



**The Labrador Transportation
Initiative Fund
Annual Report of
the Board of Management**

**For the Fiscal Year Ended
31 March 2007**

July 2007



**Newfoundland
Labrador**

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25 February 2008

The Honourable Tom Marshall, M.H.A.
Minister of Finance and President of Treasury Board

The Labrador Transportation Initiative Fund is accountable for the actual results reported in this annual report.

I am honoured to serve as Chair of the Board of The Labrador Transportation Initiative Fund and to present the 2006-07 Annual Report to the Government of Newfoundland and Labrador. Our mandate is to provide funding for the purposes of:

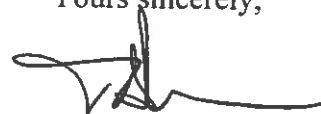
- (a) operations of the marine freight and passenger services and the maintenance of lands, wharves and related facilities servicing Labrador;
- (b) the construction of the Trans Labrador Highway; and
- (c) other Labrador initiatives related to transportation as approved by the Lieutenant-Governor in Council.

The Fund's Board does not directly prioritize the extent of services provided or construction undertaken in a given year. Those decisions are made by Government through the usual budgetary process and as a result of interaction with the respective stakeholders.

The Board ensures that the funding provided is in accordance with the Act, provides its advice and also monitors through projected cash flow calculations the expected life of the Fund. This is carried out in consultation with the Department of Transportation and Works.

On behalf of the Board of Directors, I am pleased to present the 2006-07 annual report of The Labrador Transportation Initiative Fund to the Minister of Finance. In accordance with the *Transparency and Accountability Act*, this report was prepared under the direction of the Board, which is accountable for the results reported herein.

Yours sincerely,



TERRY PADDON, CA
Chair to the Board of Management

TABLE OF CONTENTS

<u>TOPIC</u>	<u>PAGE</u>
INTRODUCTION	1
Background	1
Process	1
THE PLAN	2
Strategy	2
Legislated Mandate	2
Lines of Business	3
ACCOUNTABILITY	3
Activity and Financial Performance	3
Cash Flow Overview	4
CESSATION OF BUSINESS	5
SUMMARY	5

Attached Appendices:

- Appendix 1 - Labrador Transportation Initiative Fund Act**
- Appendix 2 - Summary of Projects**
- Appendix 3 - Audited Financial Statements**

INTRODUCTION

Background

The Labrador Transportation Initiative Fund (the Fund) was established on 19 December 1997 under the authority of the *Labrador Transportation Initiative Fund Act* (the Act). The Fund is managed by a Board of Management (Board) composed of the Secretary of the Treasury Board (per Subsection 4 (2) (a) of the Act); the Deputy Minister of Finance (per Subsection 4 (2) (b) of the Act); and not more than three additional persons appointed by the Lieutenant-Governor in Council (per Subsection 4 (2) (c) of the Act). The Board members at 31 March 2007 were:

Terry Paddon	Deputy Minister of Finance Secretary of the Treasury Board (Chair)
Robert Coombs	Deputy Minister of Labrador and Aboriginal Affairs
Hon. John Hickey	Minister of Transportation and Works Minister Responsible for Labrador Affairs

The work of former Board members the Hon. Paul Shelley, Hon. Trevor Taylor and Sean Dutton is also acknowledged.

A copy of the Act is included in this report as Appendix 1.

The day to day administration of the Fund is carried out by officials in the Office of the Comptroller General (per Subsections 7 (1), (2) and (3) of the Act). Ronald Williams, Comptroller General of Finance, acts as Secretary to the Board of Management and Robert Smart, Deputy Minister of Transportation and Works, also acts as advisor to the Board.

The Department of Finance invests the cash on hand of the Fund in accordance with the Act, earning investment income for the Fund.

The Government of Newfoundland and Labrador initially contributed \$349,172,013 to the Fund at its inception (fiscal year ended 31 March 1998).

Process

Funding is provided to the Consolidated Revenue Fund to offset costs incurred by the Department of Transportation and Works (TW) that meet the requirements of the Act and that are approved by the Board.

In accordance with the *Financial Administration Act*, the Department of Transportation and Works (TW) is provided with funding from the Consolidated Revenue Fund for its program expenditures through the provision of appropriations as approved by the House of Assembly. TW would also estimate the amount of funding it would receive from the Fund which would appear as a revenue offset against its expenditures in the Consolidated Revenue Fund.

Once TW appropriations are approved in the House of Assembly through the usual budget process followed by all Government departments, TW would present its funding requests estimates to the Board of Management of the Fund for approval consideration. All requests must be approved by the Board before payments are made from the Fund. Payments are made based on eligible expenditures incurred.

THE PLAN

Strategy

The Fund was established to provide funding for the purposes as outlined under the “Legislated Mandate” section of this report, and the Fund’s Board does not directly prioritize the extent of services provided or construction undertaken in a given year. Those decisions are made by Government through the usual budgetary process and as a result of interaction with the respective stakeholders.

The Board ensures that the funding provided is in accordance with the Act, provides its advice and also monitors through projected cash flow calculations the expected life of the Fund. This is carried out in consultation with TW.

Legislated Mandate

Payments from the Fund as authorized by the Board of Management are for the purposes of:

- (A) operations of the marine freight and passenger services and the maintenance of lands, wharves and related facilities servicing Labrador;
- (B) the construction of the Trans Labrador Highway; and
- (C) other Labrador initiatives related to transportation as approved by the Lieutenant-Governor in Council.

The Board is required by the Act to provide an annual report and the audited financial statements signed by the Board in accordance with the Act to the President of Treasury Board within six months of the end of the fiscal year.

Lines of Business

A review of the legislated mandate of the Fund supports the allocation of financial support for the following:

- operation of the Labrador marine services including passenger, vehicle, freight, tractor trailer and equipment traffic via the motor vessels assigned to service coastal Labrador;
- maintenance of the wharves, land and facilities necessary to support the ferry operations;
- completion of the construction of Phase I of the Trans Labrador Highway, a high standard gravel road between Happy Valley-Goose Bay and Churchill Falls;
- completion of the construction of Phase II of the Trans Labrador Highway between Red Bay and Cartwright;
- Government's commitment to complete Phase III of the Trans Labrador Highway;
- other provincial road construction and related infrastructure projects in Labrador with approval of the Lieutenant-Governor in Council.

ACCOUNTABILITY

Activity and Financial Performance

- The Board held two meetings during the fiscal year ended 31 March 2007.
- The Board approved funding for the following initiatives for the year ended 31 March 2007.

<u>Initiative</u>	<u>Approved by Board</u>	<u>Funding Paid</u>
Trans Labrador Highway (2005/06 Carryover)*	-	\$159,959
Coastal Labrador Ferry Service - Operations **	\$11,000,000	10,774,706
Coaster Labrador Ferry Service - Terminals (2005/06 Carryover)	- <u>\$ 11,000,000</u>	<u>22</u> <u>\$ 10,934,687</u>

* Funding totaling \$159,959 was approved by the Board in 2005/06. This carryover represents actual costs incurred to the end of the 2005/06 fiscal year subsequently paid by the Fund.

**** Funding Paid for Coastal Labrador Ferry Service - Operations included \$48,903 for 2005/06 Carryover.**

The funding paid varied from the original funding request from Department of Transportation and Works as a result of actual work circumstances encountered.

- A detailed summary of the projects financially supported by the Fund from inception to 31 March 2007 is included in this report as Appendix 2. Up to 31 March 2007, the Fund has paid out (approx) \$416.7 million which was \$15.6 million less than Board-approved maximum funding levels due to various factors such as tendered costs less than anticipated, management of project costs, etc.
- The Fund earned investment income of \$226,293 for the year ended 31 March 2007 and incurred bank charges of \$613 for the year. The interest rate earned on investments during the year ranged from 4.04% to 4.42%.
- During February 2007, the last reimbursement cheque to Transportation and Works was issued from the Fund, which fully depleted all remaining funds.
- The audited financial statements of the Fund for the fiscal year ended 31 March 2007 are included in the report as Appendix 3.

Cash Flow Overview

- Cash flows for the Fund are based upon actual amounts spent totaling \$416,708,956 (Appendix 2) from 1998 to 2007 and are summarized as follows:

Total Projected Inflows (from inception)	
Initial Deposit 1997-98	\$349,172,013
Accumulated Interest Revenue	<u>67,536,943</u>
	<u>\$416,708,956</u>
Total Projected Outflows (from inception)	
Trans Labrador Highway	\$239,442,844
Coastal Labrador Ferry	151,164,519
Provincial Roads/Other	19,735,132
Ferry Terminals	6,292,959
Bank / Professional Fee Charges	<u>73,502</u>
	<u>\$416,708,956</u>

CESSATION OF BUSINESS

On 9 April 2007, the Board noted it's intention to dissolve the Fund. Further to this the Board will request to have the Labrador Transportation Initiative Fund Act repealed during 2007-08.

SUMMARY

The annual report including the audited financial statements for the year ended 31 March 2007 is provided to the Minister of Finance and President of Treasury Board as required by the Act.

Chair

APPENDIX 1

SNL1997 CHAPTER L - 5.1

LABRADOR TRANSPORTATION INITIATIVE FUND ACT

Amended:

2001 cN-3.1 s2

CHAPTER L-5.1

AN ACT TO ESTABLISH THE LABRADOR TRANSPORTATION INITIATIVE FUND

(Assented to December 19, 1997)

Analysis

1. Short title

2. Interpretation

3. Labrador Transportation Initiative Fund

4. Board

5. Functions

6. Investments

7. Administration

8. Pay roll

9. Audit

Be it enacted by the Lieutenant-Governor and House of Assembly in Legislative Session convened, as follows:

Short title

1. This Act may be cited as the *Labrador Transportation Initiative Fund Act*.

SN1997 cL-5.1 s1

Interpretation

2. (1) In this Act,

(a) "board" means the board of management established under section 4; and

(b) "fund" means the Labrador Transportation Initiative Fund established under section 3.

(2) Words in this Act which are not defined in subsection (1) shall have the same meaning as words defined in the *Financial Administration Act*.

SN1997 cL-5.1 s2

Labrador Transportation Initiative Fund

3. (1) There is established a fund to be known as the Labrador Transportation Initiative Fund.

(2) The fund shall comprise money appropriated by the Legislature and interest or other income accruing on that money.

SN1997 cL-5.1 s3

Board

4. (1) There is established a board of management which shall manage the fund in accordance with this Act.

(2) The board shall be composed of

(a) the Secretary of the Treasury Board established under the *Financial Administration Act*,

(b) the Deputy Minister of Finance; and

(c) not more than 3 persons whom the Lieutenant-Governor in Council shall appoint.

(3) The board shall be responsible for the financial management of the fund and for that purpose shall make the necessary banking and investing arrangements for the fund.

(4) The board may determine its rules and methods of procedure and shall keep a minute book in which shall be recorded the proceedings of the board.

(5) The board shall elect a chairperson from among its members.

(6) The board is responsible to the President of Treasury Board.

SN1997 cL-5.1 s4

Functions

5. (1) The board shall

- (a) establish banking arrangements for the fund.
- (b) on the advice of the Department of Finance, invest the fund.
- (c) appoint persons to have signing authority with respect to the fund,
- (d) manage the fund,
- (e) keep and maintain appropriate books of account and records respecting the fund.
- (f) within 6 months of the fiscal year end of the board, provide to the President of Treasury Board an annual report of the business of the board and other information which the minister may request; and
- (g) appoint an auditor.

(2) The fiscal year of the board shall be from April 1 in a year to March 31 in the next year.

SN1997 cL-5 1 s5

Investments

6. Notwithstanding paragraphs 5(1)(b) and (d) and section 7, the fund shall be invested, upon the advice of the Department of Finance, in investments permitted under sections 15, 38 and 39 of the *Financial Administration Act*.

SN1997 cL-5 1 s6

Administration

7. (1) The day to day administration of the fund shall be carried out by the office of the comptroller general.

(2) The comptroller general or a person acting under his or her direction has free access to the books, accounts, files, documents or other records of the board.

(3) The comptroller general, subject to the direction of the board, may establish accounts with accredited banks or financial institutions for the deposit, investing, and payment of the fund money.

SN1997 cL-5 1 s7

Pay out

8. (1) The board may authorize that money be paid out of the fund provided that that Pay out is for the purpose of

- (a) marine freight and passenger services and the maintenance of lands, wharves and related facilities transferred to the province under the terms of the agreement between Her Majesty the

Queen in right of Canada and Her Majesty the Queen in right of Newfoundland and Labrador made on March 28, 1997;

(b) the construction of the Trans Labrador Highway; or

(c) other Labrador initiatives related to transportation which the Lieutenant-Governor in Council may approve.

(2) Money paid out of the fund under subsection (1) shall be paid out to the credit of the consolidated revenue fund.

(3) Notwithstanding subsection (2), the costs of administering the fund, including banking fees, audits, investment related and other administrative costs may be paid out of the fund.

SN1997 cL-5.1 s8; 2001 cN-3.1 s2

Audit

9. (1) The fund shall be audited annually.

(2) The chairperson and one other member of the board shall sign the audited financial statements made under subsection (1).

(3) The signed, audited financial statement of the board made under this section shall be submitted to the President of Treasury Board within 6 months of the end of the fiscal year of the board.

SN1997 cL-5.1 s9

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Labrador Transportation Initiative Fund
Expenditure versus Approvals
From Inception to 31 March 2007

LTIF AEI	Actuals to March/07 (A)	Board Approvals (B)	Differences (C) (B) - (A)	Cabinet Approvals (D)
	63,799,065	63,799,065	-	73,800,000
8(1)(b)	135,714,520	135,714,520	-	139,570,000
8(1)(b)	39,929,259	39,929,259	-	52,750,000
	<u>239,442,844</u>	<u>239,442,844</u>	-	<u>266,120,000</u>
Trans Labrador Highway				
	50,021	50,021	-	1,500,000
8(1)(c)	1,400,000	1,400,000	-	1,400,000
8(1)(c)	6,486,996	6,486,996	-	6,500,000
8(1)(c)	2,007,482	2,007,482	-	2,250,000
8(1)(c)	407,380	407,380	-	660,000
8(1)(c)	30,000	30,000	-	30,000
8(1)(c)	30,000	30,000	-	30,000
8(1)(c)	5,866,803	5,866,803	-	6,000,000
8(1)(c)	2,481,897	2,481,897	-	3,000,000
8(1)(c)	974,553	974,553	-	1,000,000
	<u>19,735,132</u>	<u>19,735,132</u>	-	<u>22,370,000</u>
Other Provincial Initiatives				
	151,098,519	166,817,500	15,718,981	166,817,500
8(1)(a)	66,000	66,000	-	110,000
	<u>151,164,519</u>	<u>166,883,500</u>	<u>15,718,981</u>	<u>166,927,500</u>
Coastal Labrador Ferry Operations				
	1,858,727	1,858,727	-	2,000,800
8(1)(a)	992,838	992,838	-	1,061,206
	390,515	390,515	-	700,000
	214,451	214,451	-	236,000
	16,259	16,259	-	16,500
	171,351	171,351	-	90,000
	31,050	31,050	-	231,000
	49,851	49,851	-	290,000
	782,888	782,888	-	33,000
	87,894	87,894	-	50,000
	-	-	-	795,000
	-	-	-	100,000
	575,225	575,225	-	698,024
	539,562	539,562	-	35,900
	5,300	5,300	-	615,000
	13,276	13,276	-	750,000
	239,738	239,738	-	6,000
	17,100	17,100	-	13,276
	22,000	22,000	-	310,000
	246,066	246,066	-	17,100
	38,868	38,868	-	22,000
	6,292,959	6,292,959	-	250,000
	73,502	-	(73,502)	85,000
	<u>416,708,956</u>	<u>432,384,435</u>	<u>15,645,479</u>	<u>8,480,806</u>
TOTALS				
	416,708,956	432,384,435	15,645,479	463,898,306
Total Bank Charges				

APPENDIX 3

LABRADOR TRANSPORTATION INITIATIVE FUND

FINANCIAL STATEMENTS

31 MARCH 2007



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Members
Labrador Transportation Initiative Fund
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Labrador Transportation Initiative Fund as at 31 March 2007 and the statements of revenue, expenses and fund balance, and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
11 June 2007

LABRADOR TRANSPORTATION INITIATIVE FUND

BALANCE SHEET

31 March

2007

2006

ASSETS

Current

Cash	\$	-	\$	334,864
Investments, at cost		-		10,364,744
Accrued investment income receivable		-		9,834
	\$	-	\$	10,709,442

LIABILITIES AND EQUITY

Liabilities

Current

Accrued liabilities	\$	-	\$	435
Due to Province of Newfoundland and Labrador		-		208,884
		-		209,319

Equity

Fund balance		-		10,500,123
		-		10,500,123
	\$	-	\$	10,709,442

See accompanying notes

Signed on behalf of the Board:


Chairperson


Member

LABRADOR TRANSPORTATION INITIATIVE FUND
STATEMENT OF REVENUE, EXPENSES AND FUND BALANCE
For the Year Ended 31 March

2007

2006

REVENUE

Investment income **\$ 226,293** **\$ 1,247,088**

EXPENSES

Bank charges **613** **4,463**
Funded initiatives (Note 2) **10,725,803** **50,053,778**
Professional fees **-** **300**

10,726,416 **50,058,541**

Excess of expenses over revenue **(10,500,123)** **(48,811,453)**

Fund balance, beginning of year **10,500,123** **59,311,576**

Fund balance, end of year **\$ -** **\$ 10,500,123**

See accompanying notes

LABRADOR TRANSPORTATION INITIATIVE FUND
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

2007

2006

Cash flows from operating activities

Excess of expenses over revenue \$ (10,500,123) \$ (48,811,453)

Changes in non-cash working capital

Accrued investment income receivable 9,834 82,885
 Accrued liabilities (435) 435
 Due to Province of Newfoundland and Labrador (208,884) 208,884

(10,699,608) (48,519,249)

Cash flows from investing activities

Purchases of investments (41,718,240) (526,776,458)
 Maturities of investments 52,082,984 575,245,798

10,364,744 48,469,340

Net decrease in cash (334,864) (49,909)

Cash, beginning of year 334,864 384,773

Cash, end of year \$ - \$ 334,864

See accompanying notes

LABRADOR TRANSPORTATION INITIATIVE FUND
NOTES TO FINANCIAL STATEMENTS
31 March 2007

Authority

The Labrador Transportation Initiative Fund (the Fund) operates under the authority of the *Labrador Transportation Initiative Fund Act* enacted 19 December 1997. Its affairs are managed by a board of management (the Board) appointed by the Lieutenant-Governor in Council.

The objective of the Board is to authorize payments from the Fund to the Consolidated Revenue Fund of the Province of Newfoundland and Labrador for the construction of the Trans Labrador Highway, maintenance of marine and ferry services to Labrador, and other Labrador initiatives related to transportation which the Lieutenant-Governor in Council may approve.

1. Significant accounting policies

These financial statements have been prepared by the Board in accordance with Canadian generally accepted accounting principles.

2. Funded initiatives

The Board approved the following initiatives for the year ended 31 March 2007:

	Approved Amount 2007	Actual Claim 2007	Adjustments Relating to 2006	Funded Initiatives 2007	Funded Initiatives 2006
	\$	\$	\$	\$	\$
Trans Labrador Highway (TLH)	-	159,959	(159,959)	-	32,193,796
Depot Construction - TLH	-	-	-	-	50,021
Pinsent's Arm Access Road	-	-	-	-	(1,760)
Coastal Labrador Ferry Service	11,000,000	10,774,706	(48,903)	10,725,803	17,439,879
Ferry Terminals	-	22	(22)	-	371,842
	11,000,000	10,934,687	(208,884)	10,725,803	50,053,778

The Fund paid the claimed amount noted above to the Department of Transportation and Works representing approved costs incurred. The adjustments relating to March 2006 were submitted by the Department, accrued in the financial statements for the year ended 31 March 2006, and paid during the current year.

3. Cessation of business

On 9 April 2007, the Board served notice of their intention to dissolve the Fund. Further to this, the Board will request to have the *Labrador Transportation Initiative Fund Act* repealed during 2007-08 and will cease doing business as of the date of approval by the Legislature. As a result, these financial statements are expected to represent the Fund's final financial position.

LABRADOR TRANSPORTATION INITIATIVE FUND

NOTES TO FINANCIAL STATEMENTS

31 March 2007

4. Related party transactions

The Fund is administered by employees of the Department of Finance. The costs of administration are paid directly by the Department and are not reflected in these financial statements.

5. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.