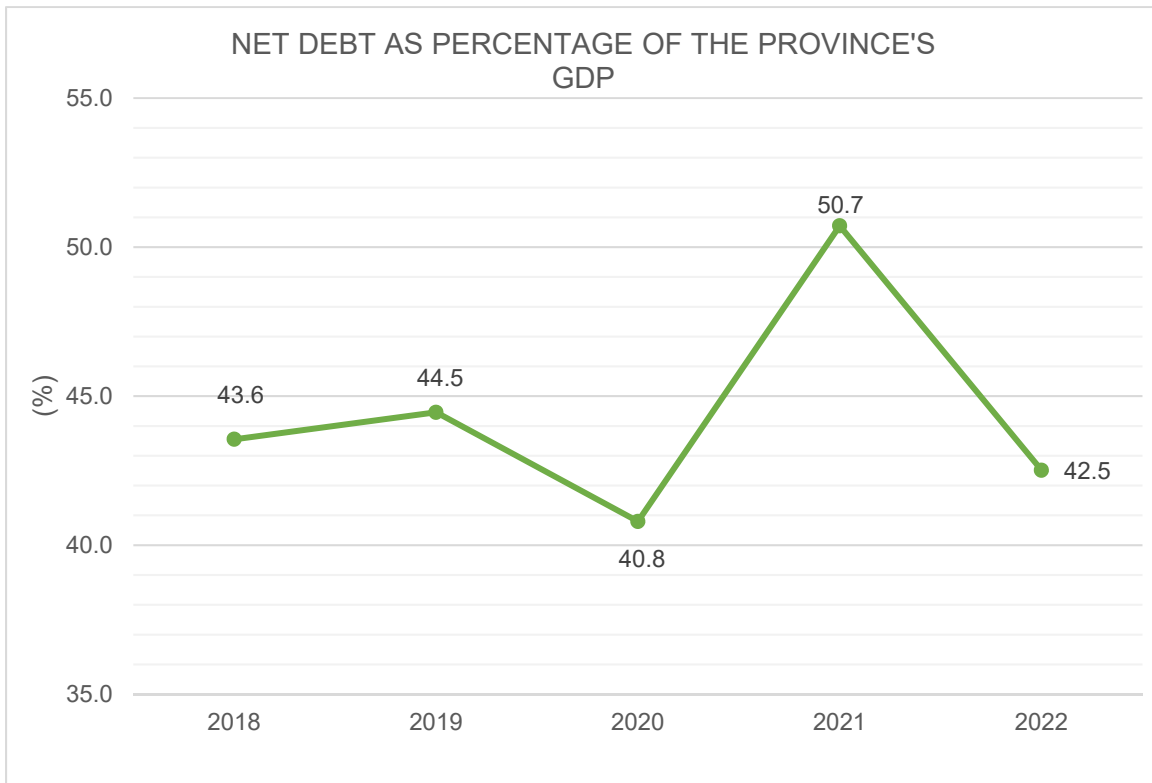
<sup>[1]</sup> Source: Statistics Canada, Centre for Demography

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

This ratio measures the level of debt that the Province carries as a percentage of its **GDP**.

As presented in the following graph, there has been a decrease in net debt as a percentage of GDP in the current year as the economy has been recovering due to the lifted restrictions of the COVID-19 pandemic. The lower ratio in 2019-20 was a result of federal source revenue stemming from the Atlantic Accord (2019), however, the ratio reached its peak in 2020-21, which can be attributed to the decrease in GDP due to the economic impacts of the pandemic. On a five-year basis, the relationship implies that the rate of increase in GDP has been greater than the rate of increase in net debt and as such, it indicates that Government has slightly decreased its demands on the provincial economy during this time.

The 2021-22 ratio is 42.5%, a decrease of 8.2 percentage points from 2020-21. The average of this ratio over the past five years is 44.4%. Since 2018, the ratio has decreased by 1.1 percentage points.



Note: Figures shown in the above graph use the GDP figures from Newfoundland and Labrador Statistics Agency's website (Selected Economic Indicators Forecast 2012-2026f published as of April 6, 2022). The GDP figures have been restated based on the real GDP for 2018 to 2021.

## NET DEBT AND ACCUMULATED DEFICIT

For the fiscal year ended 31 March 2022, net debt of \$16.4 billion included net borrowings of \$17.2 billion. Net debt for the fiscal year ended 31 March 2022 increased from the previous year by \$0.4 billion or 2.2% and net borrowings increased by \$1.1 billion which represents a 6.8% increase.

The net debt is the difference between total financial assets of \$12.1 billion and liabilities of \$28.5 billion. The Province's net debt, less non-financial assets of \$5.0 billion, results in an accumulated deficit of approximately \$11.4 billion.

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

(\$ billions)	2022	2021	2020	2019	2018
Borrowings (net of sinking funds)	17.2	16.1	15.1	13.0	11.7
Unfunded Pension Liability	4.6	4.9	4.9	4.9	5.0
Group Health and Life Insurance Retirement Benefits	3.4	3.2	3.1	3.0	2.9
Other Liabilities	3.3	3.5	3.0	2.6	2.9
Less: Total Financial Assets	(12.1)	(11.7)	(11.7)	(8.1)	(7.8)
Net Debt	<b>16.4</b>	<b>16.0</b>	<b>14.4</b>	<b>15.4</b>	<b>14.7</b>
Less: Tangible Capital Assets	(4.8)	(4.7)	(4.6)	(4.5)	(4.4)
Less: Other Non-financial Assets	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Accumulated Deficit	<b>11.4</b>	<b>11.2</b>	<b>9.7</b>	<b>10.8</b>	<b>10.2</b>

As shown in the previous table, accumulated deficit and net debt have both increased from 2018 to 2022. This can be attributed primarily due to additional borrowings of \$5.5 billion obtained by the Province during this period; this is an increase of 47.2% over the net borrowings of \$11.7 billion in 2018.

## BORROWINGS

For the fiscal year ended 31 March 2022, net borrowings totaled \$17.2 billion and increased by \$1.1 billion from 2021. For the current fiscal year, borrowings attributed for 60.4% of total liabilities.

## DEBT RELATED RISK

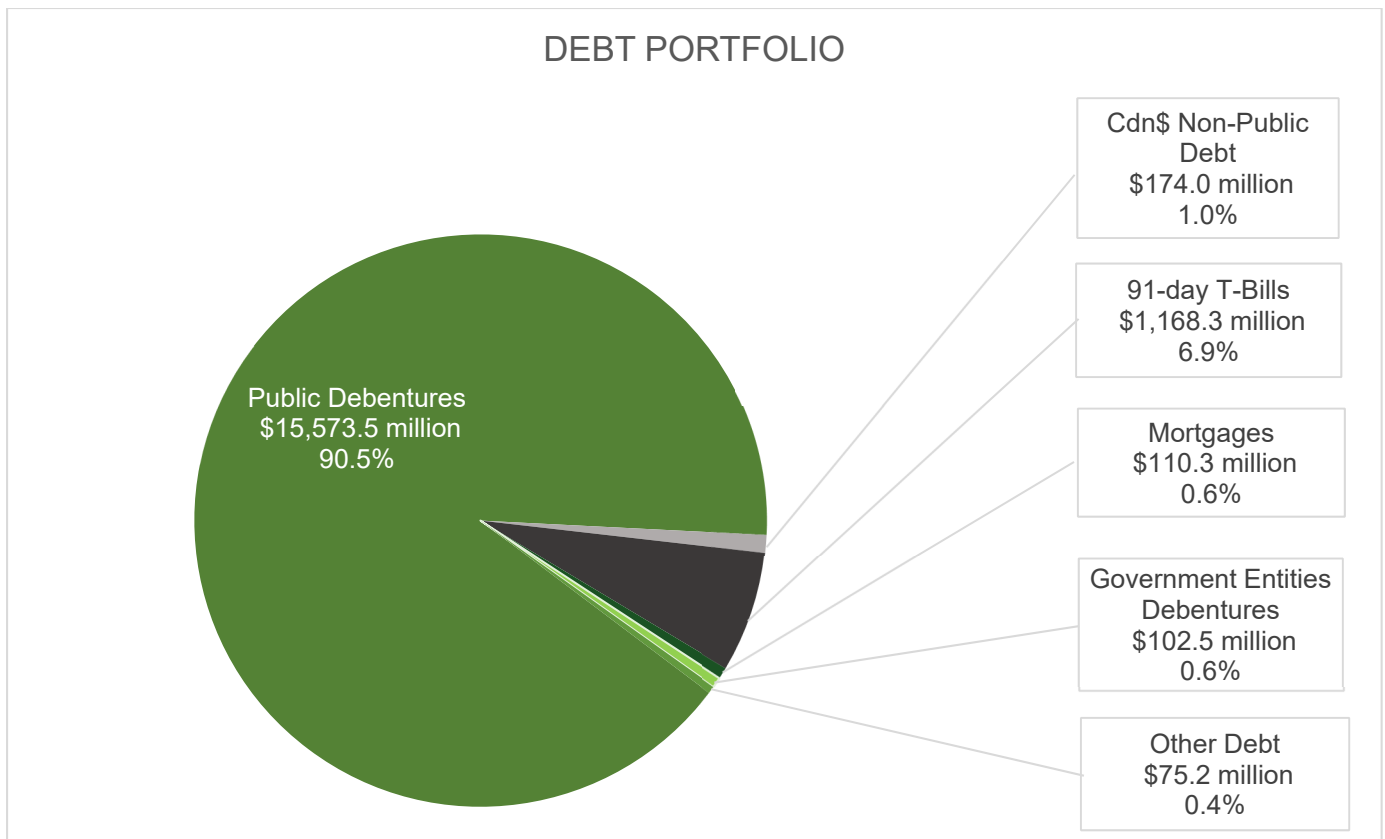
The practice of borrowing in both domestic and foreign currencies may potentially give rise to a number of risks including foreign exchange risk, liquidity risk, interest rate risk, and credit risk.

- **Foreign exchange risk:** Foreign exchange risk exists when a financial transaction is denominated in a currency other than that of the base currency of the Province (CAD). While the majority of the Province's debt is domestic in nature, there are a number of US dollar denominated debt issues. All of these are long-term issues and the Province has established sinking funds, also in US dollars, to provide repayment of the debt at maturity. An increase/decrease of one cent in the foreign exchange rates at 31 March 2022 would result in an increase/decrease in foreign borrowings of \$4.0 million (31 March 2021 - \$6.0 million). Original Budget 2021-22 forecasts the US-Canada exchange rate to be \$0.796. This estimate is based on an average of eight forecasts and was a prudent estimate based on best available information. The average US-Canada exchange rate for 2021-22 was \$0.798 (2020-21 - \$0.757).
- **Liquidity risk:** Liquidity risk is the risk that a party cannot meet its short-term debt obligations. Exposure to liquidity risk is managed by distributing debt maturities over several years, maintaining sinking funds for the repayment of certain long-term debt issues and holding adequate cash reserves or short-term borrowings as contingent sources of liquidity.
- **Interest rate and credit risk:** Interest rate risk is the risk that debt-servicing costs will increase due to changes in interest rates. Credit risk is the risk that a loss may occur from the failure of another party to meet its obligations under a financial instrument contract. To mitigate these risks, the Province's debt portfolio is structured such that a high degree of its debt is long-term with fixed interest rates and fixed repayment terms. When appropriate and the option is available, debt with high interest rates has been called and refinanced with new lower interest rate debt. Otherwise, debt is generally held until maturity. Additionally, the Province attempts to manage its exposure to these risks and minimize volatility in its debt expenses by following a conservative debt and risk management strategy.

## DEBT PORTFOLIO

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

- \$15.6 billion in public debentures, of which 20% are due in 25 years or more, pertaining to the Consolidated Revenue Fund. 98% is Canadian while the remaining 2% is foreign debt (US).
- \$1.2 billion of 91-day T-bills (floating-rate revolving debt).
- \$174.0 million of Canadian non-public debentures; Canadian Pension Plan (CPP) related debt.
- \$110.3 million in various mortgages and debt assumed relating to electricity generating assets. Mortgages pertaining to Canada Mortgage and Housing Corporation (CMHC) represents 61% of total mortgages.
- \$102.5 million in debenture debt held by government entities.
- \$55.6 million in various other debt including \$1.4 million in short-term bankers' acceptances.
- \$19.6 million in loans with both fixed and variable interest rates for the purposes of funding student transportation for schools.



## CREDIT RATING

Short-term and long-term ratings have remained the same as the prior year as pressure from the pandemic and economy continued across the globe. However, the improved outlook can be attributed to increased mineral production and tourism spending offset by declines in oil production.

Moody's Investors Service's (Moody's) updated the outlook on the short-term and long-term ratings from negative to stable due to the expectation of a stabilizing debt burden and an assessment of reduced risk regarding the Muskrat Falls Electricity generation project.

Standard and Poor's Financial Services' (S&P) updated the outlook on short-term and long-term ratings from negative to stable due to confidence that the province will maintain fiscal gains precipitated by the run-up in Brent Crude oil prices and the expectation that the Province will continue to demonstrate prudent financial management.

DBRS Morningstar updated the outlook on short-term and long-term ratings from negative to stable given the improving economic and fiscal environment relative to prior expectations, supported by stronger commodity prices and ongoing expenditure restraint.

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

	<b>Long-Term</b>	<b>Short-Term</b>	<b>Outlook</b>	<b>Date</b>
S&P	A	A-1	Stable	July 25, 2022
Moody's	A1	Not rated	Stable	July 12, 2022
DBRS Morningstar	A (low)	R-1 (low)	Stable	August 17, 2022

## NON-FINANCIAL ASSETS

The total non-financial assets of \$5.0 billion in 2021-22 included prepaid and deferred charges of \$67.7 million; inventory of supplies of \$110.0 million; and tangible capital assets of \$4.8 billion, the most significant component.

### Tangible Capital Assets

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

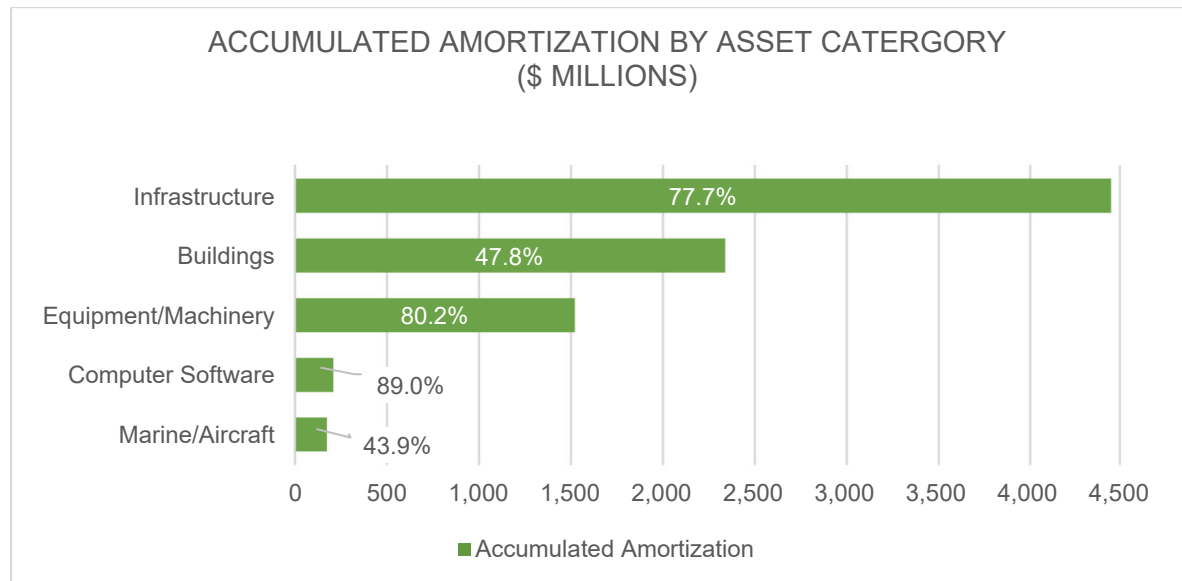
### Accumulated Amortization

Total accumulated amortization of tangible capital assets (excluding work in progress assets) represents 66.1% of the cost of tangible capital assets. The most significant of the asset categories that are amortized are computer software and equipment and machinery where 89.0% and 80.2% of the original cost has been amortized respectively.

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

The Province currently has a number of projects under construction or development. Work in progress assets consists of \$328.4 million as at 31 March 2022 which is a \$255.9 million or a 43.8% decrease from 2021. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

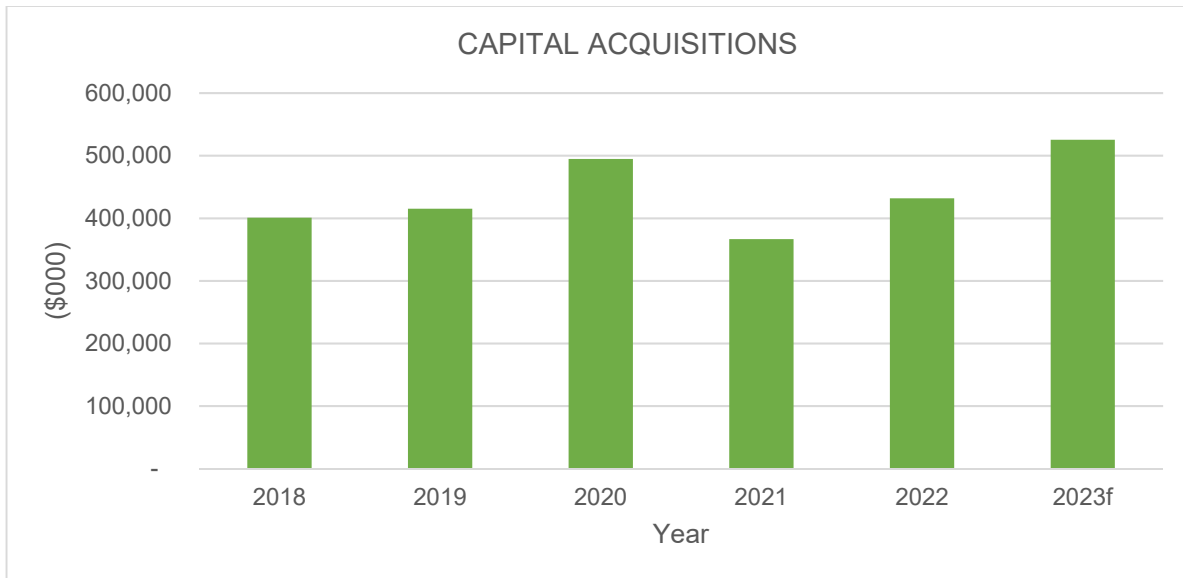
The following chart presents the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2022.



### Capital Acquisitions

Capital acquisitions in the current year totaled approximately \$431.7 million and includes capital additions of \$686.8 million, net additions to work in progress assets of \$198.4 million, less \$453.5 million of work in progress assets capitalized in the year. Acquisitions increased in 2021-22 by \$65.1 million from 2020-21 (\$366.6 million) due to the economic recovery from the COVID-19 pandemic. The Province continues to invest in capital assets and is forecasting to increase capital acquisitions to \$525.3 million in 2022-23.

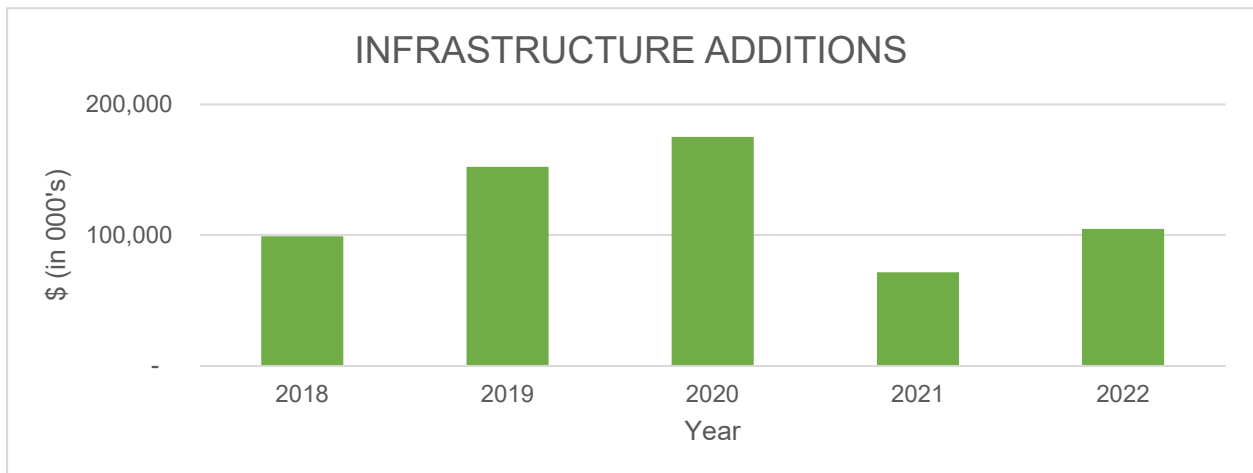
Original Budget for fiscal 2022-23 invests \$567.0 million (both capital acquisitions and repairs and maintenance costs) in key infrastructure areas including roads, health care facilities, and municipal infrastructure projects to help improve access to services and secure new transportation networks while stimulating economic activity. Acquisitions to tangible capital assets for the past five years were reported as follows:



### Infrastructure Additions

Although infrastructure is reported as 77.7% amortized, this does not necessarily describe the age of this asset category. The Province continues to invest in roads, bridges, waterways and dams. The following graph presents reported infrastructure additions for the last five fiscal years. Note that this graph does not include work-in-progress infrastructure.





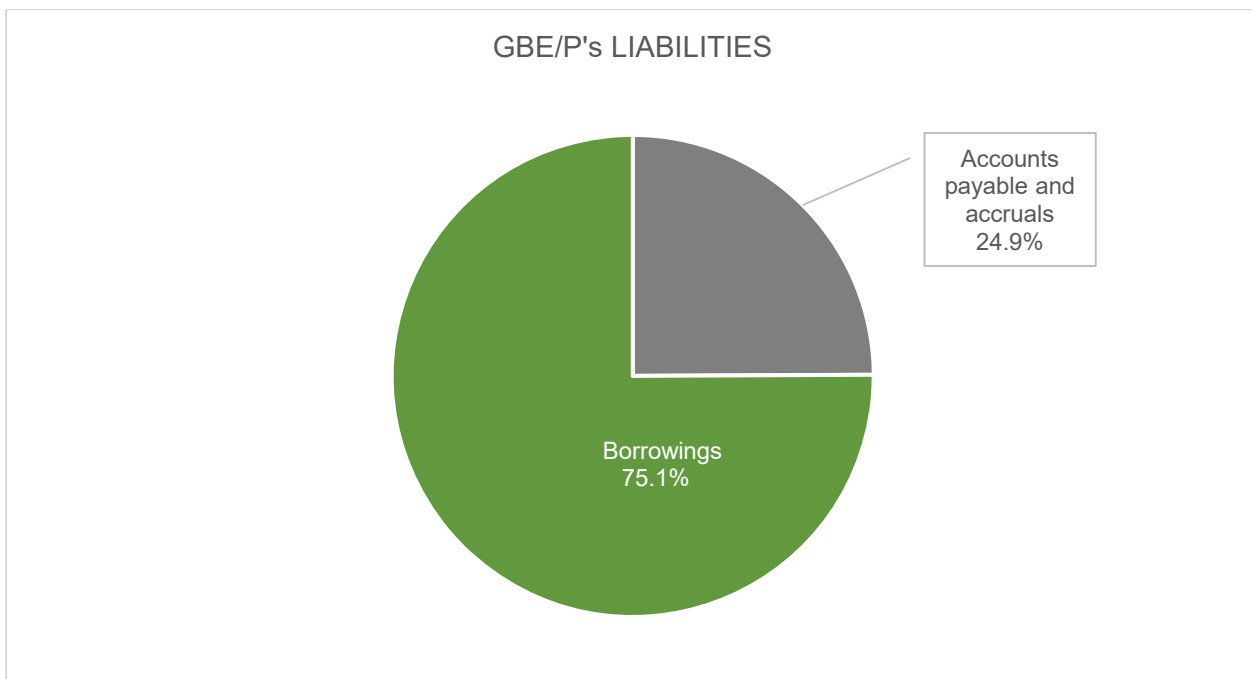
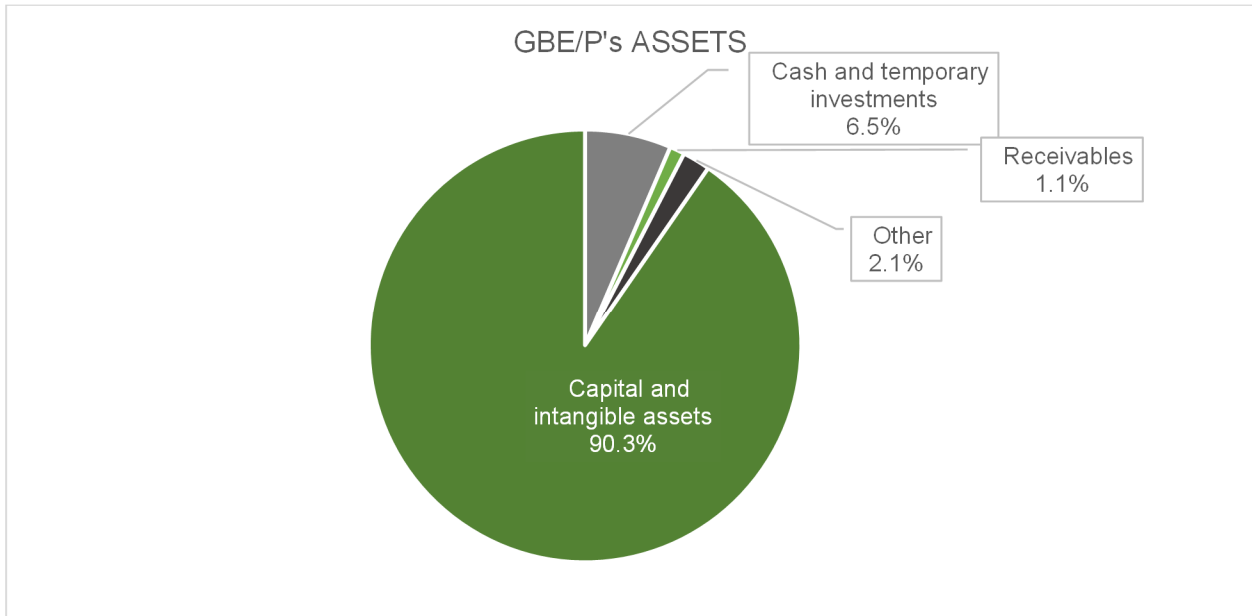
## **GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP**

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

### **Equity In Government Business Enterprises and Partnership**

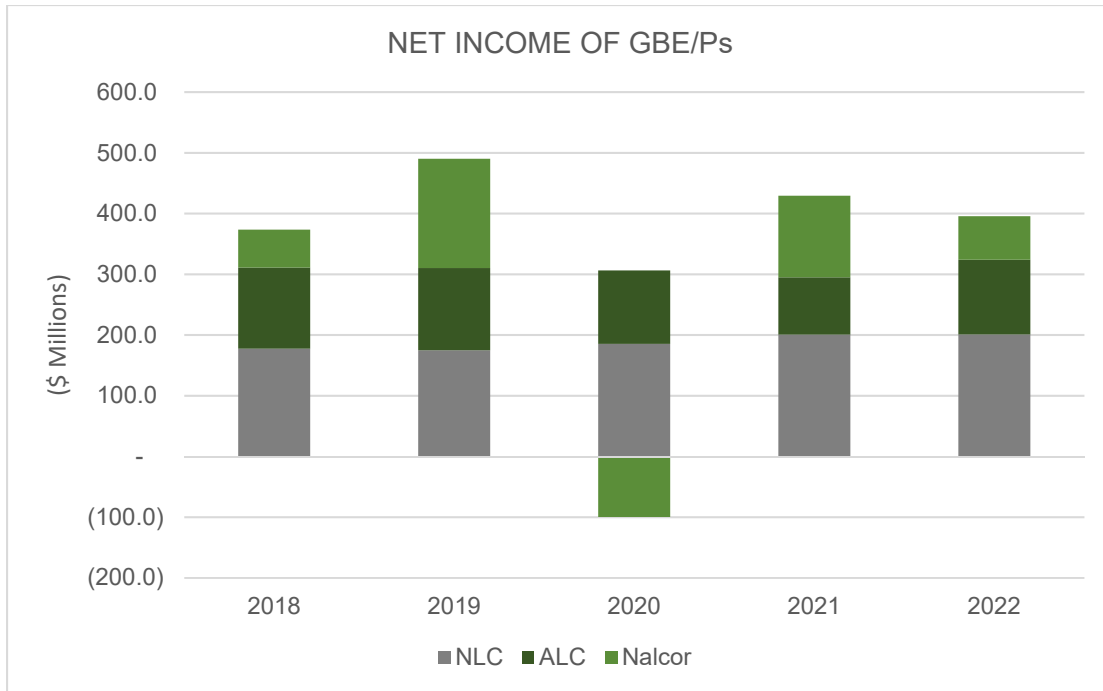
Equity in GBEs and GBPs account for more than half of the Province's consolidated financial assets in 2021-22. Financial figures for ALC, NLC, and Nalcor can be found in Schedules 3 and 4 of the Consolidated Summary Financial Statements.

GBEs and GBPs are considered investments therefore their assets and liabilities are not combined with the assets and liabilities of other government entities; they are recorded in one line as 'Equity in government business enterprises and partnership' on the Consolidated Statement of Financial Position. To provide further information on the financial position of these organizations the following provides an overview of their asset and liability components. A significant portion of these components pertain to Nalcor. In fact, 99.8% of GBE/GBP borrowings relate to Nalcor as does 99.7% of the GBE/GBP capital and intangible assets.



**Net Income of Government Business Enterprises and Partnership**

The following graph shows the five-year trend in GBEs and GBPs net income. Total net income for the current year from GBE/GBPs was \$395.5 million. This is a decrease of \$33.9 million and 7.9% from 2020-21 (\$429.4 million). The decrease in net income was mainly due to the financial results from Nalcor, reporting net income of \$71.6 million in the fiscal year, which was a decrease in profit of \$62.9 million from 2020-21.



Key drivers relating to the decrease of \$63.0 million in net income for Nalcor relate to the following:

- Expenses increased by approximately \$146.0 million primarily relating to:
  - \$194.0 million increase due to the net impact of Hibernia Southern Extension Redetermination and an unfavorable variance in the settlement of commodity price swap contracts.
  - \$36.0 million decrease in fuel costs due to reduced consumption and price of fuel.
  - \$11.0 million decrease due to the lower cost of power purchases over the Maritime Link.
  - \$1.0 million net decrease in various other sources.
- Although, net income decreased in comparison to the previous fiscal year, revenue increased by approximately \$83.0 million primarily due to:
  - \$44.0 million increase in revenue as a result of higher than anticipated oil prices.
  - \$28.0 million increase in revenue due to higher average export electricity prices.
  - \$9.0 million increase in revenue attributed to raised energy sales.
  - \$2.0 million net increase in various other sources.

## Investment in Government Business Enterprises and Partnership

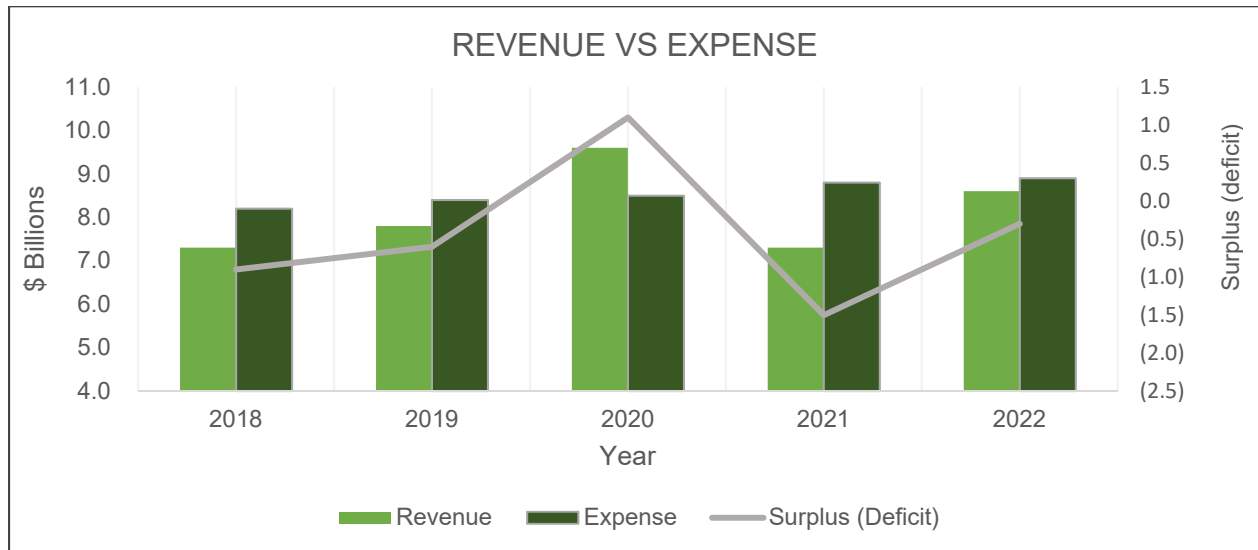
ALC and NLC transferred a combined total of \$333.1 million in dividends to the Province. Equity contributions to Nalcor have generally decreased over the last 5 years. Capital transfers from the Province include \$250.0 million for the Lower Churchill Project.

### Capital Transactions

	2018	2019	2020	2021	2022
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
<b>Equity Contributions from the Province:</b>					
Nalcor	589,885	533,658	379,200	1,000	250,000
NLC	-	-	-	-	-
ALC	-	-	-	-	-
<b>Total</b>	<b>589,885</b>	<b>533,658</b>	<b>379,200</b>	<b>1,000</b>	<b>250,000</b>
<b>Dividends Received by the Province:</b>					
Nalcor	-	-	-	-	-
NLC	180,000	183,600	168,500	195,000	210,000
ALC	130,084	131,705	118,666	94,392	123,111
<b>Total</b>	<b>310,084</b>	<b>315,305</b>	<b>287,166</b>	<b>289,392</b>	<b>333,111</b>

## FINANCIAL OPERATIONS

For the fiscal year ended 31 March 2022, total revenue was \$8.6 billion (31 March 2021 - \$7.3 billion) and total expenses were \$8.9 billion (31 March 2021 - \$8.8 billion), resulting in a provincial deficit of \$0.3 billion (31 March 2021 - \$1.5 billion). The Province reported revenues and expenses for the previous five years as follows:



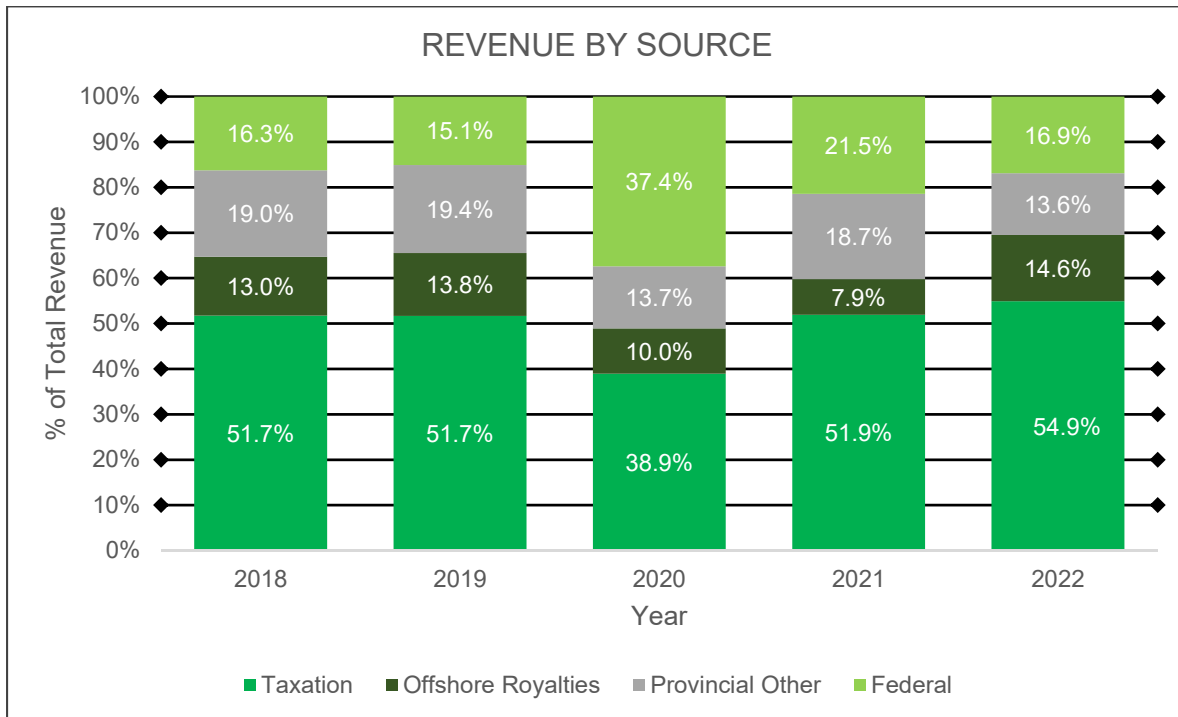
In the previous graph, the five-year trend in surplus (deficit) is shown in relation to revenues and expenses. The Province has incurred deficits in four of the last five years with the highest deficit in 2020-21 reaching \$1.5 billion. Fiscal 2019-20 experienced a surplus of \$1.1 billion mainly due to federal source revenue from the Atlantic Accord (2019).

## Revenue Highlights

Revenues of \$8.6 billion for 2021-22 were \$0.1 billion higher than the Original Budget of \$8.5 billion. Reported revenues in 2020-21 were \$7.3 billion. Compared to the prior year, revenues increased by \$1.3 billion primarily due to increases in sales tax, corporate income tax, and mining and mineral rights taxes and revenues associated with offshore activities.

### Revenues by Source – Five Year Trend

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



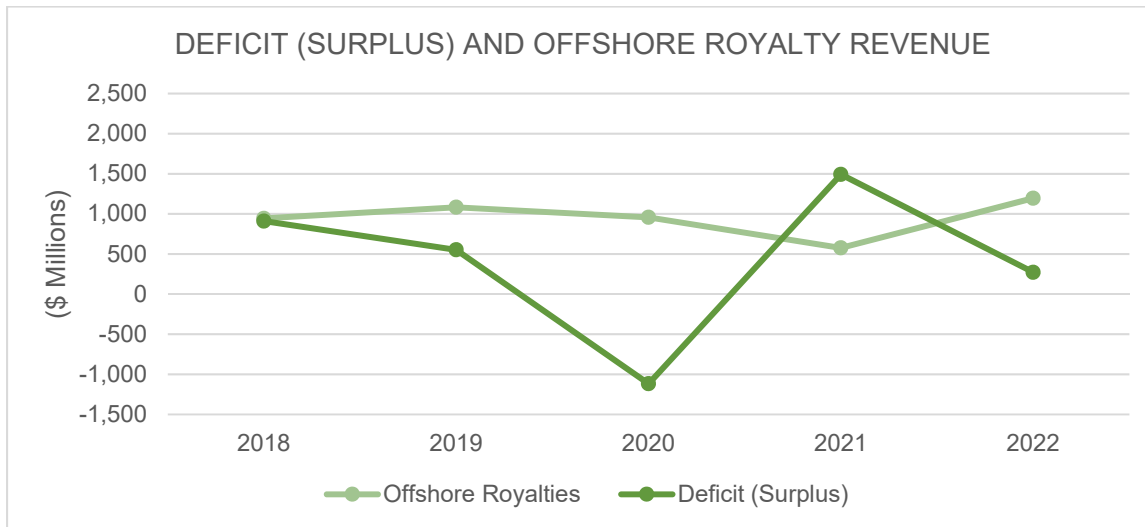
### Offshore Royalties

Oil royalties, which were forecasted at Original Budget to be \$1.1 billion, resulted in actuals of \$1.2 billion. Offshore oil royalty revenue was \$136.7 million higher than projected primarily due to higher oil prices and higher Hebron production, partially offset by lower Hibernia production. The average oil price for the year was \$80.85 US, \$16.85 higher than the \$64.00 US forecasted at original budget time. Compared to previous year, offshore royalties were \$619.6 million higher in 2021-22. This increase is mainly attributed to significantly higher oil prices, partially offset by lower Hibernia, White Rose, and Hebron production and higher CAD/USD exchange rates.

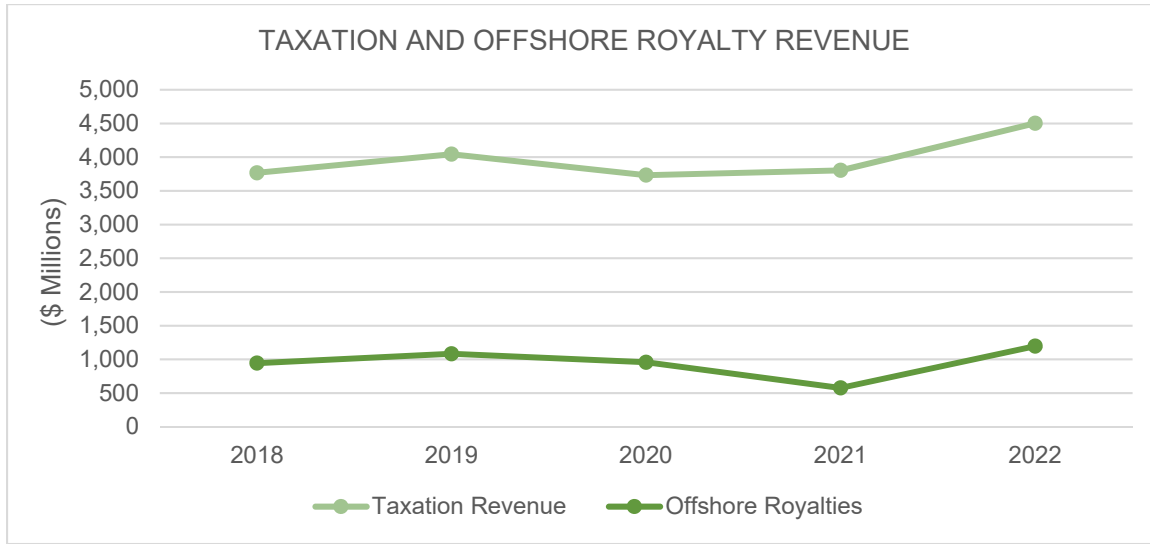
Total oil production was 5.2 million barrels lower than projected due to lower Hibernia production than forecasted offset by higher White Rose and Hebron output.

Offshore Oil Royalties, Actuals and Original Budget For Fiscal year ended 31 March 2022			
	Actuals	Budget	Variance
Royalties (\$M)	\$1,196.0	\$1,059.3	\$136.7
Average oil price per barrel (\$US)	\$80.85	\$64.00	\$16.85
Average exchange rate (\$US/\$CA)	0.798	0.796	0.002
Production (millions of barrels):			
Hibernia	34.5	41.6	(7.1)
Terra Nova	-	-	-
White Rose	6.9	6.7	0.2
Hebron	49.7	48.0	1.7
Total Oil Production	91.1	96.3	(5.2)

Notes: Figures shown are for fiscal year 2021-22, and will differ from the calendar year figures presented in *The Economy* publications. Variances and totals may not calculate, due to rounding.



## Offshore Royalty and Taxation Revenue – Five Year Trend



### Taxation Revenue

- Actual results for fiscal 2021-22 in comparison to the prior year resulted in increased revenues of \$697.6 million attributed to:
  - \$305.2 million increase in sales tax primarily due to higher Finance Canada estimates relating to prior year adjustments.
  - \$244.0 million increase in corporate income tax primarily due to improved federal government outlook for 2021 and 2022 national corporate income tax, higher Newfoundland and Labrador share of tax base due to strong mining sector performance, and a large prior year settlement payment reflecting stronger 2020 tax assessments.
  - \$75.4 million increase in mining and mineral rights tax primarily due to higher iron ore prices.
  - \$50.0 million increase in personal income tax primarily due to positive household income growth and higher Finance Canada estimates.
  - \$35.2 million increase in carbon tax primarily due to an increase in carbon tax rates effective July 1, 2021.
  - Partially offset by a \$28.2 million decrease in tobacco tax primarily due to lower consumption of tobacco products.
  - \$16.0 million net increase in other taxation revenue sources.
  
- Actual results for fiscal 2021-22 in comparison to the Original Budget resulted in an increase of \$457.7 million relating to:
  - \$221.6 million increase in sales tax primarily due to Finance Canada entitlements reflected higher than expected consumer expenditure and higher than expected expenditure on other HST bases.
  - \$192.1 million increase in corporate income tax primarily due stronger than anticipated 2020 tax assessments and lower than anticipated COVID-19 impacts on the operating results of corporations.
  - \$130.6 million increase in mining and mineral rights tax primarily due to higher iron ore prices.



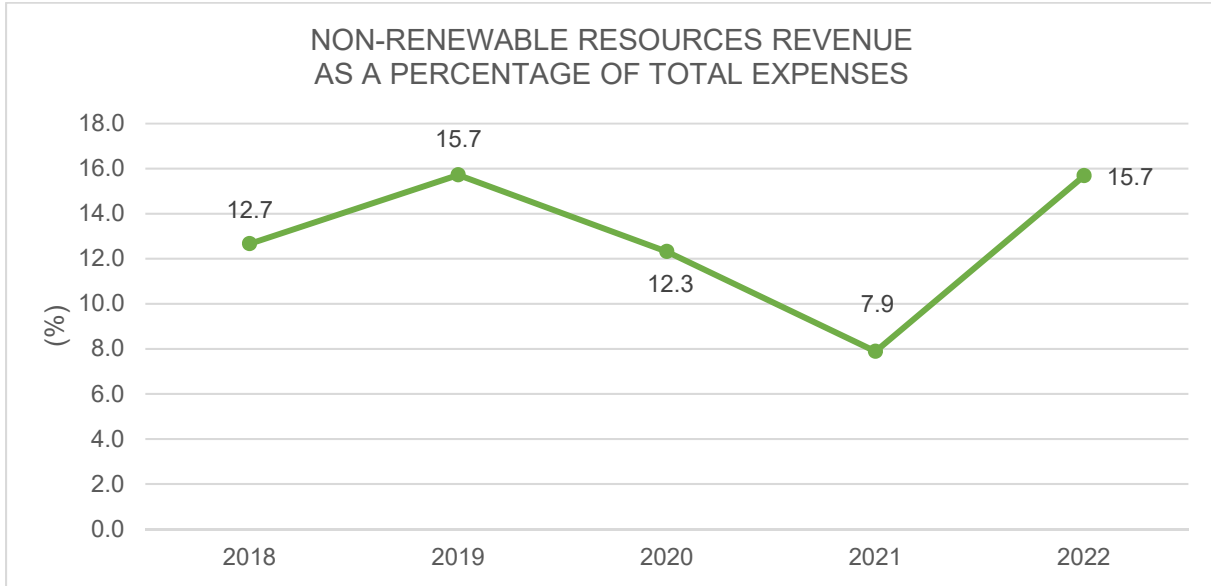
- Partially offset by decreases in the following revenues:
  - \$29.0 million decrease in personal income tax primarily due to a larger than anticipated distribution of taxable income in lower tax brackets for the 2020 tax year.
  - \$33.9 million decrease in tobacco tax and vapour products tax primarily due to lower than expected consumption.
  - \$40.8 million decrease in carbon tax and gasoline tax due to lower than expected consumption.
- \$17.1 million net increase in other taxation revenue sources.

## **Federal Source Revenue**

- There was a decrease of \$185.3 million in 2021-22 federal source revenue in comparison to the prior year, primarily related to a decrease in Atlantic Accord revenue of \$126.6 million. In accordance with *Canadian Public Sector Accounting Standards*, the Province recorded the full Hibernia Dividend Backed Annuity Agreement revenue stream in fiscal 2019-20, totaling \$2.4 billion (\$3.3 billion guaranteed revenue stream over 38 years less the \$800 million payment to the Government of Canada and the estimated Canada Hibernia Holding Corporation (CHHC) provincial taxes pertaining to this Agreement). Due to the positive outlook in the Oil and Gas industry and increased oil prices, there has been an increase in the estimated CHHC taxes pertaining to this agreement. This resulted in a negative adjustment of \$109.5 million to the previously recorded Atlantic Accord revenues. In addition, cost-shared revenues decreased by \$63.2 million from the prior year mainly attributed to pandemic related funding.
- Actual results for fiscal year 2021-22 in comparison to the Original Budget resulted in a decrease of \$503.1 million, mainly related to lower than anticipated revenue in other programs (\$352.7 million) and Atlantic Accord revenue (\$109.5 million). The decreased other federal revenue can mainly be attributed to less than anticipated federal funding to support the oil and gas industry. Additionally, Atlantic Accord revenues were lower than anticipated as a result of a revised estimate for CHHC taxes.

**NON-RENEWABLE RESOURCES REVENUE AS A PERCENTAGE OF TOTAL EXPENSES**

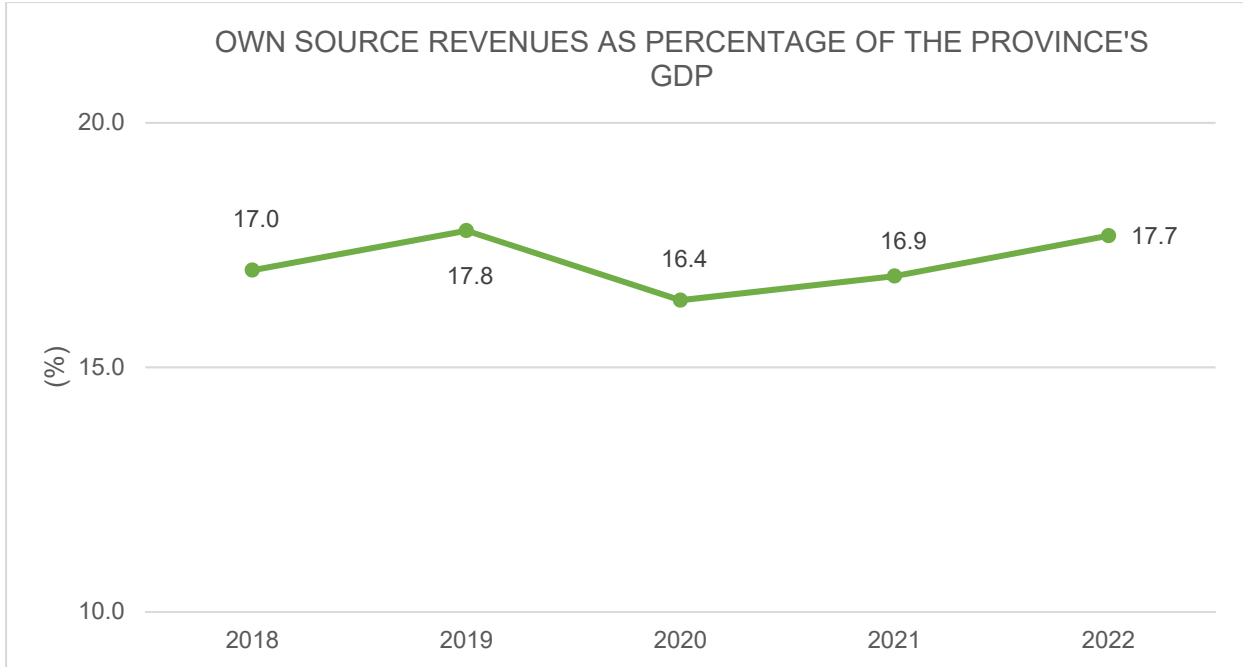
- Non-renewable resources revenue is affected by price, sales and other factors that are often beyond the Province’s direct control. Non-renewable resources revenue as a percentage of total expenses is an indicator of how vulnerable the Province is as a result of its dependence on non-renewable resources revenue to fund its expenses.
- The following graph indicates that the Province’s non-renewable resources revenue as a percentage of total expenses has increased from 12.7% in 2018 to 15.7% in 2022.



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

**PROVINCIAL REVENUES AS A PERCENTAGE OF GDP**

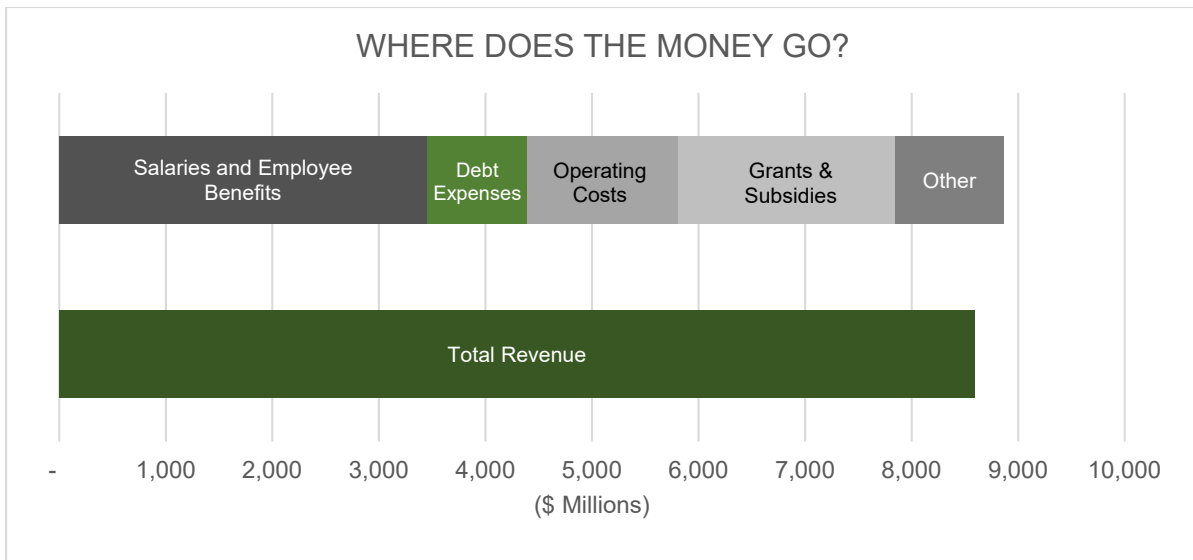
- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that provincial revenues as a percentage of GDP in the current year decreased from 2020-21. The Province’s GDP increased in 2021-22 which coincided with an increase in revenue.
- The 2021-22 own source revenues as percentage of the Province's GDP ratio is 17.7%. The percentage increased 0.8 percentage points from 16.9% in 2020-21. This ratio is higher than the five-year average of 17.2%.



Note: Figures shown in the above graph use the GDP figures from Newfoundland and Labrador Statistics Agency's website (Selected Economic Indicators Forecast 2012-2026f published as of April 6, 2022). The GDP figures have been restated based on the real GDP for 2018 to 2021.

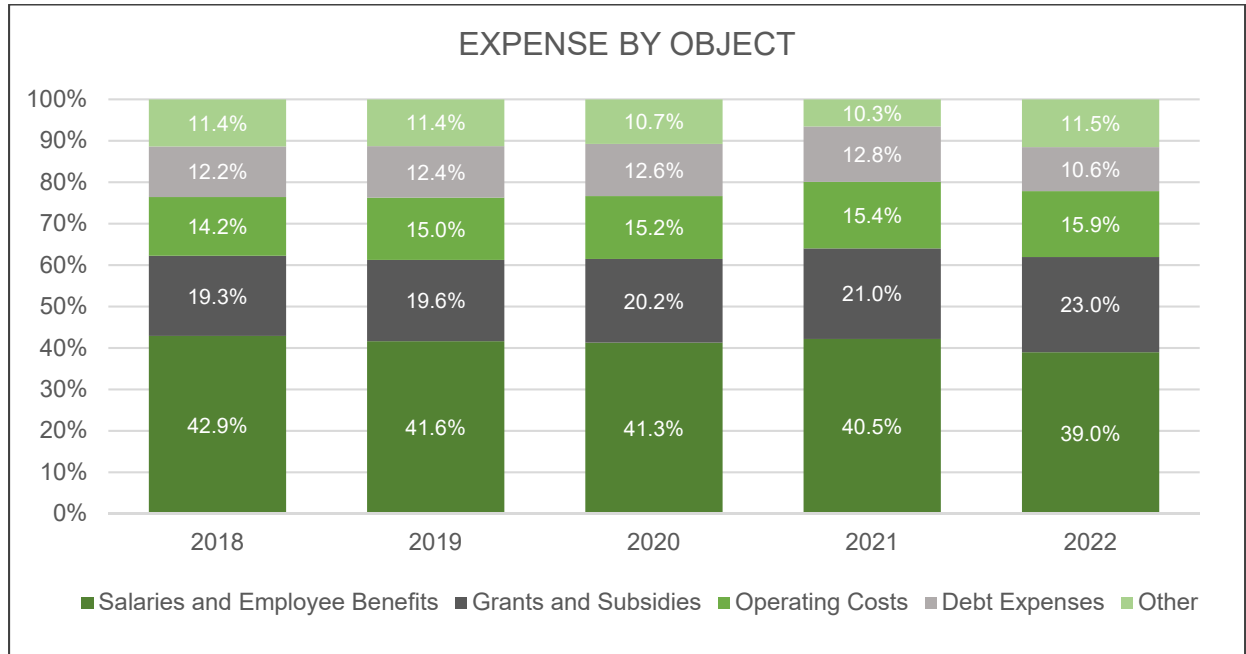
**EXPENSE HIGHLIGHTS**

The Province's expenses are classified into the following: salaries and employee benefits; grants and subsidies; operating costs; debt expenses; and other expenses including professional services; amortization and (gain)/loss on the sale of tangible capital assets; property, furnishings and equipment; and valuation allowances (recovery). Total expenses of \$8.9 billion were \$475.8 million lower than the Original Budget (\$9.3 billion) and increased by \$47.9 million from the previous year. Salaries and employee benefits was the Province's largest expense in each of the last five years.



### Expenses by Object

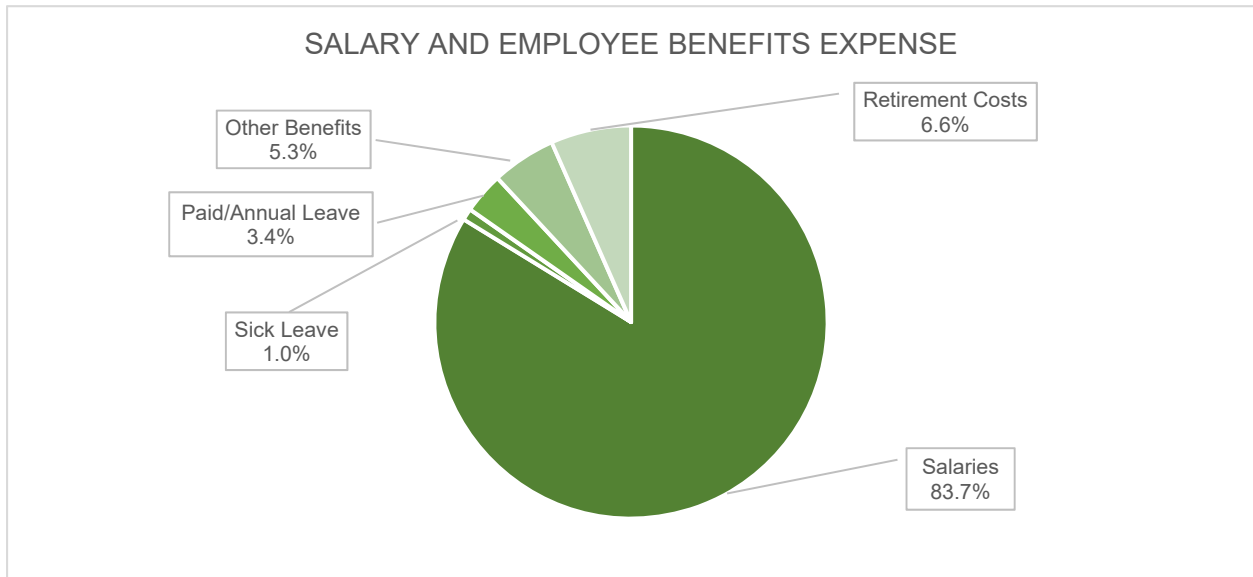
The following graph presents the percentage of expenses by object for the previous five-year period. The most significant expense type in 2021-22 was salaries and employee benefits, reflecting the nature of government in providing services to the Province. However, salaries and employee benefits expense as a percentage of total expenses has decreased 3.9 percentage points over the five year period.



### Salaries and Employee Benefits

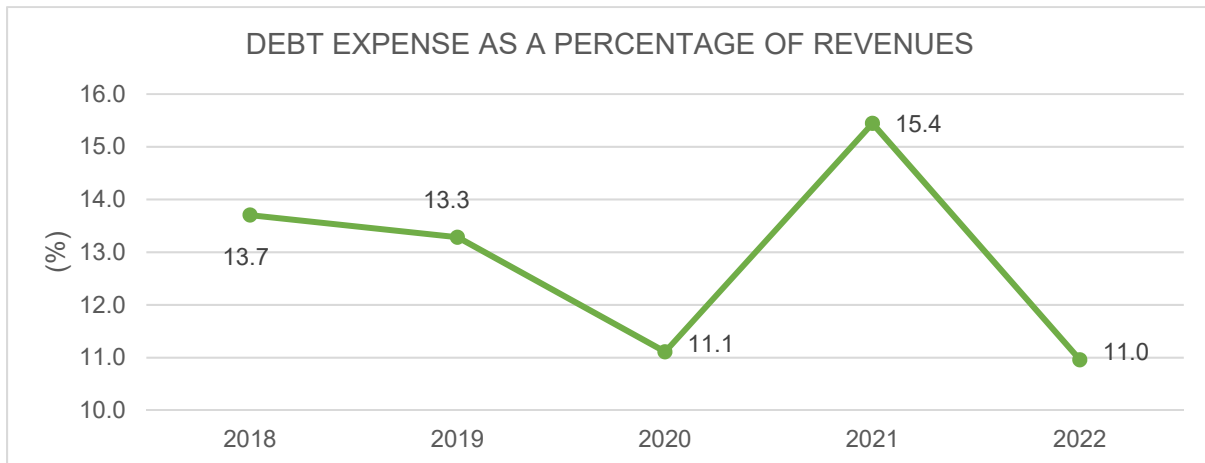
Salaries and employee benefits consists of the following:

	2022 (\$mil)	2021 (\$mil)
Salaries	2,890.7	2,805.5
Retirement costs	232.0	415.9
Other benefits	181.5	173.0
Paid and annual leave	116.6	117.0
Severance	1.0	2.7
Sick leave	33.2	54.6
<b>Total</b>	<b>3,455.0</b>	<b>3,568.7</b>



## Debt Expense

The following graph presents the percentages of revenues used to pay debt expenses for the past five years. In 2021-22, the Province spent 11.0 cents of each revenue dollar on interest (15.4 cents in 2020-21). This ratio has decreased 19.7% over the five year period. The decrease in this ratio for 2021-22 is primarily driven by decreased debt expenses and higher revenues compared to the prior year.



## Compared to Previous Year

The increase in total expenses of \$47.9 million from 2020-21 to 2021-22 can be attributed to the following:

- Increase of \$184.6 million in grants and subsidies is mainly attributed to the Oil and Gas industry recovery assistance program. This is offset by a decrease in program expenses related to restarting the provincial economy as a result of the COVID-19 pandemic which were one time in nature.
- Increase of \$53.9 million in operating costs is mainly related to costs incurred by the Newfoundland and Labrador English School District for the provision of Chromebooks.
- Increase of \$45.3 million in property, furnishings and equipment is attributed to Memorial University of Newfoundland equipment purchases related to the new Core Science Facility and building repairs, as well as an increase in expenditures for the regional health authorities related to personal protective equipment.
- Increase of \$34.8 million in professional services primarily due to higher expenses related to fees for services in health care and other advisory services within Government.
- Decrease of \$190.1 million in debt expenses primarily related to amortization of experience gains on the pension fund assets incurred in 2020-21, as well as decreases in debenture and treasury bill interest rates.
- Decrease of \$113.7 million in salaries and employee benefits primarily due to a decrease in retirement, sick leave and severance costs; partially offset by increased staffing resources in the education and health care sectors.
- \$33.1 million net increases in various other expenses.

## **Compared to Original Budget**

Actual expenses for 2021-22 resulted in a \$475.8 million decrease compared to the Original Budget (\$9.3 billion). The decrease in expenses can be primarily attributed to the following:

- Decrease of \$482.8 million in grants and subsidies mainly due to lower than anticipated expenditures associated with oil and gas industry support and lower municipal infrastructure program costs due to program delays and lower program demand. In addition, there was less than anticipated use of contingency funds related to unforeseen expenditures as a result of COVID-19 pandemic impacts and lower than anticipated disaster assistance claims received.
- Decrease of \$88.6 million in salaries and employee benefits, primarily related to savings from attrition, vacancies and recruitment delays as well as the timing of the completion of the collective bargaining process; partially offset by greater than anticipated expenses in the health care sector related to the pandemic.
- Increase of \$108.2 million in operating costs mainly related to higher than anticipated expenditures as levels of on-campus and in-school activities returned to pre-COVID-19 levels and higher than anticipated regional health authority community support costs due to the COVID-19 pandemic.
- \$12.6 million in net decreases in various other expenses.

## **RISK ANALYSIS**

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

Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 20 – Measurement Uncertainty, of the consolidated financial statements of this publication.

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

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

For over two years, the global COVID-19 pandemic has caused significant disruption to social and economic practices. Most countries around the world have returned to pre-pandemic practices, but the possible emergence of more variants of concern across the globe continues to create uncertainty.

## **OPPORTUNITIES**

While there is a greater degree of uncertainty than usual regarding the medium-term economic outlook for the Province due to the global pandemic, the war in Ukraine and high global inflation rates, there is reason to be optimistic in the longer term. Various opportunities in the economic forecast exist for oil and gas, wind-powered green hydrogen production, mining, aquaculture, technology and manufacturing industries.

### **Oil and Gas**

- Hibernia oil production is set to resume drilling by the end of 2022 and the Hebron project continues to produce oil at a steady pace. Both of these oilfields are anticipated to continue producing beyond 2040.
- Suncor Energy reached an agreement to restructure ownership and move forward with the Terra Nova Asset Life Extension (ALE) project. In addition, the Terra Nova Floating Production, Storage and Offloading (FPSO) vessel is expected to resume production near the end of this year, and the Terra Nova project has an estimated 81 million barrels of oil of recoverable reserves remaining.
- Cenovus Energy announced plans to restart the \$3.2 billion West White Rose project (WWRP) this year, partnering with Suncor Energy, who increased its share of the project from 27.5 to 44.0 percent. WWRP is anticipated to generate nearly \$20 billion in gross domestic product and more than \$7 billion in employment income for the Province across the extended useful life (14 years) of the oil field and give Cenovus access to an additional 200 million barrels of oil. The project will also create approximately 250 permanent platform jobs.



- Equinor's Bay du Nord project received environmental approval from the Government of Canada in April 2022. This project is also expected to generate significant economic benefits for the Province. Initial reserve estimates totaled approximately 300 million barrels of recoverable oil with an expected field life between 12 and 20 years and 11,000 person-years of in-province employment. Due to the recent discoveries at the Cappahayden and Cambriol wells, Equinor continues to redesign the project. The project is now expected to encompass six fields combined into one hub and utilize a larger than planned production facility, with peak production capacity of 200,000 barrels per day.
- Exploration drilling programs have potential to create significant activity in the Newfoundland and Labrador offshore area and bode well for the future of the industry in the Province.

### **Wind to Hydrogen Energy**

- The Province's consistently strong wind resources can be used to generate electricity, including to power the production of green hydrogen. As an energy carrier, green hydrogen is being pursued globally to decarbonize hard to abate sectors, thus creating economic development opportunities for the province. As such, a Crown land nomination and bid process for wind energy projects was announced by Government in July 2022. This fair and transparent, multi-stage process will enable industrial customers to self-generate wind energy for their own consumption, and industrial customers or retailers to generate wind energy for export.
- This competitive approach is being utilized in a manner that will provide the greatest long-term benefits to the Province's residents, and the responsible and sustainable development and use of our clean, renewable energy resources.

### **Mining**

- Mineral exploration expenditures are expected to reach approximately to \$188.8 million in 2022. The high level of staking and claims in good standing will support immediate and near term exploration investment.
- Tacora Resources Inc. is continuing to ramp up to full iron ore production capacity at its reactivated Scully Mines near Wabush and is exploring manganese opportunities.
- Marathon Gold has started construction of its Valentine Lake gold mine project and is expected to produce 173,000 ounces of gold per year once production commences. In addition, Signal Gold Inc. announced an expanded mineral resource estimate for the Point Rouse project.
- Expansion of Vale Newfoundland and Labrador's underground nickel mine is continuing at Voisey's Bay, which produced its first ore from the Reid Brook deposit in June 2021 and the project will extend the mine life to 2034.

### **Aquaculture**

- Aquaculture is an expanding industry that is becoming an increasingly important economic contributor to rural areas of the Province. Aquaculture production is expected to increase as gains from both new sites and expansions to existing sites boost output which should lead to a considerable expansion in production over the next five years.

- Plans for expanded aquaculture production in the Bays West area is anticipated to create employment and economic activity through an estimated production of 15,000 to 20,000 tonnes of Atlantic salmon.

## **Technology**

- Another expanding sector is technology. Investments in technology and innovation and expansion of existing technology companies highlight the growth potential of this industry. With the success of local companies such as Verafin, Mysa Smart Thermostats, and CoLab Software, there has been an increase in employment and opportunities.
- The Province, along with IBM Canada and the Government of Canada, have committed to support Memorial University with a more than \$18 million investment regarding the Centre for Analytics, Informatics and Research and the Accelerated Analytics and Machine Learning initiatives. The collaboration will provide the Province access to high-performance computing and more opportunities for researchers, industry partnerships, and start-up entrepreneurs in the technology sector.

## **Manufacturing**

- Cresta Fund Management purchased a controlling equity in the idled Come By Chance oil refinery in late 2021 and have renamed the company to Braya Renewable Fuels. The company is converting the refinery to make renewable diesel and sustainable aviation fuel. Construction began in 2021 on conversion project and Braya recently indicated that startup is expected in early 2023 (revised from an original plan of second half 2022), with a commitment to maintain employment at no less than 200 full time equivalent positions.

## **RISKS**

The Province's financial position and fiscal forecast are also subject to various risks in the economic forecast. These risks have the potential to significantly impact the provincial economy and, in turn, the Province's fiscal position. These risks pertain to such items as the global COVID-19 pandemic, as well as commodity market and demographic factors.

### **Global Pandemic**

- Full costs related to the global pandemic, including impacts on the health care system, remain uncertain as there is a risk of the emergence of new and more transmissible variants of the COVID-19 virus. With increased vaccine uptake, the outlook for the Province for 2022 improved relative to 2021. As the response to the COVID-19 pandemic continues to evolve, the full extent of COVID-19 impacts remain unknown at this time.
- The resumption of construction activity after some major projects were suspended in 2020 due to the COVID-19 pandemic, such as the West White Rose project, will support the recovery of the economic disruption caused by the pandemic. However, the supply and service chain interruptions due to the pandemic may still impose risks for the Province in meeting construction and development timelines.
- Global tourism activity improved in 2021 as vaccination rates rose and the number of COVID-19 cases fell. The domestic tourism in the Province has been leading the industry's recovery as travel and public health restrictions were eased and borders were re-opened to non-essential travel. The continued recovery of the industry is mainly depending on the spread of COVID-19 and the travelers' and consumers' confidence rebuilding to pre-pandemic levels.
- To help alleviate the negative economic impact caused by the pandemic, during 2020 and 2021, the Government of Canada along with the Province introduced a number of programs including the Offshore Oil and Gas Recovery Fund, the Essential Worker Support program, and the Residential Construction Rebate program.

### **Market and Demographic Factors**

- The global trading environment continued to recover with the assistance of accelerating vaccination programs. However, the outlook remains uncertain as countries re-evaluate existing trading relationships. In addition, the soaring energy prices, following the war in Ukraine, have accelerated increases in interest rates to control global inflation.
- Aging of the population is one of the most important demographic challenges confronting the Province because of its significant implications for program delivery of many public services, in particular health care. On July 1, 2022, the Province had the highest proportion of people aged 65 and older (23.6%) and the lowest proportion of children aged 0 to 14 (13.0%) across Canada. The Province's population increased by 1.1% to 525,972 over the July 1, 2021 to July 1, 2022 period, due to gains from both international and interprovincial migration, partly offset by natural losses (more deaths than births).

## Muskrat Falls Project

- Paying for the Muskrat Falls project (MFP) and achieving rate mitigation is one of the biggest challenges facing the Province. In the absence of rate mitigation solutions, the Province risked either additional debt burdens to taxpayers by funding rate mitigation or rising electricity rates for rate payers. These risks have the potential to place downward pressures on the Province's financial position, as well as economic activity across the Province in general.
- On February 14, 2022, a financing agreement between the Province and the Government of Canada was finalized and signed regarding the financial restructuring of the Lower Churchill Projects. The agreement provides for \$5.2 billion in various forms of financial support to mitigate the impact of project costs on electricity rates to achieve rate mitigation. The agreement provides \$2.0 billion in federal financing, including a \$1.0 billion investment in the Province's portion of the Projects' Labrador-Island Link and a federal loan guarantee of \$1.0 billion for the Project's Muskrat Falls and Labrador Transmission Assets. Meanwhile, the Government of Canada will also provide annual transfers to the Province equivalent to Canada's yearly net revenue from Hibernia offshore oil project net profit interest and incidental net profit interest, which are estimated to total \$3.2 billion by the end of the Hibernia project's life.

## **ECONOMIC OUTLOOK AND OVERVIEW**

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

The following discussion provides an overview of the economic and demographic performance of Newfoundland and Labrador in 2021 as well as an estimate on the performance for 2022. Given the use of estimates, this data is subject to change as updated information becomes available. It should also be noted that all data discussed in this section are reported on a calendar year basis.

### **ECONOMIC PERFORMANCE IN 2021**

The Newfoundland and Labrador economy showed encouraging signs of recovery in 2021. Indicators such as consumer spending, exports and real estate activity rebounded and surpassed pre-pandemic levels. Other indicators, such as the labour market, showed significant improvement throughout the year, but remained below levels recorded before the COVID-19 pandemic began. Private sector service industries (i.e., retail outlets, hotels, bars, restaurants and recreation facilities) continued to recover, particularly those tied to consumer spending and the tourism sector. Additionally, crab, oil and mineral prices helped to boost the nominal value of provincial exports. Overall, Newfoundland and Labrador's real GDP increased by 1.2 per cent in 2021. Economic growth stemmed mainly from gains in consumer spending and mineral production; however, the ongoing recovery was also aided by rebounds in several private sector service industries that were severely impacted by pandemic-related shutdowns in 2020.

The nominal value of Newfoundland and Labrador exports rebounded in 2021. The total value of international exports increased 38.2 per cent in 2021 compared to 2020, mainly the result of higher commodity prices for oil, iron ore and nickel. The seafood sector also experienced strong growth last year led by the value of crab exports, which more than doubled due to record prices. The nominal value of oil production was 43.2 per cent higher in 2021, as higher oil prices more than offset lower production volumes. Compared to 2019, the value of oil production was 0.9 per cent lower. The value of manufacturing sales in the province was virtually unchanged in 2021 compared to 2020, and remained significantly lower (-45.3 per cent) than in 2019. This largely reflects the Come By Chance Refinery being shut down for the entire year. The real value of total exports declined 8.5 per cent in 2021, due mostly to lower oil and iron ore production.

Capital investment in Newfoundland and Labrador was \$7.5 billion in 2021, an increase of 4.2 per cent from the previous year. Non-residential investment spending rebounded from depressed levels in 2020 brought on by suspended construction activity due to COVID-19 pandemic containment measures. In particular, increased spending at the Voisey's Bay underground mine project and the Muskrat Falls Project offset lower spending on all four of the province's oil projects. The increase in non-residential spending was partially offset by a decline in residential investment. This decrease in residential spending was mainly due to a decline in renovation expenditures. Although spending on renovations was down, residential investment on new construction increased 24.9 per cent in 2021 as housing starts increased.

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


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**Economic Indicators  
Newfoundland and Labrador**

	<u>2020</u>	<u>2021</u>	<u>2022f</u>
GDP at Market Prices (\$ Millions)	31,580	38,509	39,906
% Change	-10.7	21.9	3.6
% Change, Real	-5.4	1.2	0.5
Final Domestic Demand (\$ Millions)	32,859	35,219	36,719
% Change	-6.9	7.2	4.3
% Change, Real	-8.1	4.1	1.4
Household Income (\$ Millions)	26,691	27,792	28,676
% Change	1.9	4.1	3.2
% Change, Real	1.7	0.5	-0.7
Household Disposable Income (\$ Millions)	18,015	18,611	19,132
% Change	4.3	3.3	2.8
% Change, Real	4.1	-0.3	-1.1
Retail Sales (\$ Millions)	9,176	10,184	10,539
% Change	1.8	11.0	3.5
% Change, Real	1.3	6.8	0.4
Consumer Price Index (2002=100)	139.6	144.7	150.4
% Change	0.2	3.7	3.9
Investment, Gross Fixed Capital Formation (\$ Millions)	7,236	7,537	7,901
% Change	-20.9	4.2	4.8
% Change Real	-21.6	-0.1	1.6
Housing Starts	763	1,022	1,090
% Change	-19.3	33.9	6.7
Employment ('000s)	214.0	220.1	225.9
% Change	-5.7	2.9	2.6
Labour Force ('000s)	249.1	252.7	255.8
% Change	-3.7	1.4	1.2
Unemployment Rate (%)	14.1	12.9	11.7
Participation Rate (%)	55.9	56.7	57.1
Population ('000s)	521.4	520.6	522.8
% Change	-0.4	-0.2	0.4

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

f: forecast, Department of Finance, May 31, 2022

Retail sales, which typically account for about 55 per cent of total consumer spending, were strong in 2021, totalling \$10.2 billion. This was an 11.0 per cent increase compared to 2020, as strong retail sales in the second half of 2020 continued throughout 2021. The increase in retail sales was widespread across most store types, with 'Miscellaneous store retailers' (+24.6 per cent), 'Clothing and clothing accessories stores' (+22.1 per cent), and 'Gasoline stations' (+20.5 per cent) leading growth. The number of new motor vehicles sold in 2021 was up 4.9 per cent compared to 2020, largely due to lower sales in 2020 because of the pandemic. However, compared to 2019, sales of new motor vehicles were 6.0 per cent lower due to shortages of new vehicles, which limited sales in the second half of 2021. In the service sector, sales at food services and drinking places were up 19.3 per cent in 2021 compared to 2020, reflecting the loosening of COVID-19-related health restrictions on travel and in-person dining. However, sales in this sector last year remained 3.2 per cent below pre-pandemic levels recorded in 2019. In real terms (adjusted for inflation), total consumer spending is estimated to have increased by 6.7 per cent in Newfoundland and Labrador in 2021.

In 2021, the COVID-19 pandemic remained a key factor affecting the prices of goods and services. Inflationary pressures stemmed from a combination of widespread global supply chain constraints and pent-up consumer demand as economic activity resumed, made possible by widely available COVID-19 vaccines and fewer public health restrictions. Consumers were able to go out to shop, dine and travel more often than in 2020 and more people returned to work. At the same time, the global economy struggled with significant supply chain disruptions throughout 2021, including input shortages, production bottlenecks, shipping backlogs at key ports, higher transportation costs, and delivery delays. These constraints limited the global and local supply of goods and services and contributed to higher prices. The Consumer Price Index (CPI) for Newfoundland and Labrador rose 3.7 per cent on an annual average basis in 2021. The high inflation was mainly due to higher energy prices (+19.8 per cent), particularly gasoline (+36.6 per cent) and fuel oil and other fuels (+36.3 per cent). Excluding energy, the annual average CPI rose 1.8 per cent in 2021, a faster pace than in 2020 (+1.1 per cent) and 2019 (+1.2 per cent), but equal to 30-year average provincial inflation rates. Prices for other items have also increased, such as transportation (+10.1 per cent), food (+2.6 per cent) and shelter (+2.5 per cent).

The labour market in Newfoundland and Labrador rebounded in 2021. Total employment increased to 220,100 person years, up 2.9 per cent compared to 2020. Employment gains were concentrated in full-time employment, which increased 3.6 per cent. Part-time employment decreased 0.9 per cent. On a sector-wide basis, employment in the goods-producing sector increased by 2,500 person years, or 6.1 per cent, and increased by 3,600 person years, or 2.1 per cent, in the services-producing sector. Industries that saw the highest employment growth included 'Manufacturing' (+21.8 per cent), 'Information culture and recreation' (+16.9 per cent) and 'Public administration' (+15.8 per cent). Notable employment gains were also recorded in 'Professional, scientific and technical services' (+11.6 per cent) and 'Healthcare and social assistance' (+9.0 per cent). These gains were partially offset by employment losses in industries such as 'Utilities' (-26.9 per cent), 'Accommodation and food services' (-24.4 per cent) and 'Other services (except public administration)' (-21.8 per cent). Despite overall gains for the year, total employment remained 3.0 per cent lower than in 2019, as pandemic-related restrictions continued to restrain economic activity in industries dependent on tourism spending.

The province's labour force also increased in 2021, up 1.4 per cent to 252,700 persons. However, like employment, it remains below pre-pandemic levels (down 2.4 per cent compared to 2019). These gains resulted from people re-entering the labour force after a significant decline in 2020 due to pandemic-related shutdowns. Newfoundland and Labrador's aging population continued to have an impact on labour force participation; however, it was not enough to offset labour force gains spurred by the pandemic recovery. Since the increase in employment was larger than that of the labour force, the unemployment rate in 2021 decreased to 12.9 per cent after reaching 14.1 per cent in 2020.

Average weekly earnings (including overtime) in the province were \$1,098.52 in 2021, a modest increase of 0.2 per cent from the previous year, despite the increase in employment. A large share of employment

gains were in lower-paying service industries in the private sector, which were the most impacted by the pandemic-related shutdowns in 2020. For comparison, the Canadian average weekly earnings were \$1,130.61 in 2021. Household income increased by 4.1 per cent in 2021 as gains in labour compensation were partly offset by fewer pandemic-related federal transfers to individuals.

Newfoundland and Labrador's population was 520,553 as of July 1, 2021, a decrease of 811 from July 1, 2020. This population decrease was driven by natural population decline (fewer births than deaths), partly offset by gains from net international and interprovincial migration. Losses from natural population changes accelerated for the fifth consecutive year, reflecting the province's aging population and low fertility rates. As a result, natural population change was -1,933 persons. While the birth-to-death ratio for Newfoundland and Labrador (0.6) was the lowest of all provinces, each of the Atlantic Provinces recorded a ratio below 1.0, meaning deaths outnumber births each year. Net in-migration totaled 1,122 persons last year as interprovincial (+785) and international (+337) migration both contributed positively to population gains. Net interprovincial in-migration was concentrated in residents moving to the province from Ontario and Alberta. Note that the population losses over the July 1, 2020 to July 1, 2021 period occurred in the two quarters following July 1, 2020. Recent data for the four quarters from April 1, 2021 to April 1, 2022 show renewed population growth of nearly 3,200 people, resulting from positive interprovincial and international migration flows.

## **Economic Outlook**

Real GDP is forecast to increase by 0.5 per cent in 2022. Most other indicators are also expected to show growth as economic recovery continues, though at a slower pace than seen in 2021. In particular, gains from increased iron ore production and tourism spending are expected to be partially offset by lower oil production as well as the end of the development of the Muskrat Falls Project. Real exports are expected to increase, driven mainly by higher iron ore production, and operations are expected to resume at the newly converted refinery in Come By Chance later this year. Positive announcements and prospects concerning major oil projects (i.e., Terra Nova, Bay du Nord, and West White Rose) should increase business and consumer confidence. Additionally, the tourism industry is expected to receive a boost from the "Come Home 2022" campaign announced in late 2021. All of these factors are expected to result in a 2.6 per cent increase in employment in 2022. Employment gains are expected to help lower the unemployment rate from 12.9 per cent in 2021 to 11.7 per cent in 2022.

Household income is expected to increase by 3.2 per cent in 2022 following a 4.1 per cent increase in 2021, as higher wages and salaries from the continued rebound in employment levels offset lower federal pandemic-related transfers to persons. Employment growth will continue to boost retail sales, which are expected to remain elevated and increase by 3.5 per cent in 2022. The rate of consumer inflation was expected to remain high in the first half of 2022 before moderating in the second half of the year; however, the degree of moderation in the second half may not be as much as forecast at Budget time, based on available year-to-date data.

The province's population is projected to increase by 0.4 per cent, with natural losses (more deaths than births) being offset by significant net in-migration.

Finally, capital investment is expected to increase by 4.8 per cent in 2022, as higher spending on oil projects will be mitigated by the completion of construction at Muskrat Falls (see Capital Investment Chart).

There are reasons for optimism in the long term with opportunities in the oil and gas, mining, and aquaculture industries forecast to increase economic activity. Equinor continues with design work on the province's fifth offshore oil project, Bay du Nord, as recent additional discoveries in the area may increase both the size of the production facility and total recoverable resources. There is also substantial oil and gas exploration potential for new discoveries and tieback opportunities for existing projects in Newfoundland and Labrador's offshore. Cresta Fund Management purchased a controlling stake in the



idled Come By Chance Refinery in 2021 and rebranded the operation as Braya Renewable Fuels. The company plans to convert the refinery to produce low greenhouse gas emission fuels, such as diesel and aviation fuels made from plant-based oils.

Newfoundland and Labrador has an abundance of renewable energy resources that positions the province well to meet its net-zero commitments, address climate change, and to grow clean energy jobs and economic development. The five-year Renewable Energy Plan “Maximizing our Renewable Future: A Plan for the Development of the Renewable Energy Industry in Newfoundland and Labrador” was released in December 2021, and provides a sustainable long-term vision for Newfoundland and Labrador to maximize its renewable energy future. The plan has four specific focus areas, all with short-term (within one year), medium-term (within two years) and long-term (two to five years) actions for each: Energy Uses and Markets; Regulatory Framework; Partnerships, Innovation and Industry Support; and, Training and Jobs.

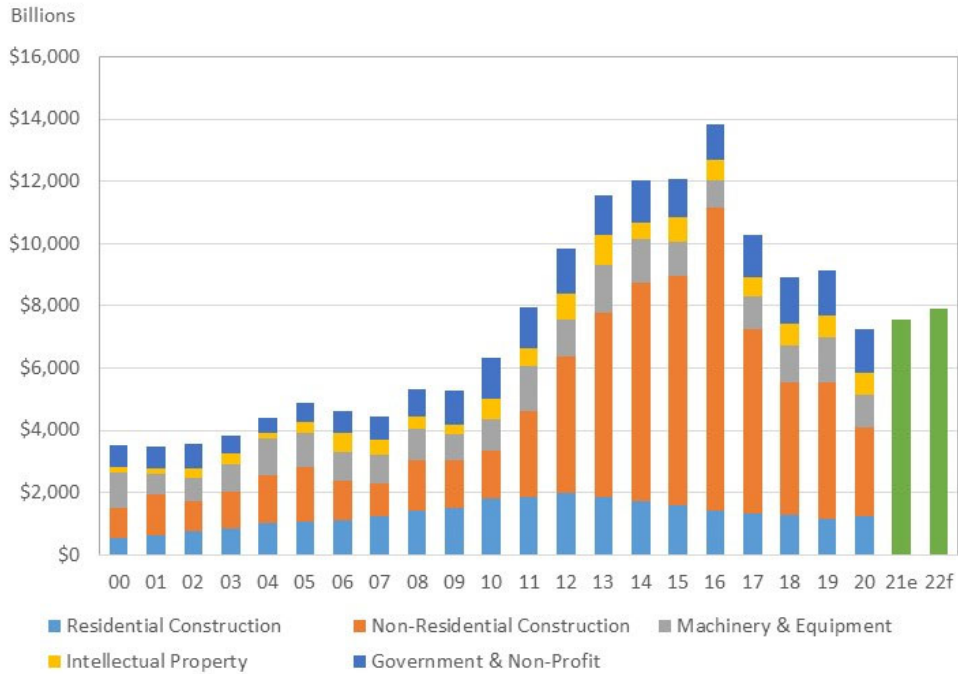
The province has some of the best wind resources in North America and is actively working on developing policies to allow wind development in a fair and transparent manner. There are several potential projects in the early stages of the development process. If they proceed, these projects can play a key role in the global transition to a green economy.

In the mining sector, Tacora Resources Inc. continues to ramp up iron ore production at the Scully Mine in Western Labrador. The Beaver Brook Antimony Mine Inc. resumed mining operations in September 2021.

In addition, Marathon Gold is progressing with its Valentine Gold Project in Central Newfoundland. In the aquaculture sector, Grieg NL Seafarms Ltd. and Mowi Canada East continue to develop opportunities that should lead to a considerable expansion in production over the next five years and increase the size of the seafood sector.

Government also continues to work proactively with the technology and film and television sectors to create more opportunities and accelerate growth within those industries.

## Capital Investment, NL, 2000-2022f



e: estimate; f: forecast  
 Source: Statistics Canada; Department of Finance

## Risks and Adjustments

Although these economic indicators for 2021 and 2022 form the basis for the final revenues presented in the 2021-22 Public Accounts, they are still projections and are subject to change. Further economic and administrative data relating to 2021 and 2022 are expected in the future. New data may result in adjusted revenues in respect to the taxation years reported in this document. Such differences will be reflected in subsequent fiscal years as prior year adjustments. As a result, differences may arise between estimated and actual revenues reported in these Public Accounts.

## **GLOSSARY OF TERMS**

To assist in understanding the discussion and analysis 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 expenses (revenues).
<i>Original 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.
<i>Tangible Capital Assets:</i>	Non-financial assets which are held for use in the production or supply of goods and services and have useful economic lives extending beyond an accounting period. Examples include buildings, roads, infrastructure, marine vessels, heavy equipment and machinery.
<i>Unfunded Pension Liability:</i>	The total unpaid pension benefits earned by existing/former employees and retirees less the value of assets set aside to fund the benefits. Also included is the outstanding balance of the promissory notes as issued from the pension reform.

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# **Province of Newfoundland and Labrador**

## **Consolidated Summary Financial Statements**

**For The Year Ended  
31 March 2022**

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26 October 2022

## 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, Office of the Executive Council 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 16 of the *Auditor General Act, 2021*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the consolidated summary financial statements.



**SIOBHAN COADY**  
Deputy Premier  
Minister of Finance  
President of Treasury Board



**Julie Moore, MBA, CPA, CMA**  
Comptroller General (A)  
Treasury Board Secretariat



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## INDEPENDENT AUDITOR'S REPORT

To the House of Assembly  
Province of Newfoundland and Labrador

### Report on the Audit of the Consolidated Summary Financial Statements

#### Opinion

I have audited the consolidated summary financial statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2022, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and notes to the consolidated summary financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated summary financial statements present fairly, in all material respects, the consolidated financial position of the Province of Newfoundland and Labrador as at March 31, 2022, and its consolidated results of operations, consolidated change in its net debt, consolidated change in its accumulated deficit, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for Opinion

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

#### Other Matter

Without modifying my opinion, I draw attention to Government's commitment to ensure electricity rates in this Province are not impacted by the Muskrat Falls Project. Government has not finalized specific strategies for its rate mitigation plan. Implementation of this plan may have a significant impact on the Province's consolidated summary financial statements in future years.

## **Independent Auditor's Report (cont.)**

### **Other Information**

Management is responsible for the other information. The other information comprises the information in the Public Accounts of Newfoundland and Labrador, but does not include the consolidated summary financial statements and my auditor's report thereon.

My opinion on the consolidated summary financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the consolidated summary financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated summary financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

My objectives are to obtain reasonable assurance about whether the consolidated summary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will

## **Independent Auditor's Report (cont.)**

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated summary financial statements.

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

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

## Independent Auditor's Report (cont.)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated summary financial statements to express an opinion on the consolidated summary financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

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

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



**DENISE HANRAHAN, CPA, CMA, MBA, ICD.D**  
**Auditor General**

October 26, 2022  
St. John's, Newfoundland and Labrador

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Consolidated Statement of Financial Position As at 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Actuals 2021 (Note 22) (\$000)
<b>FINANCIAL ASSETS</b>		
	1,612,046	1,505,165
Sch. 1 Cash and temporary investments - note 2	3,485,772	3,541,992
Receivables (net of valuation allowances)	4,813	4,803
Sch. 2 Inventories held for resale - note 3	401,200	417,389
Sch. 3 Loans, advances and investments (net of valuation allowances)	6,590,395	6,251,793
Equity in government business enterprises and partnership - note 1(b)	<u>12,094,226</u>	<u>11,721,142</u>
<b>Total Financial Assets</b>		
<b>LIABILITIES</b>		
Sch. 5 Payables, accrued and other liabilities - note 4	3,042,301	3,057,287
Deferred revenue - note 5	473,877	571,861
Sch. 6 Borrowings (net of sinking fund assets)	17,203,764	16,111,800
Plus: Unamortized unrealized foreign exchange gains (losses) and unamortized premiums (discounts) and issuance fees - note 6	<u>(237,319)</u>	<u>(156,291)</u>
	16,966,445	15,955,509
Group health and life insurance retirement benefits - note 7	3,353,621	3,247,979
Unfunded pension liability - note 8	579,815	775,151
Plus: Promissory notes - note 8	<u>4,049,858</u>	<u>4,129,536</u>
	<u>4,629,673</u>	<u>4,904,687</u>
<b>Total Liabilities</b>	<u>28,465,917</u>	<u>27,737,323</u>
<b>NET DEBT</b>	<u>16,371,691</u>	<u>16,016,181</u>
<b>NON-FINANCIAL ASSETS</b>		
Sch. 10 Tangible capital assets	4,781,934	4,683,398
Prepaid and deferred charges - note 9	67,687	66,087
Inventories of supplies - note 3	<u>110,048</u>	<u>100,918</u>
<b>Total Non-Financial Assets</b>	<u>4,959,669</u>	<u>4,850,403</u>
<b>ACCUMULATED DEFICIT</b>	<u>11,412,022</u>	<u>11,165,778</u>
Contingent Assets - note 18		
Contingent Liabilities - note 10		
Contractual Obligations - note 12		
Contractual Rights - note 17		
Externally Restricted Assets - note 13		
Sch. 7 Guaranteed Debt - note 14		
Sch. 9 Trust Accounts - note 10(c)(i)		

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Consolidated Statement of Change in Net Debt For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Original Budget 2022 (Note 21) (\$000)	Actuals 2021 (Note 22) (\$000)
<b>NET DEBT - beginning of period</b>	16,016,181	16,294,077	14,434,860
Add (Deduct):			
Adjustments - note 15			
Government organization changes	504	-	8,274
<b>ADJUSTED NET DEBT - beginning of period</b>	<u>16,016,685</u>	<u>16,294,077</u>	<u>14,443,134</u>
<b>Surplus (Deficit) for the period</b>	<u>(271,910)</u>	<u>(825,473)</u>	<u>(1,491,821)</u>
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	431,711	437,151	366,558
Net book value of tangible capital asset disposals/adjustments	(2,628)	-	(3,304)
Amortization of tangible capital assets	<u>(330,547)</u>	<u>(338,841)</u>	<u>(311,585)</u>
<b>Increase (Decrease) in net book value of tangible capital assets</b>	<u>98,536</u>	<u>98,310</u>	<u>51,669</u>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid and deferred charges (net of usage)	1,600	-	15,383
Acquisition of inventories of supplies (net of consumption)	<u>9,130</u>	<u>-</u>	<u>23,377</u>
<b>Increase (Decrease) in other non-financial assets</b>	<u>10,730</u>	<u>-</u>	<u>38,760</u>
<b>Changes in net debt from operations</b>			
Sch. 3 Other comprehensive (income) loss	<u>(26,170)</u>	<u>-</u>	<u>(9,203)</u>
<b>Other comprehensive (income) loss</b>	<u>(26,170)</u>	<u>-</u>	<u>(9,203)</u>
<b>Increase (Decrease) in net debt</b>	<u>355,006</u>	<u>923,783</u>	<u>1,573,047</u>
<b>NET DEBT - end of period</b>	<u><u>16,371,691</u></u>	<u><u>17,217,860</u></u>	<u><u>16,016,181</u></u>

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Consolidated Statement of Operations For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022	Original Budget 2022 (Note 21)	Actuals 2021 (Note 22)
	(\$000)	(\$000)	(\$000)
<b>REVENUE</b>			
Sch. 11 Provincial			
Sch. 11 Taxation	4,501,873	4,044,167	3,804,315
Sch. 11 Investment	97,659	76,212	93,042
Sch. 11 Fees and fines	500,653	356,093	357,534
Sch. 11 Offshore royalties	1,196,034	1,059,283	576,355
Sch. 11 Miscellaneous	516,873	511,760	494,880
Sch. 11 Federal	<u>1,387,250</u>	<u>1,890,371</u>	<u>1,572,544</u>
	8,200,342	7,937,886	6,898,670
Sch. 4 Net income of government business enterprises and partnership	<u>395,543</u>	<u>580,262</u>	<u>429,439</u>
<b>Total Revenue</b>	<u>8,595,885</u>	<u>8,518,148</u>	<u>7,328,109</u>
<b>EXPENSE</b>			
Sch. 12 General Government Sector and Legislative Branch	1,916,265	2,278,541	2,433,245
Sch. 12 Resource Sector	804,134	942,043	634,775
Sch. 12 Social Sector	<u>6,147,396</u>	<u>6,123,037</u>	<u>5,751,910</u>
Sch. 13 <b>Total Expense</b>	<u>8,867,795</u>	<u>9,343,621</u>	<u>8,819,930</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>(271,910)</u>	<u>(825,473)</u>	<u>(1,491,821)</u>

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



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Consolidated Statement of Change in Accumulated Deficit For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Original Budget 2022 (Note 21) (\$000)	Actuals 2021 (Note 22) (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b>	11,165,778		9,674,886
Add (Deduct):			
Adjustments - note 15			
Government organization changes	504		8,274
<b>ADJUSTED ACCUMULATED DEFICIT - beginning of period</b>	11,166,282		9,683,160
<b>Surplus (Deficit) for the period</b>	(271,910)	(825,473)	(1,491,821)
Sch. 3 <b>Other comprehensive (income) loss</b>	(26,170)		(9,203)
<b>ACCUMULATED DEFICIT - end of period</b>	<u>11,412,022</u>		<u>11,165,778</u>

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Consolidated Statement of Cash Flows For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Actuals 2021 (Note 22) (\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual surplus (deficit)	(271,910)	(1,491,821)
Add (Deduct) non-cash items:		
Accounts receivable	45,082	65,689
Accounts payable	(14,986)	59,626
Amortization of foreign exchange (gains)/losses, (premiums)/discounts and issuance fees	(13,638)	31,988
Amortization of tangible capital assets	330,547	311,585
Retirement costs	(85,448)	192,171
Valuation allowances	31,878	17,258
Unremitted net income of government business enterprises and partnership	(62,432)	(141,047)
Sinking fund earnings	(45,525)	(48,506)
Deferred revenue	(97,984)	375,645
Other	(80,432)	(127,419)
Special purpose funds/contractors' holdback funds	680	9,880
<b>Net cash provided from (applied to) operating transactions</b>	<u>(264,168)</u>	<u>(744,951)</u>
<b>CAPITAL</b>		
Acquisitions	(431,711)	(366,558)
Disposals	110	214
<b>Net cash provided from (applied to) capital transactions</b>	<u>(431,601)</u>	<u>(366,344)</u>
<b>FINANCING</b>		
Debt issued	1,554,140	2,803,887
Debt retirement	(472,686)	(963,953)
Retirement of pension liabilities	(4,246)	(3,359)
Retirement of promissory note	(79,678)	(75,169)
Sinking fund contributions	(42,257)	(43,377)
Sinking fund proceeds	100,186	169,630
Treasury bills purchased	8,439,898	6,032,811
Treasury bills redeemed	(8,441,269)	(6,846,009)
<b>Net cash provided from (applied to) financing transactions</b>	<u>1,054,088</u>	<u>1,074,461</u>
<b>INVESTING</b>		
Loan repayments	25,563	20,609
Loan advances	(9,937)	(10,419)
Investments	(17,064)	(28,428)
Investment in government business enterprises	(250,000)	-
<b>Net cash provided from (applied to) investing transactions</b>	<u>(251,438)</u>	<u>(18,238)</u>
<b>Net cash provided (applied)</b>	106,881	(55,072)
Cash and temporary investments - beginning of period	1,505,165	1,560,237
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 2</b>	<u>1,612,046</u>	<u>1,505,165</u>

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

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# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Notes to the Consolidated Financial Statements For the year ended 31 March 2022

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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 15 - Government Reporting Entity.

#### (b) Method of Consolidation

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

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

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

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

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

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

#### (c) Basis of Accounting

##### (i) *Method*

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

**SUMMARY FINANCIAL STATEMENTS****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****(ii) Revenues**

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

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

Other revenues are recorded on an accrual basis.

**(iii) Expenses**

Expenses are recorded on an accrual basis.

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

**(iv) Assets**

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

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

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

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

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

**SUMMARY FINANCIAL STATEMENTS****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

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

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

Tangible capital assets held by the Province are recorded at cost or estimated cost less accumulated amortization. Assets acquired via public private partnership (P3) are recognized as a tangible capital asset when the province acquires control of the asset. Contracts for P3 assets generally require the private sector partner to design, build, finance, operate and/or maintain the asset. The cost of a P3 asset is initially measured at fair value and subsequently amortized over its useful life similar to other tangible capital assets.

(v) *Liabilities*

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

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

A liability, recognized in relation to a P3 arrangement is initially measured at the same amount as the related infrastructure asset reduced for any consideration previously provided to the private sector partner. Subsequent measurement of a liability is done at amortized cost using the effective interest method.

Deferred revenue represents amounts received but not earned.

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

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**SUMMARY FINANCIAL STATEMENTS**


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


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**(vi) Government Transfers**

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

Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria and the transfer is authorized.

**(vii) Loan Guarantees**

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

**(d) Generally Accepted Accounting Principles**

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

**(e) Future Changes in Accounting Policies**

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

Effective 1 April 2022:

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

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

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

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

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

Effective 1 April 2023:

*PS 3400 Revenue* – a new standard establishing guidance on how to account for and report on revenue, including revenue from exchange and non-exchange transactions.

*PS 3160 Public Private Partnerships* – a new standard establishing guidance on how to account for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner with the private sector partner's obligations to include requirements to design, build, acquire or better new or existing infrastructure; finance the transaction past the point where the infrastructure is ready for use; and operate and/or maintain the infrastructure.

**SUMMARY FINANCIAL STATEMENTS**

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

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

**2. Cash and Temporary Investments**

Cash and temporary investments consist of:

	<u>31 March 2022</u>	<u>31 March 2021</u>
	(\$mil)	(\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	<u>1,386.7</u>	<u>1,250.0</u>
Total cash and temporary investments – CRF	<u>1,386.7</u>	<u>1,250.0</u>
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	173.6	180.4
Temporary investments	<u>51.7</u>	<u>74.8</u>
Total cash and temporary investments – Other Entities	<u>225.3</u>	<u>255.2</u>
Total: Cash and Temporary Investments (CRF and Other Entities)	<u>1,612.0</u>	<u>1,505.2</u>

Temporary investments consist of investments with financial institutions. As at 31 March 2022, these investments are on call or have maturity dates ranging from 26 April 2022 to 20 June 2025 at an interest rate of 0.45%.

**3. Inventories**

Inventories consist of:

	<u>31 March 2022</u>	<u>31 March 2021</u>
	(\$mil)	(\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	3.0	3.0
Other miscellaneous inventories	<u>1.8</u>	<u>1.8</u>
Total: Inventories Held for Resale	<u>4.8</u>	<u>4.8</u>
Inventories of Supplies		
Medical and drug supplies	64.5	52.3
Textbooks and stockroom supplies held within the CRF	44.0	47.1
Other miscellaneous supplies	<u>1.5</u>	<u>1.5</u>
Total: Inventories of Supplies	<u>110.0</u>	<u>100.9</u>

**SUMMARY FINANCIAL STATEMENTS**

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

The personal protective equipment (PPE) received from the federal government at no cost has been estimated and reflected in these financial statements using the average costs for similar materials. The recorded value of this PPE is \$4.6 million and has been entirely expensed during the year (31 March 2021- \$14.8 million).

The Province received COVID-19 vaccines at no cost from the federal government in support of the vaccination roll-out plans. Due to confidentiality clauses embedded in contracts between the federal government and the various COVID-19 vaccine manufacturers, the federal government was not in a position to share information related to the price per dose of vaccines. COVID-19 vaccines received from the federal government at no cost have not been reflected in these financial statements due to the difficulty in determining fair value. During the year, the Province received 1,441,934 COVID-19 vaccines (31 March 2021- 133,000) and held 255,146 in inventory at 31 March 2022 (31 March 2021- 29,376).

**4. Payables - Sick Leave**

The Province accrues a liability for employees entitled to accumulating, non-vesting sick leave benefits based on anticipated future sick leave utilization. The rate at which benefits accumulate vary depending on the terms of employment. Generally, bargaining unit employees have the ability to accumulate sick leave benefits for each year of service up to a defined maximum benefit. Non-bargaining unit employees do not accumulate sick leave benefits, but may avail of previously accumulated sick leave should such benefits still exist.

**Actuarial Valuations**

The actuarial valuations which are prepared by the Province's or the individual entities' actuaries were based on management's best assumptions about future events such as probability of use of accrued sick leave, future salary and wage changes, employees' ages, probability of departure, retirement ages, and discount rate. Actuarial valuations are generally completed every three years. The latest actuarial valuation dates are as follows.

<u>Sick Leave Plan</u>	<u>Valuation Date</u>	<u>Discount Rate</u>
Consolidated Revenue Fund	31 March 2020	3.26%
Eastern Regional Health Authority	31 March 2021	3.57%
NL English School District	30 June 2021	2.75%
Western Regional Health Authority	31 March 2021	3.57%
Central Regional Health Authority	31 March 2021	3.57%
College of the North Atlantic	31 March 2021	3.57%
Labrador-Grenfell Regional Health Authority	31 March 2021	3.57%
Conseil scolaire francophone provincial de Terre-Neuve et Labrador	30 June 2021	2.85%
Newfoundland and Labrador Housing Corporation	31 March 2021	4.75%
Provincial Information and Library Resources Board	31 March 2021	3.57%
Newfoundland and Labrador Centre for Health Information	31 March 2020	3.00%



## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**Sick Leave Liability**

Details of the sick leave liability are outlined in the table below:

Sick Leave Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2022 (\$mil)	Net Liability 2021 (\$mil)	Change (\$mil)
Consolidated Revenue Fund	39.7	0.5	40.2	40.5	(0.3)
Other	191.0	8.7	199.7	204.5	(4.8)
<b>Total</b>	<b>230.7</b>	<b>9.2</b>	<b>239.9</b>	<b>245.0</b>	<b>(5.1)</b>

**Sick Leave Expense**

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

	Current Period Benefit Costs (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Change (\$mil)
Consolidated Revenue Fund	2.9	1.3	(4.4)	(0.1)	(0.3)
Other	16.7	6.2	(30.2)	2.5	(4.8)
<b>Total</b>	<b>19.6</b>	<b>7.5</b>	<b>(34.6)</b>	<b>2.4</b>	<b>(5.1)</b>

## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**5. Deferred Revenue**

Deferred revenue consists of:

	31 March 2022	31 March 2021	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	185.1	171.7	13.4
Federal initiatives in support of the Oil and Gas Sector	143.3	317.9	(174.6)
Gas tax initiatives	81.0	52.2	28.8
Federal-Provincial initiatives in support of housing and home repair programs	28.0	13.2	14.8
Entities in the health sector relating to the provision of various health care services including research and other contracts	20.2	9.2	11.0
Federal initiatives in support of Early Learning and Child Care	8.8	-	8.8
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	7.5	7.7	(0.2)
	<u>473.9</u>	<u>571.9</u>	<u>(98.0)</u>
Total: Deferred Revenue	<u>473.9</u>	<u>571.9</u>	<u>(98.0)</u>

The balance as of 31 March 2022 will be recognized as revenue in the periods in which the revenue recognition criteria are met.

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

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2022 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. Premiums (discounts) and issuance fees relating to the issuance of debentures are deferred and amortized over the term of the related debt. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

**SUMMARY FINANCIAL STATEMENTS**

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

The net amortization expense on foreign exchange is \$22.1 million which represents a credit adjustment (31 March 2021 - \$25.2 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$8.4 million which represents a debit adjustment (31 March 2021 - \$6.8 million - debit adjustment).

	<u>31 March 2022</u>	<u>31 March 2021</u>
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	14.9	(14.0)
Sinking funds	<u>(7.8)</u>	<u>3.9</u>
Net	7.1	(10.1)
Accumulated amortization on foreign exchange	<u>-</u>	<u>37.8</u>
Net unamortized unrealized foreign exchange gains (losses)	7.1	27.7
Unamortized premiums (discounts) and issuance fees	<u>(244.4)</u>	<u>(184.0)</u>
Total unamortized unrealized foreign exchange gains (losses), premiums (discounts) and issuance fees	<u><u>(237.3)</u></u>	<u><u>(156.3)</u></u>

**7. Retirement Benefits - Group Health and Life Insurance**

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

**SUMMARY FINANCIAL STATEMENTS****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

On 31 May 2018, the Province introduced amendments to the *Other Post-Employment Benefits Eligibility Modification Act* (OPEB Act), which sets out new rules for benefits applying to non-represented public sector employees who are covered under the Public Service Pensions Act, 2019 hired on and after 1 June 2018. While current employees qualify for retirement benefits after 10 years of pensionable service at the date of his or her retirement, new hires will be required to reach 15 years of pensionable service at the date of his or her retirement to qualify. These amendments are currently effective for unionized employees hired on or after 31 March 2018. Furthermore, the OPEB Act was amended on November 5, 2020 for eligible non-represented public sector employees hired on or after June 1, 2018 and before April 1, 2020 which will cost share premiums at 50/50 basis with the employer. For eligible non-represented public sector employees hired after 31 March 2020, the employer will contribute 40% toward OPEB plan premiums.

During 2019-20 and 2020-21, the Province signed extensions to collective agreements pertaining to public sector employees. These agreements provided for further changes to the OPEB plan including premium contribution rates whereby all current eligible employees as of 31 March 2020 will cost share premiums on a 50/50 basis with the employer. For eligible employees hired after 31 March 2020, the employer will contribute 40% toward OPEB plan premiums.

The health benefits to be received in retirement were reduced for all represented and non-represented provincial government employees hired subsequent to March 31, 2020 regardless of which provincial defined benefit plan they participate in.

Under the remaining plans sponsored by the Province, NLTA and NLHC the employer contributes 50% towards group health and group life premiums for both employees and eligible retirees. During 2021-22, the Province signed extension agreements to collective agreements pertaining to employees represented by the Canadian Union of Public Employees and the NLTA. For eligible employees hired after March 31, 2020, the employer will contribute 40% towards group health and group life premiums. Plans sponsored by the NLTA are subject to the maximum rates under the PSPP's program. NLHC contributes 100% of the retirees' group life premiums after age 65. For plans sponsored by MUN, the employer contributes a range of 15% to 50% of the total premium charged towards the benefits of both employees and retirees, based on the years of service at retirement with the exception of certain retirees whose health benefits are 70% or fully funded by MUN. Group life benefits cease at age 72 for MUN retirees and at age 65 for the Province and NLTA retirees. As at 31 March 2022, the programs have 68,218 participants who contributed total contributions of \$81.9 million. The total of all the plans provided benefits of \$42.5 million to 39,307 retirees, their spouses and dependents.

**Actuarial Valuations**

An actuarial extrapolation was prepared to 31 March 2022 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2020 and Teachers' valuation date of 31 August 2018) 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 3.57%, Consumer Price Index (CPI) of 2.25%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2022 by NLHC's actuaries based on the latest actuarial valuation (31 March 2021) for the programs sponsored by NLHC. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 4.75%, CPI of 1.75%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

**SUMMARY FINANCIAL STATEMENTS**

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

An actuarial extrapolation was prepared to 31 March 2022 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2020) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 4.00%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality rates. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

**Group Health and Life Insurance Retirement Benefits Liability**

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

Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2022 (\$mil)	Net Liability 2021 (\$mil)	Change (\$mil)
<b>Group health retirement benefits</b>					
Consolidated Revenue Fund	2,708.7	249.5	2,958.2	2,872.6	85.6
Memorial University of Newfoundland	211.1	14.3	225.4	214.8	10.6
Newfoundland and Labrador Housing Corporation	17.5	2.6	20.1	20.7	(0.6)
<b>Sub-total</b>	<b>2,937.3</b>	<b>266.4</b>	<b>3,203.7</b>	<b>3,108.1</b>	<b>95.6</b>
<b>Group life insurance retirement benefits</b>					
Consolidated Revenue Fund	150.2	(4.4)	145.8	135.9	9.9
Memorial University of Newfoundland	1.1	0.6	1.7	1.7	-
Newfoundland and Labrador Housing Corporation	2.1	0.3	2.4	2.3	0.1
<b>Sub-total</b>	<b>153.4</b>	<b>(3.5)</b>	<b>149.9</b>	<b>139.9</b>	<b>10.0</b>
<b>Total</b>	<b>3,090.7</b>	<b>262.9</b>	<b>3,353.6</b>	<b>3,248.0</b>	<b>105.6</b>

There are no fund assets associated with these programs.

## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**Group Health and Life Insurance Retirement Benefits Expense**

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

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

Plan	Employer's Share of Current Period Costs (\$mil)	Interest Expense on the Liability (\$mil)	Actuarial Value of Benefits Provided (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Change (\$mil)
Group health retirement benefits					
Consolidated Revenue Fund	79.1	84.6	(36.2)	(41.9)	85.6
Memorial University of Newfoundland	6.3	8.0	(4.2)	0.5	10.6
Newfoundland and Labrador Housing Corporation	-	0.8	(0.5)	(0.9)	(0.6)
Sub-total	85.4	93.4	(40.9)	(42.3)	95.6
Group life insurance retirement benefits					
Consolidated Revenue Fund	3.5	5.0	(2.0)	3.4	9.9
Memorial University of Newfoundland	-	-	-	-	-
Newfoundland and Labrador Housing Corporation	-	0.1	-	-	0.1
Sub-total	3.5	5.1	(2.0)	3.4	10.0
Total	88.9	98.5	(42.9)	(38.9)	105.6

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as a component of debt expenses in the financial statements. Interest expense for 31 March 2021 amounted to \$95.7 million.

**Experience Gains or Losses**

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

The opening unamortized experience gain of \$152.7 million was increased by \$110.2 million during the year resulting in a closing unamortized experience gain of \$262.9 million. This increase consists of \$149.1 million for new experience gains and amortization of \$38.9 million.

The expected average remaining service life (EARSL) of programs sponsored by the Province and NLHC is 12 years, while the EARSL for MUN and the NLTA sponsored programs are 13 and 11 years, respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**8. Retirement Benefits - Pensions****Defined Benefits**

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

**Public Service Pension Plan Fund**

During 2014-15, the Province signed a Joint Sponsorship Agreement with the five major unions representing unionized members of the Public Service Pension Plan (PSPP). The agreement establishes joint and equal participation in the sponsorship and management of the PSPP via the Public Service Pension Plan Corporation (PSPP Corporation). As a result, changes were made to the *Public Service Pensions Act, 1991* to establish the Public Service Pension Plan Fund. The PSPP Corporation (Provident<sup>10</sup>) was created to administer the plan and manage the investment of the Fund. The Corporation is an independent, statutory corporation without share capital and is not an agent of the Crown.

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

The joint agreement and the subsequent amendments to the *Public Service Pensions Act, 2019* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the PSPP Corporation (Provident<sup>10</sup>), effective 31 March 2015. The promissory note amortizes \$2.685 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the PSPP. Payments of \$47.0 million are made on a quarterly basis, which equates to equal annual payments of \$195.0 million due to the time value of money. As at 31 March 2022, the balance of the promissory note is \$2.3 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2022, the PSPP has 28,014 participants who contributed \$192.6 million. The plan provided benefits of \$671.5 million to 23,288 pensioners.

**Contribution and Benefit Formulae****Public Service Pension Plan**

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

During 2019-20, the *Public Service Pensions Act, 2019* was enacted consistent with the two components of the Plan. The Registered component (RPP) is administered in the PSPP Corporation (Provident<sup>10</sup>). The Supplementary component (SERP) is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

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**SUMMARY FINANCIAL STATEMENTS**

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

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**Teachers' Pension Plan Fund**

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

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

The joint agreement and the subsequent amendments to the *Teachers' Pensions Act, 2018* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the TPP Corporation, effective 31 August 2016 with interest accruing as of 1 September 2015. The promissory note amortizes \$1.862 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the TPP. Equal annual payments of \$135.3 million began on 31 August 2016. As at 31 March 2022, the balance of the promissory note is \$1.7 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

In addition to changes to Joint Sponsorship, other plan amendments were effective 01 September 2015. Amendments include an increase in members' contributions to 11.35% of pensionable salary from 9.35%, suspension of indexing for future service and changes to the average pensionable earnings formula. Any active member who terminates employment after 31 August 2016 with less than 24.5 years of credited service shall be eligible to retire at age 62. Amendments to the *Teachers' Pensions Act, 2018* to reflect the terms of the agreement signed by the Provincial Government and NLTA have been approved by the House of Assembly.

As at 31 March 2022, the TPP has 6,092 participants who contributed \$62.5 million. The plan provided benefits of \$325.0 million to 9,614 pensioners. Inflation protection is not extended to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

**Contribution and Benefit Formulae****Teachers' Pension Plan**

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

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**Memorial University Pension Fund**

Memorial University of Newfoundland (MUN) has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan (MUNPP). The MUNPP has 3,535 participants who contributed \$32.7 million as at 31 March 2022.

The MUNPP provides for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer matches this amount. As at 31 March 2022, the MUNPP provided benefits of \$104.9 million to the registered component of the plan and MUN provided benefits of \$1.6 million to the supplemental component to a total of 2,592 pensioners.

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

**Contribution and Benefit Formulae****Memorial University of Newfoundland Pension Plan**

Employee contributions are 11.8% of pensionable salary, less a formulated amount representing contributions to the CPP. A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced at age 65 by a formulated amount representing integration with the CPP.

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

**Province of Newfoundland and Labrador Pooled Pension Fund**

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for a number of its full time employees and for members of its Legislature. The plans are – the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 691 participants who contributed \$6.5 million as at 31 March 2022 as follows: Uniformed Services - \$5.1 million, Members of the House of Assembly - \$1.0 million and Provincial Court Judges' - \$0.4 million.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2022, the plans provided benefits of \$42.8 million to 1,134 pensioners as follows: Uniformed Services - \$34.0 million, Members of the House of Assembly - \$7.8 million and Provincial Court Judges' - \$1.0 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan nor the Members of the House of Assembly Pension Plan.

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

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**SUMMARY FINANCIAL STATEMENTS**


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


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**Contribution and Benefit Formulae**
**Uniformed Services Pension Plan**

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

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

**Members of the House of Assembly Pension Plan**

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

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

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

**Provincial Court Judges' Pension Plan**

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

**SUMMARY FINANCIAL STATEMENTS**

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

**Actuarial Valuations**

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

**Expected Interest Rates**

<u>Pension Plan</u>	<u>Expected Average Interest Rate</u>
Public Service Pension Plan	
RPP	6.00%
SERP	3.57%
Teachers'	6.65%
Memorial University of Newfoundland	
RPP	5.60%
Supplemental Retirement Income Plan	4.00%
Voluntary Early Retirement Income Plan	3.60%
Uniformed Services	6.25%
Members of the House of Assembly	
RPP	6.15%
SERP	3.57%
Provincial Court Judges'	
RPP	6.15%
SERP	3.57%

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

**Expected Inflation Rates**

The expected inflation rate for the PSPP and MUNPP plans is 2.0%. The expected inflation rate for USPP, MHAPP, PCJPP and TPP is 2.25%.

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

<u>Pension Plan</u>	<u>Valuation Date</u>
Public Service	31 December 2021
Teachers'	31 August 2021
Memorial University of Newfoundland	31 December 2021
Uniformed Services	31 December 2020
Members of the House of Assembly	31 December 2018
Provincial Court Judges'	31 December 2019

## SUMMARY FINANCIAL STATEMENTS

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

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

#### Pension Liability

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

Pension Plan	Estimated Accrued Benefit Obligation (\$mil)	Fund Assets (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Unfunded Liability 2022 (\$mil)	Net Unfunded Liability 2021 (\$mil)	Change (\$mil)
Public Service	6,633.3	4,388.5	81.6	2,326.4	2,483.1	(156.7)
Teachers'	3,309.7	2,247.5	452.1	1,514.3	1,621.5	(107.2)
Memorial University of Newfoundland	2,053.6	2,012.4	254.4	295.6	321.3	(25.7)
Uniformed Services	504.3	166.8	44.8	382.3	364.0	18.3
Members of the House of Assembly	108.0	40.1	14.6	82.5	87.6	(5.1)
Provincial Court Judges'	41.9	18.4	5.1	28.6	27.2	1.4
<b>Total</b>	<b>12,650.8</b>	<b>8,873.7</b>	<b>852.6</b>	<b>4,629.7</b>	<b>4,904.7</b>	<b>(275.0)</b>

Pension Fund Assets are valued at the market value at 31 March 2022 (31 March 2021 – \$8,567.1 million).

As at 31 March 2022, the net unfunded liability of \$4,629.7 million is comprised of the \$4,049.9 million outstanding balance of the promissory notes delivered by the Province upon joint sponsorship to address the unfunded liability related to the Public Service Pension Plan (\$2,352.2 million) and the Teachers' Pension Plan (\$1,697.7 million).

#### Special Payments

MUN has requested that the exemptions relating to the minimum contributions required under the Pension Benefits Act Regulations established under the Pensions Benefits Act, 1997 based on a going concern valuation and a solvency valuation be extended. Without further exemptions, significant special payments will be required over 15 years related to the going concern valuation and five years related to the solvency valuation to address the above net unfunded liability. Exemptions have been put in place up to 31 March 2022. In addition, MUN is exempt from the requirement to liquidate the going concern unfunded liability arising from the cost of providing indexed benefits in relation to past service within the prescribed 15 year period and is instead permitted to liquidate this liability within 40 years from 1 July 2004.

During 2021-22, MUN made a special payment of \$4.2 million (31 March 2021 - \$3.4 million) towards the balance of the unfunded liability for the MUNPP.

## 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 (\$mil)	Pension Interest Expense (Earned) on the Unfunded Liability (\$mil)	Province's Current Period Pension Contributions (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Unfunded Portion of Current Period Pension Change (\$mil)
Public Service	131.7	46.2	(293.0)	(41.6)	(156.7)
Teachers'	44.2	25.4	(142.2)	(34.6)	(107.2)
Memorial University of Newfoundland	25.8	2.9	(36.6)	(17.8)	(25.7)
Uniformed Services	5.0	20.2	(4.8)	(2.1)	18.3
Members of the House of Assembly	1.0	2.2	(6.2)	(2.1)	(5.1)
Provincial Court Judges'	2.2	0.6	(0.6)	(0.8)	1.4
<b>Total</b>	<b>209.9</b>	<b>97.5</b>	<b>(483.4)</b>	<b>(99.0)</b>	<b>(275.0)</b>

**Interest Expense (Earned)**

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

Pension Plan	Interest Expense on the Accrued Benefit Obligation 2022 (\$mil)	Interest Earned on Fund Assets 2022 (\$mil)	Net Interest Expense (Earned) 2022 (\$mil)
Public Service	298.3	(252.1)	46.2
Teachers'	153.2	(127.8)	25.4
Memorial University of Newfoundland	111.5	(108.6)	2.9
Uniformed Services	30.1	(9.9)	20.2
Members of the House of Assembly	4.3	(2.1)	2.2
Provincial Court Judges'	1.6	(1.0)	0.6
<b>Total</b>	<b>599.0</b>	<b>(501.5)</b>	<b>97.5</b>

Pension interest expense for 31 March 2021 amounted to \$174.6 million. Also included in debt expenses is an additional interest expense of \$121.8 million (31 March 2021 - \$124.1 million) relating to the interest on the promissory notes.

**SUMMARY FINANCIAL STATEMENTS**

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

**Experience Gains or Losses**

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

Accrued Benefit Obligation

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

Pension Plan	Opening Unamortized Experience Gains (Losses) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (Gains) Losses (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	(50.5)	(253.8)	32.4	(271.9)
Teachers'	6.4	187.4	19.1	212.9
Memorial University of Newfoundland	(30.8)	8.8	10.0	(12.0)
Uniformed Services	(23.0)	15.3	3.7	(4.0)
Members of the House of Assembly	0.3	4.8	(0.4)	4.7
Provincial Court Judges'	(0.2)	1.5	(0.1)	1.2
<b>Total</b>	<b>(97.8)</b>	<b>(36.0)</b>	<b>64.7</b>	<b>(69.1)</b>

Fund Assets

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

Pension Plan	Opening Unamortized Experience Gains (Losses) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (Gains) Losses (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	464.5	(37.0)	(74.0)	353.5
Teachers'	286.2	6.7	(53.7)	239.2
Memorial University of Newfoundland	310.9	(16.7)	(27.8)	266.4
Uniformed Services	51.1	3.5	(5.8)	48.8
Members of the House of Assembly	9.8	1.8	(1.7)	9.9
Provincial Court Judges'	3.8	0.8	(0.7)	3.9
<b>Total</b>	<b>1,126.3</b>	<b>(40.9)</b>	<b>(163.7)</b>	<b>921.7</b>

## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	<u>EARSL</u>
Public Service - RPP	12 years
Public Service – SERP	8 years
Teachers'	11 years
Memorial University of Newfoundland	11 years
Uniformed Services	15 years
Members of the House of Assembly	6 years
Provincial Court Judges'	8 years

### Other Pension Plan

The *Government Money Purchase Pension Plan Act* established the Government Money Purchase Pension Plan for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 36,727 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 Canada Life Assurance Company and at 31 March 2022 assets had a market value of \$417.5 million (31 March 2021 - \$405.4 million). The expense recognized for 31 March 2022 amounted to \$14.9 million (31 March 2021 - \$14.2 million).

### 9. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	<u>31 March 2022 (\$mil)</u>	<u>31 March 2021 (\$mil)</u>
Workers' compensation fees	12.5	12.2
Software licenses	12.1	7.4
Insurance costs	9.3	7.2
Property taxes and other municipal fees	7.7	7.7
Maintenance contracts	6.7	9.2
Library operating supplies	3.5	3.0
Personal protective equipment	2.4	9.3
Ambulance services	1.9	0.6
Membership fees and subscriptions	1.4	2.0
Rent	1.2	1.1
Computer network and accessories	0.4	-
Other prepaid and deferred charges	<u>8.5</u>	<u>6.4</u>
Total: Prepaid and Deferred Charges	<u><u>67.6</u></u>	<u><u>66.1</u></u>

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**SUMMARY FINANCIAL STATEMENTS**


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


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**10. Contingent Liabilities**

## (a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2022 amounted to \$ 900.2 million (31 March 2021 - \$1,124.1 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

## (b) Legal Actions

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

## (c) Other

 (i) *Trust Accounts*

## a) Office of the Public Trustee

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

## b) Supreme Court of Newfoundland and Labrador

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

## c) Other Trust Accounts

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

 (ii) *Canadian Salt Fish Corporation*

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

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



**SUMMARY FINANCIAL STATEMENTS****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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.

(iii) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2022. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totaling \$8.1 million, of which \$3.4 million (31 March 2021 - \$3.9 million) has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 2 – Loans, Advances and Investments.

(iv) *Contaminated Sites*

The Province has identified approximately 214 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 11 – Contaminated Sites for further details.

In addition, the Province has provided an environmental indemnity to the acquiring entity of North Atlantic Refining Limited (NARL) regarding the oil refinery in Come by Chance. The Province and NARL entered into an environmental agreement on 10 November 2014 which required an environmental site assessment (ESA) to be completed by NARL. The environmental site assessment includes Phase I, II and III assessments and a remediation plan.

During the fiscal year 2021-22, a majority equity stake in NARL Refining was acquired by a new partner (Cresta Fund Management) and NARL Refining has been renamed Braya Renewable Fuels. As well on November 29, 2021, the Province of Newfoundland and Labrador had agreed to an MOU to amend the 2014 environmental agreement. This will extend the term to 2031 and expand the period of indemnification to 2021, segmented into two periods – the Historical Period (covers the period prior to November 10, 2014) and the Additional Period (covers the period between November 11, 2014 and October 31, 2021). Under this MOU, the Province's indemnity financial coverage has been capped at up to \$150 million for the Historical Period and up to \$30 million for the Additional Period. The indemnitees continue to be responsible for completion of an ESA which is expected to be completed within 18 months of Cresta acquiring ownership in the refinery.

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

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

The project is expected to cost \$13.1 billion, including interest during construction and other capitalized/pre-funded financing costs of \$2.9 billion. The Province had a total equity investment in the project of \$4.3 billion as at 31 March 2022. The project is being financed through the issuance of bonds in the amount of \$7.9 billion and equity contributions of \$5.2 billion.

## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

In 2014 the Province signed an agreement with CBPPL which states that in the event of the closure of the Corner Brook Mill, the Province has agreed to purchase the power assets and water rights. The purchase price is dependent upon the timing of the closure of the Corner Brook Mill, and could range from \$110.0 million to the greater of \$200.0 million or the fair market value of the purchased assets, less any monies owing to the Province. In 2017 the Province entered into another agreement providing a guarantee up to \$88.0 million on a letter of credit held by a Trust for the benefit of pension plan members. Should the government have to pay under the guarantee, the amount would also be deducted from the purchase price of the power assets and water rights.

(vii) *Offshore Royalty Decommissioning Carry Back*

Currently, there are four production facilities located in the offshore of Newfoundland and Labrador; White Rose/White Rose Expansion, Terra Nova, Hibernia and Hebron. The expected end of production dates currently forecasted for these projects range from 2032 to 2050.

For all current projects except Hibernia, Part VII of the *Royalty Regulations, 2003* provides for the carryback of actual decommissioning costs incurred, net of decommissioning revenue, against earlier net royalty revenue, commencing in the period of substantial completion of the decommissioning. This requires project operator(s) to submit to the Province for approval not less than one year before decommissioning, a decommissioning proposal. Regulatory approval of decommissioning by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) and other government bodies and agencies as required must also be received prior to the approval of the decommissioning proposal. Upon substantial completion of the decommissioning, where decommissioning costs exceed decommissioning revenues, the operator(s) must submit a decommissioning carry back statement to the Province. This carryback of net decommissioning costs may result in a reimbursement being owed to the operators(s) by the Province. As of 31 March 2022, no project operators have submitted or indicated their intent to submit a decommissioning proposal.

For Hibernia, under the *Hibernia Royalty Agreement*, the Province has acknowledged that there should be a sharing of abandonment or decommissioning costs on an agreed basis and has agreed to enter into discussions with project owners at some future date if the requirements for decommissioning or abandonment of the project become more clearly defined. No discussions have commenced under this *Agreement* as of 31 March 2022.

As a result of several factors beyond the Province's control, including, but not limited to, decommissioning timeframes, submission and approval of decommissioning proposals and plans, actual future decommissioning costs and revenue, types and amount of future royalties, and future negotiations, uncertainty currently exists with respect to the existence, nature, and extent of any obligation of the Province for future decommissioning carry back amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**11. Contaminated Sites**

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

The Province has identified approximately 214 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 21 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2022, a total liability for contaminated sites of \$208.5 million (31 March 2021 – \$192.7 million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$184.7 million relates to a liability for remediation of former mining sites (31 March 2021- \$170.8 million). The Province has completed a partial remediation program at these sites, focused on the removal of buildings and infrastructure, designed to address safety hazards. The remaining contaminated sites liability of \$23.8 million (31 March 2021- \$21.9 million) is mainly related to Petroleum Hydrocarbon (PHC) impacts. The liability reflects the present value of estimated future cash flows, where applicable, with total undiscounted expenditures of \$608.5 million (31 March 2021 - \$568.9 million) present valued at a discount rate of 3.71% (31 March 2021- 3.80%).

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

## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

## 12. Contractual Obligations

Contractual obligations consist of:

	31 March 2022 (\$mil)	31 March 2021 (\$mil)
Public-private partnerships	1,794.7	1,927.1
Provincial policing agreement	927.2	833.4
Oil and gas	617.8	87.6
Capital projects	378.3	458.5
Power purchase agreements	365.3	116.1
Ferry services	364.4	392.5
Early learning and child care	298.5	-
Economic development	161.5	173.8
Lease payments	143.9	153.6
Transmission service agreements	52.6	75.8
Lower Churchill Project	50.2	347.9
Information technology services	45.7	36.7
Letters of credit	35.2	33.7
Telephone services	30.3	2.9
Road maintenance	28.9	29.6
Residential services	8.0	8.1
Forestry and wildlife management	2.5	5.1
Energy savings	0.5	0.4
Other agreements	<u>105.8</u>	<u>88.5</u>
Total: Contractual Obligations	<u><u>5,411.3</u></u>	<u><u>4,771.3</u></u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2022. 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.

As at 31 March 2022, the Province had entered into a number of agreements pertaining to the acquisition of P3 assets. The amount disclosed above represents the operating component of P3 assets placed in service, as well as the operating and capital components of P3 assets that are currently under construction. The liability and associated asset for P3 assets under construction will be recognized in the Province's financial statements when the Province acquires control of the assets, which generally is intended to occur at the time when the construction of the assets is substantially complete.

**SUMMARY FINANCIAL STATEMENTS**

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

During 2020, the Province acquired control and placed into service a P3 asset pertaining to the Corner Brook Long-term Care Facility. The contractual obligations associated with this P3 arrangement consists of \$75.4 million (31 March 2021 - \$77.0 million) relating to the operating component of the agreement, such as facility maintenance payments.

During 2022, the Province acquired control and placed into service two P3 assets pertaining to the Gander and Grand Falls-Windsor Long Term Care Facilities. The contractual obligations associated with this P3 arrangement consists of \$65.7 million (31 March 2021 - \$196.1 million) relating to the operating component of the agreement. The \$196.1 million in the prior year relates to both operational and capital cost components. Both operational and capital costs were considered contractual obligations as the assets were not yet put into service in the 2021 fiscal year.

During 2022, the Province also acquired control and placed into service the P3 asset pertaining to the Parking Structure for the New Adult and Mental Health Addictions Facility. The contractual obligations associated with this portion of the P3 arrangement consists of \$3.6 million (31 March 2021 - \$4.0 million) relating to the operating component of the agreement.

In addition to the P3 assets placed in service, the Province has agreements for the acquisition of two other P3 assets that are under construction. These assets consist of the Corner Brook Acute Care Hospital, as well as the New Adult Mental Health and Addictions Facility with anticipated in-service dates of November 2023 and October 2024 respectively. The contractual obligations for the operating and capital components of these agreements total \$1.65 billion (31 March 2021 - \$1.65 billion).

The above table includes contractual obligations of \$1.1 billion (31 March 2021 - \$0.8 billion) for government business enterprises and \$17.4 million (31 March 2021 - \$6.0 million) for government business partnership.

Contractual obligations for the next five years and beyond are as follows:

Fiscal Year	Contractual Obligations (\$mil)
2022-23	1,050.6
2023-24	896.6
2024-25	633.4
2025-26	438.7
2026-27	331.7
Thereafter	2,060.3
<u>Total</u>	<u>5,411.3</u>

**13. Externally Restricted Assets**

Externally restricted assets amount to \$169.4 million (31 March 2021 - \$149.6 million) of which \$163.5 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 \$5.9 million which relate to various donations designated for specified purposes.

**SUMMARY FINANCIAL STATEMENTS**

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

**14. Provision for Guaranteed Debt**

The provision for probable losses on guaranteed debt (see note 10(a)) is nil (31 March 2021 - nil).

**15. Adjustments to Beginning Balances - Government Organization Changes**

Net Debt and Accumulated Deficit increased by \$0.5 million (31 March 2021 - \$8.3 million increase) relating to the government organization changes. There was a nil impact on the Annual Deficit (31 March 2021 - nil). These changes have been applied retroactively without restatement.

**16. Related Party Disclosures**

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

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

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

**17. Contractual Rights**

Contractual Rights consist of:

	<u>31 March 2022</u>	<u>31 March 2021</u>
	(\$mil)	(\$mil)
Cost sharing agreements	1,118.0	947.1
Other agreements	<u>2.4</u>	<u>13.2</u>
Total: Contractual Rights	<u><u>1,120.4</u></u>	<u><u>960.3</u></u>

Contractual rights are rights to economic resources arising from contracts or agreements entered into before 31 March 2022. These contractual rights will become assets when the transaction or event triggering recognition occurs.

## SUMMARY FINANCIAL STATEMENTS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

**18. Contingent Assets**

Contingent assets consist of:	31 March 2022	31 March 2021
	(\$mil)	(\$mil)
Terra Nova Project	-	11.1
Insurance Claims	-	11.4
Total: Contingent Assets	<u>-</u>	<u>22.5</u>

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

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

**19. Atlantic Accord (2019)**

During the fiscal year 2019-20, the Province and the Federal Government entered into an agreement (Hibernia Dividend Backed Annuity Agreement) intended to ensure that the Province is the principal beneficiary of its offshore resources. As a result, the Province will receive a guaranteed revenue stream of approximately \$3.3 billion, inclusive of Canada Hibernia Holding Corporation (CHHC) provincial taxes, over 38 years (2019 to 2056), with no restriction on the use of these funds. The CHHC provincial tax portion of this revenue stream will be recognized as revenue each year as the taxable event occurs. As well, the province will make eight annual payments of \$100 million each (with first payment due to begin in 2045) for a total of \$800 million. As a result of this agreement, the net debt and accumulated deficit were immediately reduced by \$2.4 billion as at March 31, 2020.

**20. 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. The impact of the COVID-19 pandemic adds an additional level of uncertainty for the measurement of certain assets and liabilities recorded in these financial statements. While best estimates are used for reporting items subject to measurement uncertainty, it is reasonably possible that changes in the future conditions could require change in the amounts recognized or disclosed.

Some examples of where measurement uncertainty exists are as follows:

- (i) The nature of uncertainty for the accrual of retirement benefits, the allowance for guaranteed debt, and the accrual of sick leave and self-insured workers' compensation benefits arises as actual results may differ significantly from the Province's assumptions about plan members and economic conditions in the marketplace.
- (ii) The accruals for environmental remediation obligations are uncertain because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans.

**SUMMARY FINANCIAL STATEMENTS****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

- (iii) Revenues from sales taxes, income taxes, oil royalties, Canada Health Transfer, Canada Social Transfer, and the Atlantic Accord (2019) are uncertain due to differences between the estimated and actual economic performance and other assumptions used to accrue these revenues. The tax revenues under the federal-provincial fiscal arrangements attributable to the year can change as a result of reassessments in subsequent years. The variability of the final amounts attributable to the year cannot be reasonably determined.

**21. Original Budget**

Certain amounts in the statements and exhibits of the 2021-22 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i). To be consistent with the format of the financial statements, presentation changes have been applied as necessary.

**22. Change in Government Structure**

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized during the 2021-22 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

**23. Additional Notes**

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



# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Receivables As at 31 March 2022 with comparative figures for 2021

	<u>2022</u>	<u>2021</u>
	(\$000)	(\$000)
Due from Government of Canada - note 1	2,814,612	3,084,494
Accounts receivable	339,501	320,874
Taxes receivable	292,544	161,313
Offshore royalties	163,944	88,868
Accrued interest receivable	<u>170</u>	<u>304</u>
	3,610,771	3,655,853
Less: Allowance for doubtful accounts	<u>124,999</u>	<u>113,861</u>
Total: Receivables	<u><u>3,485,772</u></u>	<u><u>3,541,992</u></u>

### NOTE

1. Due from Government of Canada includes a receivable of \$2.7 billion (31 March 2021 \$2.9 billion) related to the Atlantic Accord (2019).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Loans, Advances and Investments

As at 31 March 2022

with comparative figures for 2021

	2022	2021
	(\$000)	(\$000)
Loans and Advances - notes 1, 2		
Commercial - note 3	178,305	180,929
Housing	79,859	86,816
Student loans	59,112	66,266
Municipalities	734	753
Other	8,396	7,268
Total: Loans and Advances	326,406	342,032
Less: Discounts due to concessionary terms on loans - note 4	87,166	91,035
Allowance for doubtful loans and advances	64,526	50,534
Provision for loan repayments through future appropriations	3,450	3,927
	171,264	196,536
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	90,990	80,819
Administered by Newfoundland and Labrador Film Development Corporation	68,462	59,689
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Janeway Children's Hospital Foundation	7,357	7,139
Administered by Innovation and Business Investment Corporation	6,550	7,729
Grieg Seafood Newfoundland Ltd.	5,000	5,000
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
ACF Equity Atlantic Inc.	2,203	2,203
Burton's Cove Logging and Lumber	2,036	2,703
Newfoundland Aqua Services Ltd. - redeemable	1,580	1,768
Icewater Seafoods Inc.	616	791
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
NavSim Technologies	500	500
Hurley Slate Works Company Inc.	400	400
Pixecur Technologies Inc. - redeemable	400	400
Sexton Lumber Co. Ltd.	-	500
Other	1,968	1,991
	208,889	192,459

## LOANS, ADVANCES AND INVESTMENTS (continued)

	<u>2022</u>	<u>2021</u>
	(\$000)	(\$000)
Other Investments:		
Administered by Memorial University of Newfoundland - note 5	84,878	82,895
Newfoundland and Labrador Venture Capital Fund	9,094	8,454
Atlantic Canada Regional Venture Fund LP	8,285	7,896
Pelorus Venture Capital General	1,670	-
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,271	1,473
Sandpiper Ventures Fund LP	407	-
Administered by Multi-Materials Stewardship Board	402	4,399
Administered by Janeway Children's Hospital Foundation	262	518
	<u>106,269</u>	<u>105,635</u>
Total: Investments	<u>315,158</u>	<u>298,094</u>
Less: Discounts due to concessionary terms on investments - note 6	68,462	59,689
Allowance for write-down of investments	<u>16,760</u>	<u>17,552</u>
	<u>229,936</u>	<u>220,853</u>
Total: Loans, Advances and Investments	<u><u>401,200</u></u>	<u><u>417,389</u></u>

## NOTES

**1. Interest Rates and Loan Terms**

Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 28 years.

**2. Loan Receivable**

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General debenture 7I was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned on this loan totalling \$27.5 million is netted against the offsetting interest expense on the debenture debt.

**3. Security**

Security exists for certain loans that can be accessed in the event of default. Refer to note 10 (c) (vi) of the Notes to the Financial Statements for further details.

**4. Discounts Due to Concessionary Terms on Loans**

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

**5. Fair Market Value (FMV) of Investments**

The FMV of these investments is \$91.7 million of which \$33.2 million pertain to real estate. The remaining balance relates to fixed income investments.

**6. Discounts Due to Concessionary Terms on Investments**

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Equity in Government Business Enterprises and Partnership As at 31 March 2022 with comparative figures for 2021

	Atlantic Lottery Corporation 31 Mar 2022	NL Liquor Corporation 2 Apr 2022	Nalcor Energy 31 Dec 2021	Total 2022	Total 2021
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Equity - beginning of year	22,468	64,333	6,164,992	6,251,793	6,101,543
Net income for year	123,120	200,869	71,554	395,543	429,439
Other comprehensive income - note 1	9,170	-	17,000	26,170	9,203
Capital transactions:					
Transfers from government - note 2	-	-	250,000	250,000	1,000
Transfers to government	(123,111)	(210,000)	-	(333,111)	(289,392)
Equity - end of year	<u>31,647</u>	<u>55,202</u>	<u>6,503,546</u>	<u>6,590,395</u>	<u>6,251,793</u>
Equity represented by:					
Assets					
Cash and temporary investments	9,985	32,807	1,220,000	1,262,792	1,236,657
Receivables	32,317	15,740	171,900	219,957	196,161
Inventories	2,305	32,023	115,000	149,328	154,369
Prepaid and deferred charges	1,994	491	205,000	207,485	201,827
Investments	-	-	5,000	5,000	105,000
Reserve fund	-	-	43,000	43,000	39,000
Capital and intangible assets	29,741	26,486	17,623,000	17,679,227	17,180,613
Total Assets	<u>76,342</u>	<u>107,547</u>	<u>19,382,900</u>	<u>19,566,789</u>	<u>19,113,627</u>
Liabilities					
Accounts payable and accruals	24,918	52,345	3,157,018	3,234,281	3,113,729
Deferred government assistance	-	-	321	321	1,000
Borrowings - note 3	19,777	-	9,722,015	9,741,792	9,747,105
Total Liabilities	<u>44,695</u>	<u>52,345</u>	<u>12,879,354</u>	<u>12,976,394</u>	<u>12,861,834</u>
Equity	<u>31,647</u>	<u>55,202</u>	<u>6,503,546</u>	<u>6,590,395</u>	<u>6,251,793</u>

### NOTES

#### 1. Other Comprehensive Income

Other comprehensive income includes certain unrealized gains and losses of government business enterprises and partnership that are not reported in the statement of operations but are reported in the statement of financial position. Unrealized gains and losses are recognized in the statement of operations when they become realized gains and losses. Accumulated other comprehensive income as at 31 March 2022 amounted to \$3.7 million (31 March 2021 - \$(22.5) million). The other comprehensive income recognized during the year was \$26.2 million (31 March 2021 - \$9.2 million).

#### 2. Transfers from Government

Capital transfers from the Province include \$250.0 million (31 March 2021 - \$1.0 million) for the Oil and Gas Development and Lower Churchill Project.

## EQUITY IN GOVERNMENT BUSINESS ENTERPRISES AND PARTNERSHIP (continued)

**3. Contributions and Repayment Requirements**

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

	<u>Total</u>
	(\$000)
2022-2023	120,960
2023-2024	66,628
2024-2025	67,398
2025-2026	68,170
2026-2027	313,321
2027-2057	<u>9,340,793</u>
	9,977,270
Less: Sinking Fund Contributions	<u>(235,478)</u>
	<u><u>9,741,792</u></u>

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Net Income of Government Business Enterprises and Partnership As at 31 March 2022 with comparative figures for 2021

	Atlantic Lottery Corporation 31 Mar 2022 (\$000)	NL Liquor Corporation 2 Apr 2022 (\$000)	Nalcor Energy 31 Dec 2021 (\$000)	Total 2022 (\$000)	Total 2021 (\$000)
Revenue					
Revenue from operations	<u>202,002</u>	<u>395,637</u>	<u>1,012,554</u>	<u>1,610,193</u>	<u>1,465,654</u>
Expense					
Expenses from operations	<u>78,882</u>	<u>194,768</u>	<u>941,000</u>	<u>1,214,650</u>	<u>1,036,215</u>
Net Income	<u><u>123,120</u></u>	<u><u>200,869</u></u>	<u><u>71,554</u></u>	<u><u>395,543</u></u>	<u><u>429,439</u></u>

#### NOTE

#### Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support both new and current offshore petroleum exploration, funding for wind feasibility studies in Labrador, for a total amount of \$2.4 million (31 December 2020 - \$2.3 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total expenses of \$54.4 million (31 December 2020 - \$35.7 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 \$35.8 million (31 December 2020 - \$42.1 million); accounts payable include \$12.2 million (31 December 2020 - \$37.6 million) and deferred credits include \$0.3 million (31 December 2020 - \$1.1 million). In addition, Nalcor Energy invested \$49.5 million (31 December 2020 - \$47.1 million) in Provincial bonds. Refer to Schedule 2, note 2 for further details regarding Nalcor Energy's loan payable to the Province.

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

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled \$135.1 million (31 March 2021 - \$94.4 million). In relation to profit earnings, there exists an accounts receivable of \$6.9 million (31 March 2021 - \$4.9 million accounts payable).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Payables, Accrued and Other Liabilities As at 31 March 2022 with comparative figures for 2021

	2022	2021
	(\$000)	(\$000)
Due to Government of Canada - note 1	1,093,650	1,098,578
Accrued salaries and employee benefits - note 2	766,727	793,043
Accounts payable	476,944	438,367
Accrued interest payable	226,250	232,007
Contaminated sites	208,518	192,743
Public private partnerships - note 3	146,683	70,831
Taxes payable - note 4	78,260	191,166
Capital leases - note 5	25,080	9,575
Other	19,158	28,388
Due to municipalities	1,031	2,589
Total: Payables, Accrued and Other Liabilities	3,042,301	3,057,287

#### NOTES

##### 1. Due to Government of Canada

Due to Government of Canada is comprised of \$800.0 million for the Atlantic Accord (2019) (31 March 2021 - \$800 million), \$266.7 million for an Equalization loan (31 March 2021 - \$266.7 million), \$18.3 million for an RCMP policing service contract (31 March 2021 - \$18.3 million) and \$8.6 million for other Federal programs (31 March 2021 - \$13.6 million).

##### 2. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of the following.

	2022	2021
	(\$mil)	(\$mil)
Paid and annual leave	322.2	302.9
Sick leave	239.9	245.0
Severance	39.3	50.0
Salaries	89.2	115.9
Self-insured workers' compensation benefits	53.5	53.5
Other benefits	22.6	25.7
	766.7	793.0

During the 2019-20 fiscal year, an actuarial valuation as of 31 December 2019, with disclosures as at 31 March 2022, was obtained for the Province's self-insured workers' compensation benefits. During the 2020-21 fiscal year an actuarial valuation as of 31 March 2020, with disclosures as at 31 March 2022, was obtained for the Province's sick leave benefits. Accrued severance and sick leave balances have been determined using a combination of actuarial valuations and internal methodologies. Refer to note 4 of the Notes to the Financial Statements for further details on sick leave.

## PAYABLES, ACCRUED AND OTHER LIABILITIES (continued)

**3. Public Private Partnerships**

The liability for public private partnerships (P3s) represents the Province's outstanding obligation for the discounted, capitalized cost of acquired P3 assets. The P3 liability has interest rates which vary from 3.55% to 3.85% and has repayment schedules with durations ranging from 28 to 30 years.

**4. Taxes Payable**

Taxes payable is comprised of \$69.6 million for corporate income tax (31 March 2021 - \$130.4 million), nil for HST (31 March 2021 - \$48.0 million) and \$8.6 million for other taxes (31 March 2021 - \$12.8 million).

**5. Capital Leases**

Interest rates for all capital leases range from 1.0% to 9.41% and have repayment schedules ranging in duration from 1 to 5 years.



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Borrowings As at 31 March 2022 with comparative figures for 2021

	2022			Interest Rate Range (%)	2021
	Total Borrowings (\$000)	Sinking Fund Balance (\$000)	Net Borrowings (\$000)		Net Borrowings (\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	1,168,282	-	1,168,282	0.25 - 0.88	1,169,653
General debentures	16,924,840	1,351,291	15,573,549	1.25 - 9.15	14,409,772
Sun Life Assurance Company of Canada	36,538	-	36,538	7.55 - 9.20	44,655
Government of Canada	<u>173,975</u>	<u>-</u>	<u>173,975</u>	4.91 - 6.61	<u>226,351</u>
	18,303,635	1,351,291	16,952,344		15,850,431
Health care organizations	140,276	27,572	112,704	1.12 - 10.50	116,393
Newfoundland and Labrador Housing Corporation	66,265	-	66,265	0.39 - 19.75	71,542
Memorial University of Newfoundland	52,808	-	52,808	3.69 - 4.18	55,785
School Districts	19,495	-	19,495	prime-1 - 3.66	17,549
Other	<u>148</u>	<u>-</u>	<u>148</u>	prime - 2.89	<u>100</u>
Total: Borrowings	<u><u>18,582,627</u></u>	<u><u>1,378,863</u></u>	<u><u>17,203,764</u></u>		<u><u>16,111,800</u></u>

#### NOTES

#### 1. General Debentures

General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General debenture 7I was reopened and issued \$300.0 million on 13 April 2021 on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$27.5 million is netted against the offsetting interest revenue on the loan receivable.

General debenture 7E has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 14.5 basis points. General debenture 7F has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

## BORROWINGS (continued)

**2. Borrowings**

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2022 are noted below. Refer to note 6 of the Notes to the Financial Statements for further details.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ (Discounts) and Issuance Fees (\$000)	Net (\$000)
U.S.	400,000	1.2496	499,840	14,928	514,768
Canadian			18,082,787	-	18,082,787
		Sub-total	18,582,627	14,928	18,597,555
		Foreign sinking funds	(225,089)	(7,818)	(232,907)
		Canadian sinking funds	(1,153,774)	-	(1,153,774)
		Sub-total	17,203,764	7,110	17,210,874
		Unamortized premiums (discounts) and issuance fees		(244,429)	(244,429)
		Total		(237,319)	16,966,445

**3. Contributions and Repayment Requirements**

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

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2022-2023	155,539	2,833,405	2,988,944
2023-2024	110,090	535,633	645,723
2024-2025	-	106,827	106,827
2025-2026	-	1,257,497	1,257,497
2026-2027	-	1,056,254	1,056,254
2027-2053	-	10,458,051	10,458,051
	265,629	16,247,667	16,513,296
Plus: Sinking Fund Values at Maturity			2,533,035
Less: Sinking Fund Contributions			(463,704)
			18,582,627

## BORROWINGS (continued)

**4. Interest Expense**

The gross interest expense associated with borrowings, recognized for 31 March 2022, amounted to \$618.2 million (31 March 2021 - \$729.4 million).

**5. Foreign Exchange Gains/Losses and Premiums/Discounts and Issuance Fees**

The foreign exchange gain which has been recognized on the Consolidated Statement of Operations is \$22.1 million which represents a credit adjustment (31 March 2021 - \$25.2 million - debit adjustment). The net amortization expense on premiums (discounts) and issuance fees is \$8.4 million which represents a debit adjustment (31 March 2021 - \$6.8 million - debit adjustment).

**6. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2022 would result in an increase/decrease in foreign borrowings of \$4.0 million (31 March 2021 - \$6.0 million).

**7. Related Sinking Fund Investments**

At year end, the Province held \$744.4 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2021 - \$865.7 million) which are reflected in the sinking fund balances disclosed in note 2 above. These were comprised of \$690.4 million in Canadian investments and \$54.0 million in US investments.

**8. Debt Related Risk**

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

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

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

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

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

Schedule 7

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Guaranteed Debt As at 31 March 2022 with comparative figures for 2021

	<u>2022</u>	<u>2021</u>
	(\$000)	(\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	872,827	1,086,662
Newfoundland and Labrador Housing Projects - note 4	15,673	19,799
Municipalities	<u>660</u>	<u>643</u>
	<u>889,160</u>	<u>1,107,104</u>
Guaranteed Bank Loans		
Fisheries	10,168	16,173
Other corporations	<u>852</u>	<u>840</u>
	<u>11,020</u>	<u>17,013</u>
Total: Guaranteed Debt	<u><u>900,180</u></u>	<u><u>1,124,117</u></u>

### NOTES

#### 1. Limit of Loan Guarantees

The limit of loan guarantees for guaranteed debentures is \$889.5 million and \$22.7 million for guaranteed bank loans.

#### 2. Provision for Guaranteed Debt

The provision for probable losses on guaranteed debt is nil (31 March 2021 - nil).

#### 3. General Terms and Conditions

Guaranteed debentures for Newfoundland and Labrador Hydro have maturity dates ranging from February 2026 to October 2048 at interest rates varying from 1.75% to 8.4%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from December 2023 to December 2035 at interest rates varying from 1.12% to 10.5%.

#### 4. Loan Guarantees

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**  
**Losses, Uncollectible Accounts and Other Amounts Written Off**  
**As at 31 March 2022**  
**with comparative figures for 2021**

Department	2022 (\$000)	2021 (\$000)
Finance:		
Remissions	7,594	25,278
Immigration, Population, Growth and Skills:		
Uncollectible accounts	73	862
Children, Seniors and Social Development:		
Uncollectible accounts	2,268	-
Education:		
Uncollectible accounts	3,064	-
Health and Community Services:		
Uncollectible accounts	-	44
Municipal and Provincial Affairs:		
Uncollectible accounts	-	16
Digital Government and Service Newfoundland and Labrador:		
Uncollectible accounts	122	4
Tourism, Culture, Arts and Recreation:		
Uncollectible accounts	-	5
Transportation and Infrastructure:		
Uncollectible accounts	296	16
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>13,417</u>	<u>26,225</u>

**NOTE**

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Trust Accounts As at 31 March 2022 with comparative figures for 2021

	<u>2022</u>	<u>2021</u>
	(\$000)	(\$000)
Supreme Court of Newfoundland and Labrador	40,954	30,861
Office of the Public Trustee	37,536	37,650
Refund Deposit Account (formerly known as Rate Stabilization Fund)	8,431	9,071
Scholarships and Awards	7,415	7,245
Teachers' Accrued Salary Trust Account	5,704	6,249
Patients' Funds Held in Trust	4,371	4,455
Federal/Provincial Contractors' Security Account	3,915	4,210
Replacement Reserve Funds	3,684	3,658
Consolidated Tender Account	1,666	2,459
Support Enforcement	1,364	1,464
Contractors' Security Account - Transportation and Infrastructure	748	734
Provincial Courts Trust Account	466	387
High Sheriff of Newfoundland	196	305
Other Trust Accounts	<u>4,654</u>	<u>4,487</u>
Total: Trust Accounts	<u><u>121,104</u></u>	<u><u>113,235</u></u>

### NOTE

#### Workplace, Health, Safety and Compensation Commission

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2021, the Commission reported a net fund surplus of \$430.1 million (31 December 2020 - net fund surplus of \$333.6 million) and an accumulated operating surplus of \$426.9 million (31 December 2020 - accumulated operating surplus of \$331.4 million). Under legislation, no liability on behalf of the Province has been established.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2022 with comparative figures for 2021

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2022	Net Book Value 31 March 2021
	Balance 31 March 2021	Additions 2022	Disposals 2022	Balance 31 March 2022	Balance 31 March 2021	Amort. Net of Disposals 2022		
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Buildings	4,436.3	487.7	29.7	4,894.3	2,246.5	92.3	2,338.8	2,189.8
Marine vessels & aircraft	393.3	0.9	-	394.2	155.6	17.6	173.2	237.7
Equipment & machinery	1,823.1	92.5	18.2	1,897.4	1,465.5	55.9	1,521.4	357.6
Infrastructure	5,625.7	104.6	3.6	5,726.7	4,347.5	104.0	4,451.5	1,278.2
Computer software	232.4	1.1	-	233.5	196.6	11.1	207.7	35.8
Sub-total	<u>12,510.8</u>	<u>686.8</u>	<u>51.5</u>	<u>13,146.1</u>	<u>8,411.7</u>	<u>280.9</u>	<u>8,692.6</u>	<u>4,099.1</u>
Work in progress				<u>328.4</u>			<u>328.4</u>	<u>584.3</u>
Total				<u>13,474.5</u>			<u>4,781.9</u>	<u>4,683.4</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 2022 of \$328.4 million (31 March 2021 - \$584.3 million) having been spent on these projects to date. Upon completion, these assets are recorded in the appropriate category in the schedule. The additions of \$686.8 million include \$453.5 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$198.4 million less disposals of \$0.8 million for 2021-22.

## TANGIBLE CAPITAL ASSETS (continued)

**3. Accumulated Amortization**

The \$280.9 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$330.5 million less accumulated amortization on assets disposed of in the year in the amount of \$49.6 million.

The \$270.4 million change in accumulated amortization as at 31 March 2021 consisted of amortization expense of \$311.6 million less accumulated amortization on assets disposed of in the year in the amount of \$41.2 million.

**4. Estimated Useful Life**

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

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

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

**5. Historical or Cultural Assets**

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



## 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 \$60.3 million (31 March 2021 - \$36.4 million), amortization expense is \$4.0 million (31 March 2021 - \$1.0 million) and accumulated amortization is \$31.8 million (31 March 2021 - \$27.8 million). These are included in the appropriate category in the schedule.

**8. Expropriated Assets**

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, the intent is to transfer these assets to Nalcor Energy or Newfoundland and Labrador Hydro. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$127.7 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2022 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.

**9. Public Private Partnerships**

The cost of tangible capital assets includes \$175.5 million (31 March 2021 - \$85.6 million) related to public private partnership assets, of which \$3.6 million (31 March 2021 - \$2.1 million) has been recorded as amortization expense and accumulated amortization is \$5.9 million (31 March 2021 - \$2.3 million). These amounts are included in the appropriate category in the schedule.

**10. Adjustments to Beginning Balances**

Certain assets, in the amount of \$48.9 million, have been reclassified in the prior year to reflect their correct in-service dates. There were no changes to accumulated amortization or net book value as at 31 March, 2021.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Revenue by Source For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Original Budget 2022 (Note 21) (\$000)	Actuals 2021 (\$000)
<b>Provincial Sources</b>			
<b>Taxation</b>			
Personal income tax	1,584,344	1,613,346	1,534,374
Sales tax	1,435,686	1,214,111	1,130,530
Corporate income tax	660,584	468,513	416,632
Mining and mineral rights tax	194,634	64,011	119,211
Gasoline tax	149,099	167,334	153,311
Carbon tax	90,943	113,585	55,739
Cannabis tax	8,278	7,084	5,946
Other	<u>378,305</u>	<u>396,183</u>	<u>388,572</u>
	<u>4,501,873</u>	<u>4,044,167</u>	<u>3,804,315</u>
<b>Investment</b>			
Interest	49,800	14,523	37,608
Sinking fund earnings	45,525	61,689	48,506
Other	<u>2,334</u>	<u>-</u>	<u>6,928</u>
	<u>97,659</u>	<u>76,212</u>	<u>93,042</u>
<b>Fees and fines</b>			
Fees	489,616	346,809	346,867
Fines	<u>11,037</u>	<u>9,284</u>	<u>10,667</u>
	<u>500,653</u>	<u>356,093</u>	<u>357,534</u>
Offshore royalties	1,196,034	1,059,283	576,355
<b>Miscellaneous</b>			
Sales and rentals	107,027	99,144	92,178
Cost recoveries	38,141	36,695	34,342
Other	<u>371,705</u>	<u>375,921</u>	<u>368,360</u>
	<u>516,873</u>	<u>511,760</u>	<u>494,880</u>
<b>Total Provincial Sources</b>	<u>6,813,092</u>	<u>6,047,515</u>	<u>5,326,126</u>
<b>Federal Sources</b>			
Health and social transfers	796,135	848,875	784,980
Cost-shared programs	630,909	619,131	694,100
Atlantic Accord (2019)	(109,491)	-	17,130
Other	<u>69,697</u>	<u>422,365</u>	<u>76,334</u>
<b>Total Federal Sources</b>	<u>1,387,250</u>	<u>1,890,371</u>	<u>1,572,544</u>
Net income of government business enterprises and partnership - see note	395,543	580,262	429,439
<b>Total: Revenue by Source</b>	<u><u>8,595,885</u></u>	<u><u>8,518,148</u></u>	<u><u>7,328,109</u></u>

#### NOTE

See Schedule 4 for a breakdown by entity.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Expenses by Department For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Original Budget 2022 (Note 21) (\$000)	Actuals 2021 (\$000)
<b>General Government Sector and Legislative Branch</b>			
<b>General Government Sector</b>			
Consolidated Fund Services	714,109	978,329	835,493
Executive Council	170,637	225,336	188,684
Finance	303,913	399,089	708,260
Public Procurement Agency	2,043	2,142	1,232
Public Service Commission	11,072	11,692	11,326
Digital Government and Service Newfoundland and Labrador	33,369	35,719	32,688
Transportation and Infrastructure	658,370	599,445	626,039
<b>Legislative Branch</b>			
Legislature	<u>22,752</u>	<u>26,789</u>	<u>29,523</u>
	<u>1,916,265</u>	<u>2,278,541</u>	<u>2,433,245</u>
<b>Resource Sector</b>			
Environment and Climate Change	54,040	73,735	43,392
Industry, Energy and Technology	387,224	459,863	126,149
Tourism, Culture, Arts and Recreation	96,245	71,967	119,155
Fisheries, Forestry and Agriculture	135,175	125,667	143,906
Immigration, Population Growth and Skills	<u>131,450</u>	<u>210,811</u>	<u>202,173</u>
	<u>804,134</u>	<u>942,043</u>	<u>634,775</u>
<b>Social Sector</b>			
Children, Seniors and Social Development	396,789	407,105	389,972
Education	1,743,384	1,726,949	1,623,310
Health and Community Services	3,533,665	3,420,011	3,280,974
Justice and Public Safety	281,908	291,112	272,962
Newfoundland and Labrador Housing Corporation	112,937	120,863	107,426
Municipal and Provincial Affairs	<u>78,713</u>	<u>156,997</u>	<u>77,266</u>
	<u>6,147,396</u>	<u>6,123,037</u>	<u>5,751,910</u>
<b>Total: Expenses by Department</b>	<u><u>8,867,795</u></u>	<u><u>9,343,621</u></u>	<u><u>8,819,930</u></u>

#### NOTE

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Expenses by Object For the year ended 31 March 2022 with comparative figures for 2021

	<u>Actuals</u> <u>2022</u> (\$000)	<u>Original</u> <u>Budget</u> <u>2022</u> (Note 21) (\$000)	<u>Actuals</u> <u>2021</u> (\$000)
Salaries and employee benefits - note 1	3,454,981	3,543,591	3,568,687
Grants and subsidies	2,037,129	2,519,966	1,852,487
Operating costs	1,411,563	1,303,377	1,357,616
Debt expenses	941,623	994,865	1,131,759
Professional services	534,404	532,762	499,644
Amortization and (gain)/loss on the sale of tangible capital assets	331,983	338,841	313,584
Property, furnishings and equipment - note 2	124,234	105,486	78,895
Valuation allowances (recovery)	31,878	4,733	17,258
Total: Expenses by Object	<u>8,867,795</u>	<u>9,343,621</u>	<u>8,819,930</u>

### NOTES

#### 1. Salaries and employee benefits

Salaries and employee benefits consists of the following.

	<u>2022</u> (\$mil)	<u>2021</u> (\$mil)
Salaries	2,890.7	2,805.5
Retirement costs	232.0	415.9
Other benefits	181.5	173.0
Paid and annual leave	116.6	117.0
Sick leave	33.2	54.6
Severance	1.0	2.7
	<u>3,455.0</u>	<u>3,568.7</u>

#### 2. Property, Furnishings and Equipment

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Revenue and Expense by Sector For the year ended 31 March 2022

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
<b>REVENUE</b>				
Provincial				
Taxation	4,543,884	2,233	-	4,546,117
Investment	75,485	5,367	16,807	97,659
Fees and Fines	262,073	77,094	161,486	500,653
Offshore Royalties	243	1,195,791	-	1,196,034
Other	64,055	47,246	411,773	523,074
Federal sources	<u>760,047</u>	<u>331,130</u>	<u>296,073</u>	<u>1,387,250</u>
	5,705,787	1,658,861	886,139	8,250,787
Net income of government business enterprises and partnership	<u>323,989</u>	<u>71,554</u>	<u>-</u>	<u>395,543</u>
<b>Total Sector Revenue - note 2</b>	<u>6,029,776</u>	<u>1,730,415</u>	<u>886,139</u>	<u>8,646,330</u>
<b>EXPENSE</b>				
Salaries and employee benefits	264,819	123,306	3,111,453	3,499,578
Operating costs	306,699	184,946	919,918	1,411,563
Grants and subsidies	264,226	437,871	1,340,880	2,042,977
Debt expenses	896,503	3,413	41,707	941,623
Professional services	17,319	8,191	508,894	534,404
Amortization and (gain)/loss on sale of tangible capital assets	162,817	25,893	143,273	331,983
Property, furnishings, and equipment	1,932	8,714	113,588	124,234
Valuation allowances (recovery)	<u>1,950</u>	<u>18,001</u>	<u>11,927</u>	<u>31,878</u>
<b>Total Sector Expense - note 3</b>	<u>1,916,265</u>	<u>810,335</u>	<u>6,191,640</u>	<u>8,918,240</u>
Sector Results - before adjustments	4,113,511	920,080	(5,305,501)	(271,910)
Inter-Sector Eliminations	<u>(44,244)</u>	<u>6,201</u>	<u>38,043</u>	<u>-</u>
Annual Surplus (Deficit)	<u>4,069,267</u>	<u>926,281</u>	<u>(5,267,458)</u>	<u>(271,910)</u>

See accompanying notes.

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**NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR**  
**For the year ended 31 March 2022**

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**1. Sectors**

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2021-22 Estimates. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 12 - Expenses by Department for a list of departments included within each sector.

**2. Sector Revenue**

Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to \$50.4 million resulting in total revenue of \$8,595.9 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 \$50.4 million resulting in total expense of \$8,867.8 million as per the Consolidated Statement of Operations.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**  
**Government Reporting Entity**  
**For the year ended 31 March 2022**

GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	C.A. Pippy Park Commission
Note 1	Celebrate NL Inc.
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - note 2	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 3	Eastern Regional Health Authority
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Innovation and Business Investment Corporation
	Labrador-Grenfell Regional Health Authority
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
	Newfoundland and Labrador 911 Bureau Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
J - note 4	Newfoundland and Labrador English School District
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
D - note 5	Oil and Gas Corporation of Newfoundland and Labrador
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board

## GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

The Rooms Corporation of Newfoundland and Labrador  
Western Regional Health Authority

GOVERNMENT BUSINESS ENTERPRISES

D Nalcor Energy  
F Newfoundland and Labrador Liquor Corporation

GOVERNMENT BUSINESS PARTNERSHIP

Atlantic Lottery Corporation Inc. (25% ownership)

LEGEND

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

NOTES

- 1 Celebrate NL Inc. was established effective March 7, 2022 with a financial year-end of 31 March. Celebrate NL Inc. is a crown corporation, which reports directly to Department of Tourism, Culture, Arts and Recreation.
- 2 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.
- 3 Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements in 2021-22. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2021-22 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.
- 4 Newfoundland and Labrador English School District controls a number of foundations/associations which have been consolidated within their financial statements in 2021-22. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland and Labrador International Student Education Inc.
- 5 Oil and Gas Corporation of Newfoundland and Labrador was established effective January 1, 2020 with a financial year-end of 31 December. Oil and Gas Corporation of Newfoundland and Labrador is a crown corporation, which reports directly to Department of Industry, Energy and Technology.



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# **Province of Newfoundland and Labrador**

## **Consolidated Revenue Fund Financial Information (Unaudited)**

**For The Year Ended  
31 March 2022**

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## INTRODUCTION

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

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

The Consolidated Revenue Fund Financial Information for previous years is also available on the Internet at: <https://www.gov.nl.ca/exec/tbs/publications/public-accounts/>

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**PROVINCE OF NEWFOUNDLAND AND LABRADOR**
**Statement of Financial Position  
As at 31 March 2022  
with comparative figures for 2021**

	Actuals 2022 (\$000)	Actuals 2021 (\$000)
<b>FINANCIAL ASSETS</b>		
	1,386,740	1,249,981
	47,041	38,875
Sch. A	3,496,410	3,563,575
	112,886	104,362
	3,383,524	3,459,213
Sch. B	382,699	388,334
	51,271	37,862
	331,428	350,472
Sch. C	4,966,152	4,713,453
	10,361	10,361
	4,955,791	4,703,092
	<u>10,104,524</u>	<u>9,801,633</u>
<b>LIABILITIES</b>		
Sch. D	2,315,042	2,310,353
	234,890	372,324
Sch. E	18,303,635	17,218,051
	1,351,291	1,367,620
	(237,319)	(156,291)
	16,715,025	15,694,140
	3,104,039	3,008,448
	284,434	453,990
	4,049,858	4,129,536
	4,334,292	4,583,526
	<u>26,703,288</u>	<u>25,968,791</u>
	<u>16,598,764</u>	<u>16,167,158</u>
<b>NET DEBT</b>		
<b>NON-FINANCIAL ASSETS</b>		
	2,596,211	2,540,800
	9,492	6,593
	58,849	47,072
	<u>2,664,552</u>	<u>2,594,465</u>
	<u>13,934,212</u>	<u>13,572,693</u>
Sch. F		

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Net Debt For the year ended 31 March 2022 with comparative figures for 2021

	Actuals 2022 (\$000)	Original Budget 2022 (\$000)	Actuals 2021 (\$000)
<b>NET DEBT - beginning of period</b>	16,167,158	21,961,542	14,651,949
<b>Surplus (Deficit) for the period</b>	<u>(361,519)</u>	<u>(1,561,737)</u>	<u>(1,553,367)</u>
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	245,626	237,459	138,351
Net book value of tangible capital asset disposals	(2,035)	-	(2,313)
Amortization of tangible capital assets	<u>(188,180)</u>	<u>(174,663)</u>	<u>(177,663)</u>
<b><i>Increase (Decrease) in net book value of tangible capital assets</i></b>	<u>55,411</u>	<u>62,796</u>	<u>(41,625)</u>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expenses (net of usage)	2,899		(1,051)
Acquisition of inventories of supplies (net of usage)	<u>11,777</u>		<u>4,518</u>
<b><i>Increase (Decrease) in other non-financial assets</i></b>	<u>14,676</u>		<u>3,467</u>
<b><i>Increase (Decrease) in net debt</i></b>	<u>431,606</u>	<u>1,624,533</u>	<u>1,515,209</u>
<b>NET DEBT - end of period</b>	<u><u>16,598,764</u></u>	<u><u>23,586,075</u></u>	<u><u>16,167,158</u></u>

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

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Statement of Operations  
For the year ended 31 March 2022  
with comparative figures for 2021

	Actuals 2022 (\$000)	Original Budget 2022 (\$000)	Actuals 2021 (\$000)
<b>REVENUE</b>			
Provincial			
Tax Revenue			
Sales	1,435,686	1,214,111	1,130,530
Personal income	1,584,344	1,613,346	1,534,374
Gasoline	149,099	167,334	153,311
Corporate income	660,584	468,513	416,632
Mining and mineral rights	194,634	64,011	119,211
Cannabis tax	8,278	7,084	5,946
Carbon tax	90,943	113,585	55,739
Other	422,549	396,183	433,701
Non-Tax Revenue			
Offshore royalties	1,196,034	1,059,282	576,355
Investment	340,653	379,015	300,237
Fees and fines	302,336	171,109	175,223
Other	41,035	-	48,265
Provincial related revenue	230,208	206,766	222,037
Federal			
Atlantic Accord (2019)	(109,491)	-	17,130
Health and social transfers	796,135	848,875	784,980
Other	9,668	9,710	10,881
Federal related revenue	585,104	930,029	646,367
<b>Total Revenue</b>	<b>7,937,799</b>	<b>7,648,953</b>	<b>6,630,919</b>
<b>EXPENSE</b>			
Salaries and employee benefits	601,855	776,947	789,612
Transportation and communications	22,987	35,674	22,313
Supplies	117,523	106,377	94,910
Professional services	488,636	505,351	468,842
Purchased services	358,116	261,579	348,926
Property, furnishings and equipment	4,948	2,845	9,282
Allowances and assistance	732,660	607,981	700,641
Grants and subsidies	4,856,326	5,785,371	4,479,725
Debt expenses	900,272	953,902	1,078,011
Amortization and (gain)/loss on the sale of tangible capital assets	190,201	174,663	179,862
Valuation allowances (recovery)	25,794	-	12,162
<b>Total Expense</b>	<b>8,299,318</b>	<b>9,210,690</b>	<b>8,184,286</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>(361,519)</b>	<b>(1,561,737)</b>	<b>(1,553,367)</b>

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



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Statement of Change in Accumulated Deficit For the year ended 31 March 2022 with comparative figures for 2021

	<u>Actuals 2022</u> (\$000)	<u>Original Budget 2022</u> (\$000)	<u>Actuals 2021</u> (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b>	13,572,693		12,019,326
<b>Surplus (Deficit) for the period</b>	<u>(361,519)</u>	<u>(1,561,737)</u>	<u>(1,553,367)</u>
<b>ACCUMULATED DEFICIT - end of period</b>	<u><u>13,934,212</u></u>		<u><u>13,572,693</u></u>

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Statement of Cash Flows  
For the year ended 31 March 2022  
with comparative figures for 2021**

	Actuals 2022 (\$000)	Actuals 2021 (\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual surplus (deficit)	(361,519)	(1,553,367)
Add (Deduct) non-cash items:		
Accounts payable	(35,799)	(59,822)
Accounts receivable	67,165	(43,128)
Amortization of foreign exchange (gains)/losses, (premiums)/discounts and issuance fees	(13,638)	31,988
Amortization of tangible capital assets	188,180	177,663
April writebacks	39,346	155,354
Deferred revenue	(137,434)	322,626
Other	(92,124)	(56,074)
Retirement costs	(73,965)	143,812
Sinking funds	(44,692)	(47,681)
Special purpose funds/contractors' holdback funds	680	9,880
Valuation allowances	25,794	12,162
<b>Net cash provided from (applied to) operating transactions</b>	<u>(438,006)</u>	<u>(906,587)</u>
<b>CAPITAL</b>		
Acquisitions	(245,626)	(138,351)
Disposals	15	86
<b>Net cash provided from (applied to) capital transactions</b>	<u>(245,611)</u>	<u>(138,265)</u>
<b>FINANCING</b>		
Debt issued	1,550,000	2,800,000
Debt retirement	(460,130)	(951,390)
Retirement of promissory note	(79,678)	(75,169)
Sinking fund contributions	(40,676)	(41,805)
Sinking fund proceeds	100,186	169,630
Treasury bills purchased	8,439,898	6,032,811
Treasury bills redeemed	(8,441,269)	(6,846,009)
<b>Net cash provided from (applied to) financing transactions</b>	<u>1,068,331</u>	<u>1,088,068</u>
<b>INVESTING</b>		
Loan advances and investments	(268,433)	(52,578)
Loan repayments	20,478	17,958
<b>Net cash provided from (applied to) investing transactions</b>	<u>(247,955)</u>	<u>(34,620)</u>
<b>Net cash provided (applied)</b>	136,759	8,596
Cash and temporary investments - beginning of period	1,249,981	1,241,385
<b>CASH AND TEMPORARY INVESTMENTS - end of period</b>	<u>1,386,740</u>	<u>1,249,981</u>

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Accounts and Taxes Receivable As at 31 March 2022 with comparative figures for 2021

	2022	2021
	(\$000)	(\$000)
<b>Accounts Receivable:</b>		
Due from Government of Canada - note 1	2,735,772	3,014,579
Offshore royalties	163,944	88,868
Income support overpayments	85,394	77,515
Newfoundland Labrador Liquor Corporation	69,902	64,333
Court fines	53,253	50,272
Innovation and Business Development Fund	36,000	48,000
Miscellaneous/other receivables	20,775	28,576
Due from Nalcor Energy	10,947	7,770
Atlantic Lottery Corporation Incorporated	6,892	-
Reciprocal billings - medical services	5,819	7,009
Rent and other royalties/permits to occupy	5,756	5,665
Amounts due as a result of Constituency Allowance review	2,501	2,524
Medical care plan audit recoveries	2,438	2,555
Due from municipalities	2,323	1,419
Workplace, Health, Safety and Compensation Commission	1,526	1,072
Fees and licences	577	676
Accident recovery claims	24	1,304
Travel advances	21	13
Province of Newfoundland and Labrador Pooled Pension Fund	2	112
Total: Accounts Receivable	3,203,866	3,402,262
<b>Taxes Receivable:</b>		
Mining and mineral rights tax	130,894	82,803
Sales tax	88,136	6,177
Health and post secondary education tax	15,457	16,515
Gasoline tax	15,143	13,474
Carbon tax	9,289	6,042
Tobacco tax	9,046	10,765
School tax	8,864	8,416
Insurance companies tax	8,862	12,579
Cannabis tax	3,403	2,965
Miscellaneous/other taxes	1,781	1,577
Forest management tax	1,669	-
Total: Taxes Receivable	292,544	161,313
Total: Accounts and Taxes Receivable	3,496,410	3,563,575

### NOTES

1. Due from Government of Canada includes a receivable of \$2.7 billion for 31 March 2022 (31 March 2021 - \$2.9 billion) related to the Atlantic Accord (2019).

2. The allowance for doubtful accounts for 31 March 2022 is \$112.9 million (31 March 2021 - \$104.4 million).

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Loans, Advances and Mortgages Receivable**

**As at 31 March 2022**

**with comparative figures for 2021**

	<u>2022</u>	<u>2021</u>
	(\$000)	(\$000)
Crown Agencies - note 4:		
Memorial University of Newfoundland	181,077	178,087
Newfoundland and Labrador Film Development Corporation	<u>6,819</u>	<u>6,819</u>
Total: Crown Agencies	<u>187,896</u>	<u>184,906</u>
Commercial Loans		
6574262 Canada Inc.	500	500
Afinin Lab Inc.	30	30
Canada Fluorspar (NL) Inc.	21,294	17,500
Clear Risk Inc.	420	420
Corner Brook Pulp and Paper Limited	112,807	109,300
D.F. Barnes Fabrication Limited	200	200
Doyle, James & Sons Ltd.	771	771
Eastern Composite Services Inc.	-	399
Garrison Guitars	171	171
Holson Forest Products Ltd.	7,319	7,319
Hughes, Vincent	50	50
IC Spa Products Inc.	183	183
Icewater Harvesting Inc.	437	693
Island Seafoods Products Limited	125	125
Keats, Eric	102	102
Koby Seat Inc.	9	9
Marwood Ltd.	-	160
Mike Butland Fisheries	134	134
MyTechSupport.com Limited	20	20
MyTelescope.com Inc.	315	315
Newfoundland and Labrador Mobile Shelters Limited	400	400
Other Ocean Group Inc.	781	781
PAL Aerospace Ltd.	2,250	2,250
Phocalux International Inc.	821	781
Procom Data Services	-	106
Pumphrey, Gerry	537	537
Quorum Information Systems Inc.	-	500
ROINS Financial Services Limited	-	6,500
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Shell-Ex (formerly known as Eastern Star Group Canada Inc.)	145	145

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

	2022	2021
	(\$000)	(\$000)
Commercial Loans:		
Short, William	262	262
Superior Waterproof Coating NF & LB Inc.	154	154
Sweet, Roy	59	59
Uncle Phil's Think Tank Inc.	75	75
Virtual Marine Technology	991	991
Wilson, Ronald & Curtis, Kevin	354	354
Total: Commercial Loans	<u>151,944</u>	<u>152,524</u>
Other Loans:		
Municipalities	630	630
Student loans	59,112	66,266
Total: Other Loans	<u>59,742</u>	<u>66,896</u>
Sub-Total: Loans, Advances and Mortgages Receivable	399,582	404,326
Less: Discounts due to concessionary terms - note 5	(13,456)	(12,088)
Provision for loan repayments through future appropriations	<u>(3,427)</u>	<u>(3,904)</u>
Total: Loans, Advances and Mortgages Receivable	<u><u>382,699</u></u>	<u><u>388,334</u></u>

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

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

**2. Allowance for Doubtful Accounts**

The allowance for doubtful accounts for 31 March 2022 is \$51.3 million (31 March 2021 - \$37.9 million).

**3. Security**

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

**4. Loan Receivable**

The Province reopened general debenture 7C and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General debenture 71 was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest revenue earned during the year on this loan totaling \$27.5 million is netted against the offsetting interest expense on the debenture debt.

**5. 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.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Investments  
As at 31 March 2022  
with comparative figures for 2021**

Description of Investment	Net Additions (Disposals) (\$000)	Balance 31 March 2022		2021
		No. of Shares	Cost (\$000)	Cost (\$000)
<b>Preferred Shares:</b>				
Atlantic Ocean Farms Limited - Class A, redeemable	-	289,655	290	290
Blue Line Innovations Inc. - Class B	-	5,000	500	500
Burton's Cove Logging and Lumber	(667)	34	2,036	2,703
Cold Ocean Salmon Inc. - Class A	-	10,000,000	10,000	10,000
Country Ribbon Inc.	-	4,500	4,500	4,500
Gray Aqua Group Ltd. - Class A	-	4,826,836	4,827	4,827
Grieg Seafood Newfoundland Ltd.	-	5,000,000	5,000	5,000
Newfoundland Aqua Services Ltd. - redeemable	(188)	1,579,999	1,580	1,768
Pixecur Technologies Inc. - redeemable	-	4,000	400	400
Sexton Lumber Co. Ltd.	(500)	-	-	500
Shell-Ex - Class A	-	350	350	350
Total: Preferred Shares Investments	<u>(1,355)</u>		<u>29,483</u>	<u>30,838</u>
<b>Common Shares:</b>				
ACF Equity Atlantic Inc.	-	2,390,000	2,203	2,203
ACZEN Innovations Inc. - Class A	-	1,763	176	176
Consilient Technologies Corporation - Class B	-	568,182	500	500
First Choice Vision Centre Limited - Class B	(52)	2,417	242	294
Hurley Slate Works Company Inc. - Class B	-	400	400	400
Jackman Brand Marketing Inc. - Class B	-	1,250	125	125
Marble Mountain Development Corporation	-	500	-	-
Marine Industrial Lighting Systems	-	5,000	500	500
Nalcor Energy Corporation	-	122,500,018	110,187	110,187
NavSim Technologies	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd.	-	3	-	-
Newfoundland Hardwoods Limited	-	253	25	25
Northern Radar Inc. - Class C	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc.	-	500	-	-
Solace Power Inc. - Class D	-	1,401	140	140
Trans Ocean Gas Inc.	-	18,000	90	90
Total: Common Shares Investments	<u>(52)</u>		<u>115,463</u>	<u>115,515</u>

**CONSOLIDATED REVENUE FUND (UNAUDITED)**

INVESTMENTS (continued)

Description of Investment	Net Additions (Disposals) (\$000)	No. of Shares	Balance 31 March 2022	2021
			Cost (\$000)	Cost (\$000)
<b>Non-Share Equity:</b>				
Nalcor Energy Corporation	251,000	-	4,738,898	4,487,898
Newfoundland and Labrador Housing Corporation	-	-	62,852	62,852
Newfoundland and Labrador Venture Capital Fund	640	-	9,094	8,454
Atlantic Canada Regional Venture Fund LP	389	-	8,285	7,896
Sandpiper Ventures Fund LP	407	-	407	-
Pelorus Venture Capital General	<u>1,670</u>	-	<u>1,670</u>	<u>-</u>
Total: Non-Share Equity Investments	254,106		4,821,206	4,567,100
Sub-Total: Investments	252,699		4,966,152	4,713,453
Less: Discounts due to concessionary terms - note 2	<u>-</u>		<u>-</u>	<u>-</u>
Total: Investments	<u><u>252,699</u></u>		<u><u>4,966,152</u></u>	<u><u>4,713,453</u></u>

**NOTES**

**1. Allowance for Investment Write-downs**

The allowance for investment write-downs for 31 March 2022 is \$10.4 million (31 March 2021 - \$10.4 million).

**2. Discounts Due to Concessionary Terms on Investments**

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Other Liabilities  
As at 31 March 2022  
with comparative figures for 2021**

	<u>2022</u> (\$000)	<u>2021</u> (\$000)
Due to Government of Canada - note 1	1,091,191	1,093,795
Accounts payable write-backs	253,348	213,540
Accrued interest	225,546	231,119
Contaminated sites	208,353	192,605
Public private partnerships - note 2	146,683	70,831
Accrued salaries and employee benefits - note 3	122,913	122,413
Taxes payable - note 4	78,260	191,166
Self-insured workers' compensation benefits - note 5	53,509	53,518
Special purpose funds - note 6	38,943	31,869
Capital leases - note 7	24,075	8,904
Offshore royalties	19,734	23,301
Physician services	18,925	17,537
Accounts payable - other	13,064	26,383
Reciprocal billing - hospital services payable	12,846	13,565
Contractors' holdbacks	7,440	13,834
Due to municipalities	212	1,284
Atlantic Lottery Corporation Incorporated	-	4,689
<b>Total: Other Liabilities</b>	<b><u>2,315,042</u></b>	<b><u>2,310,353</u></b>

**NOTES**

**1. Due to Government of Canada**

This amount is comprised of \$800.0 million for the Atlantic Accord (2019) (31 March 2021 - \$800.0 million), \$266.7 million for an Equalization loan (31 March 2021 - \$266.7 million), \$18.3 million for a RCMP policing service contract (31 March 2021 - \$18.3 million) and \$6.2 million for other Federal programs (31 March 2021 - \$8.8 million).

**2. Public Private Partnerships**

Interest rates for the public private partnerships range from 3.55% to 3.85% and have repayment schedules with durations of 28 to 30 years.

**3. Accrued Salaries and Employee Benefits**

Accrued salaries and employee benefits consists of \$3.3 million for severance (31 March 2021 - \$5.0 million), \$65.2 million for paid/annual leave (31 March 2021 - \$63.3 million), \$13.2 million for salaries (31 March 2021 - \$11.4 million), \$40.2 million for sick leave (31 March 2021 - \$40.5 million), and \$1.0 million for other benefits (31 March 2021 - \$2.2 million).



## OTHER LIABILITIES (continued)

**4. Taxes Payable**

Taxes payable is comprised of \$69.6 million for corporate income tax (31 March 2021 - \$130.4 million), a nil amount for HST (31 March 2021 - \$48.0 million) and \$8.6 million for other taxes (31 March 2021 - \$12.8 million).

**5. Self-Insured Workers' Compensation Benefits**

The amount of \$53.5 million relates to the self-insured workers' compensation benefits liability as at 31 March 2022 (31 March 2021 - \$53.5 million). During the 2019-20 fiscal year, an actuarial valuation as of 31 December 2019, with disclosures as at 31 March 2022, was obtained for the Province's self-insured workers' compensation benefits.

**6. Special Purpose Funds**

Included in this schedule are funds totalling \$38.9 million (31 March 2021 - \$31.9 million) considered to be special purpose funds whereby payments are made specifically for these purposes. Pursuant to Section 22(a) of the Financial Administration Act, appropriations are not required for these payments.

**7. Capital Leases**

Interest rates for all capital leases range from 3.65% to 9.41% and have repayment schedules ranging from 2 to 5 years.

PROVINCE OF NEWFOUNDLAND AND LABRADOR

Debenture and Other Debt  
As at 31 March 2022  
with comparative figures for 2021

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency (\$000)	Sinking Fund Balance (\$000)	Amount Issued or Outstanding		Notes
						2022 (\$000)	2021 (\$000)	
General Debentures:								
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	-	147,892	1(a)
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000U.S.)	-	-	251,500	1(a)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000U.S.)	94,258	249,920	251,500	1(a)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000U.S.)	130,831	249,920	251,500	1(a)
6B	07 Jul. 1995	07 Jul. 2025	9.15		42,915	100,000	100,000	1(a)
6C	05 Feb. 1996	05 Feb. 2026	8.45		61,859	150,000	150,000	1(a)
6F	17 Apr. 1998	17 Apr. 2028	6.15		201,871	450,000	450,000	1(a)
6H	27 Jul. 1999	17 Oct. 2029	6.50		89,878	200,000	200,000	1(a)
6K	30 Jun. 2000	17 Oct. 2030	6.55		185,567	450,000	450,000	1(a)
6R	12 Jun. 2003	17 Oct. 2033	5.60		105,521	300,000	300,000	1(a)
6T	21 Sep. 2004	17 Oct. 2035	5.70		96,474	300,000	300,000	1(a)
6U	28 Nov. 2006	17 Apr. 2037	4.50		114,886	350,000	350,000	1(a)
6V	15 May 2007	17 Oct. 2040	4.65		188,791	650,000	650,000	1(a)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		38,440	250,000	250,000	1(a)
6W	18 Mar. 2015	02 Jun. 2025	2.30		-	1,050,000	1,050,000	1(a)
6X	24 Jul. 2015	17 Oct. 2046	3.30		-	2,050,000	2,050,000	1(a)
6Z	18 Mar. 2016	02 Jun. 2026	3.00		-	1,000,000	1,000,000	1(a)
7B	2 Jun. 2016	2 Jun. 2022	1.95		-	875,000	875,000	1(a)
7C	7 Dec. 2016	17 Oct. 2048	3.70		-	750,000	750,000	1(b)
7D	24 Nov. 2017	02 Jun. 2028	2.85		-	950,000	950,000	1(a)
7E	27 Feb. 2018	27 Feb. 2023			-	675,000	675,000	1(a,f)
7F	17 Dec. 2018	17 Mar. 2024			-	425,000	425,000	1(a,g)
7G	4 Mar. 2019	2 Jun. 2029	2.85		-	1,000,000	1,000,000	1(a)
7H	12 Sep. 2019	17 Oct. 2050	2.65		-	1,900,000	1,700,000	1(a)
7I	18 Aug. 2020	2 Jun. 2030	1.75		-	700,000	700,000	1(b)
7J	9 Dec. 2020	2 Jun. 2030	1.25		-	500,000	500,000	1(a)
7K	21 Sep. 2021	2 Jun. 2031	2.05		-	900,000	-	1(a)
7L	19 Oct. 2021	2 Dec. 2052	3.15		-	450,000	-	1(a)
Total: General Debentures					1,351,291	16,924,840	15,777,392	
Other:								
Treasury bill borrowings					-	1,168,282	1,169,653	1(c)
Total: Other					-	1,168,282	1,169,653	

**CONSOLIDATED REVENUE FUND (UNAUDITED)**

**DEBENTURE AND OTHER DEBT (continued)**

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2022	2021
					(\$000)	(\$000)
Government of Canada and Other:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-315 to 3A-01 326	Apr. 2001 to Mar. 2002	01 Apr. 2021 to 01 Mar. 2022	6.38 to 6.85	-	-	52,376
3A-327 to 3A-01 337	Apr. 2002 to Mar. 2003	01 Apr. 2022 to 01 Mar. 2023	5.88 to 6.61	-	52,104	52,104
3A-338 to 3A-05 347	Apr. 2003 to Mar. 2004	05 Apr. 2023 to 01 Mar. 2024	5.41 to 6.15	-	50,738	50,738
3A-348 to 3A-02 356	Apr. 2004 to Jan. 2005	02 Apr. 2024 to 02 Jan. 2025	5.36 to 5.92	-	47,146	47,146
3A-357 to 3A-01 359	Apr. 2005 to Jun. 2005	01 Apr. 2025 to 03 Jun. 2025	4.91 to 5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	173,975	226,351
Sun Life Assurance Company of Canada - see note 1(e)				-	36,538	44,655
Total: Other				-	36,538	44,655
Total: Government of Canada and Other				-	210,513	271,006
Total: Debenture and Other Debt				1,351,291	18,303,635	17,218,051
Current portion of Debenture and Other Debt					3,029,141	1,629,539
Long-term portion of Debenture and Other Debt					15,274,494	15,588,512
					18,303,635	17,218,051

## DEBENTURE AND OTHER DEBT (continued)

## NOTES

## 1. Details of Debt Issues

- a) Non-callable.
- b) Non-callable. General debenture 7C was reopened and issued \$300.0 million on 20 December 2017 and an additional \$300.0 million on 20 March 2018, both on behalf of a subsidiary of Nalcor Energy. General Debenture 7I was reopened and issued \$300.0 million on 13 April 2021, on behalf of a subsidiary of Nalcor Energy. In accordance with public sector accounting standards, the loan receivable from Nalcor Energy and the offsetting debenture debt are netted for presentation purposes. In addition, the interest expense on the debenture debt totaling \$27.5 million is netted against the offsetting interest revenue on the loan receivable.
- c) This amount represents the net proceeds from the sale of \$1.168 billion discounted treasury bills with maturity dates ranging from 7 April 2022 to 30 June 2022 and interest rates ranging from 0.249% to 0.880%.
- d) Callable at par at the option of the Minister of Finance of Canada upon six months' prior written notice, subject to the requirements of the Canada Pension Plan. Commencing March 1999, the Province has an option, pursuant to amendments of the Canada Pension Plan enacted by the Canada Pension Plan Investment Board Act, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. The Province has exercised an option to refinance its maturing Canada Pension Plan debt and to date has rolled over, for a further 20 year term, all funds made available by the Canada Pension Plan Investment Fund from March 1999 to June 2005. Commencing July 2005, Canada Pension Plan borrowings have not been rolled over and have been allowed to mature.
- e) Sun Life Assurance Company of Canada represents the secured creditors of the Exploits River Hydro Partnership and the Star Lake Hydro Partnership per Section 10.(2) of the Abitibi Consolidated Rights and Assets Act. The secured creditors of the Exploits River Hydro Partnership include Industrial Alliance Life Insurance, Manufacturers Life Insurance Company of Canada and Sun Life Assurance Company of Canada. This loan is repayable in blended quarterly installments of principal and interest, at an interest rate of 7.552%, maturing 31 December 2028. The secured creditors of the Star Lake Hydro Partnership include Sun Life Assurance Company of Canada, Industrial Alliance Life Insurance, Canada Life Assurance Company, Standard Life Assurance Company of Canada and Manufacturers Life Insurance Company of Canada. This loan is repayable in blended monthly installments of principal and interest, at an interest rate of 9.20%, maturing 1 April 2023.
- f) General debenture 7E has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 14.5 basis points.
- g) General debenture 7F has a floating interest rate equal to the three month Canadian Dollar Bankers Acceptance Rate plus 21 basis points.

**CONSOLIDATED REVENUE FUND (UNAUDITED)**

DEBENTURE AND OTHER DEBT (continued)

**2. Sinking Fund Balance**

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

The Sinking Fund Assets consist of:

	<u>31 March</u>	<u>31 March</u>
	<u>2022</u>	<u>2021</u>
	(\$mil)	(\$mil)
Investments at cost	964.2	1,105.9
Amortization of bond discount	<u>128.6</u>	<u>106.7</u>
Investments at amortized cost	1,092.8	1,212.6
Cash and receivables less accounts payable	<u>258.5</u>	<u>155.0</u>
Net Sinking Fund Assets - translated at 31 March	<u><u>1,351.3</u></u>	<u><u>1,367.6</u></u>

The net sinking fund assets balance of \$1,351.3 million Canadian dollars as at 31 March 2022 includes \$180.1 million U.S. dollars translated to \$225.1 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$1,367.6 million Canadian dollars as at 31 March 2021 includes \$249.9 million U.S. dollars translated to \$314.3 million Canadian dollars in accordance with current practice.

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

DEBENTURE AND OTHER DEBT (continued)

3. Borrowings

Borrowings and unamortized foreign exchange gains, by major currency, sinking funds and unamortized premiums (discounts) and issuance fees as at 31 March 2022 are noted below.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ (Discounts) and Issuance Fees (\$000)	Net (\$000)
U.S.	400,000	1.2496	499,840	14,928	514,768
Canadian			17,803,795	-	17,803,795
			Sub-total	14,928	18,318,563
			Foreign sinking funds	(7,818)	(232,907)
			Canadian sinking funds	-	(1,126,202)
			Sub-total	7,110	16,959,454
			Unamortized premiums (discounts) and issuance fees	(244,429)	(244,429)
			Total	(237,319)	16,715,025

4. Contributions and Repayment Requirements

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows. The total contributions and repayment requirements differ from the total debt outstanding due to reconciling items such as treasury bills, foreign exchange adjustments between 31 March 2022 and the maturity dates, and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2022-2023	155,539	2,816,658	2,972,197
2023-2024	110,090	517,567	627,657
2024-2025	-	88,828	88,828
2025-2026	-	1,239,437	1,239,437
2026-2027	-	1,040,492	1,040,492
2027-2053	-	10,293,265	10,293,265
	<u>265,629</u>	<u>15,996,247</u>	16,261,876
Plus: Sinking Fund Values at Maturity			2,492,008
Less: Sinking Fund Contributions			(450,249)
			<u>18,303,635</u>

The foreign exchange gain which has been recognized on the Statement of Operations is \$22.1 million.

## DEBENTURE AND OTHER DEBT (continued)

**5. Interest Expense**

The gross interest expense associated with debenture and other debt, recognized for 31 March 2022, amounted to \$594.3 million (31 March 2021 - \$711.7 million).

**6. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2022 would result in an increase/decrease in foreign borrowings of \$4.0 million (31 March 2021 - \$6.0 million).

**7. Related Sinking Fund Investments**

At year end, the Province held \$744.4 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2021 - \$865.7 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$690.4 million in Canadian investments and \$54.0 million in US investments.

**8. Debt Related Risk**

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

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

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

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Guaranteed Debt  
As at 31 March 2022  
with comparative figures for 2021**

	Limit of Guarantee	Contingent Liability	
		2022	2021
	(\$000)	(\$000)	(\$000)
<b>Guaranteed Debentures - note 7:</b>			
<b>Municipalities:</b>			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Glenwood	122	107	104
Harbour Breton	334	254	247
Harbour Grace	84	171	167
Placentia	405	100	98
Wabana	56	28	27
	<u>1,001</u>	<u>660</u>	<u>643</u>
<b>Crown Corporations - note 2:</b>			
Eastern Regional Health Authority	105,013	105,013	106,592
Newfoundland and Labrador Hydro Electric Corporation	872,827	872,827	1,086,662
	<u>977,840</u>	<u>977,840</u>	<u>1,193,254</u>
<b>Guaranteed Bank Loans - note 7:</b>			
<b>Crown Corporations:</b>			
Labrador-Grenfell Regional Health Authority	20,000	16,450	14,415
Marble Mountain Development Corporation	2,087	1,216	1,245
	<u>22,087</u>	<u>17,666</u>	<u>15,660</u>
<b>Fisheries - note 3:</b>			
A.J. Rodgers & Sons Limited	407	37	71
Adam Crocker	208	106	120
Anchor Point Enterprises Limited	1,288	716	787
Ashley Enterprises Limited	225	19	38
Atlantic Providence Inc.	2,805	1,122	1,307
Atlantic Retriever Limited	700	350	408
Bears Cove Fisheries Limited	1,125	375	600
Cecil Ward Limited	595	117	157
Colcor Fisheries Limited	-	-	131
D & A Fisheries Limited	-	-	600
Dempster's Fisheries Limited	1,148	287	344
E & E Fisheries Limited	-	-	2
Frazer Scanlon	70	12	18
G & L Fisheries Incorporated	850	350	510
Garrett Mulrooney	531	251	324



**CONSOLIDATED REVENUE FUND (UNAUDITED)**

**GUARANTEED DEBT (continued)**

	Limit of Guarantee (\$000)	Contingent Liability	
		2022 (\$000)	2021 (\$000)
<b>Guaranteed Bank Loans:</b>			
<b>Fisheries - note 3:</b>			
Janica II Enterprise Limited	920	118	179
John W. Brazil	276	129	148
Keith Bowen	996	350	394
Noonan Enterprise Limited	-	-	1,697
North Queen Limited	1,105	497	553
Northern Auk Fisheries Limited	638	255	298
Ocean Surfer Limited	-	-	368
P & G Sea Harvestors Limited	1,190	761	821
RB Fisheries Limited	1,050	492	564
Rainbow Venture Inc.	247	115	131
Sam Tooktoshina Kraken Catches Ltd.	935	860	859
Shannon & Trevor Fisheries Limited	-	-	760
Shelco Fisheries Limited	1,000	70	160
TJL Enterprises Limited	1,441	2,605	2,773
TPJH Fisheries Limited	323	174	199
Vince Petten	-	-	199
ZHL Fisheries Limited	-	-	653
	<u>20,073</u>	<u>10,168</u>	<u>16,173</u>
Aggregate Limit & Contingent Amount	<u>20,073</u>	<u>10,168</u>	<u>16,173</u>
<b>Corporate:</b>			
Fogo Island Co-operative Society Limited	1,500	-	-
Stephenville Airport Corporation	900	852	840
	<u>2,400</u>	<u>852</u>	<u>840</u>
<b>Other Bank Loans:</b>			
Consumer Protection Fund for Prepaid Funeral Services	200	-	-
	<u>200</u>	<u>-</u>	<u>-</u>
<b>Other Guarantees:</b>			
<b>Crown Corporations:</b>			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 4	362	362	777
	<u>362</u>	<u>362</u>	<u>777</u>
	<u>1,023,963</u>	<u>1,007,548</u>	<u>1,227,347</u>

GUARANTEED DEBT (continued)

NOTES

1. Definitions

The headings used in this Schedule are defined as follows:

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

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

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

2. Debenture Issues with Crown Corporations

	Principal Amount of Debentures Outstanding	Accrued Interest	Value of Sinking Fund	Contingent Liability
	(\$000)	(\$000)	(\$000)	(\$000)
Eastern Regional Health Authority				
- Canadian Funds	130,000	2,580	27,567	<u>105,013</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds	1,225,000	11,815	363,988	<u>872,827</u>

3. Fisheries Loans

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

For the fiscal year ended 31 March 2022, the Province's contingent liability with respect to these guarantees is \$10.2 million (31 March 2021 - \$16.2 million).

4. Newfoundland and Labrador Immigrant Investor Fund Limited

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

**GUARANTEED DEBT (continued)**

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**5. Payments under Guarantee**

Payments under guarantee for 31 March 2022 is nil (31 March 2021 - nil).

**6. Valuation Allowance**

The provision for guaranteed debt for 31 March 2022 is nil (31 March 2021 - nil).

**7. General Terms and Conditions**

Guaranteed debentures and guaranteed bank loans have maturity dates ranging from December 2023 to October 2048 at interest rates varying from 1.1% to 10.5%.