

Province of  
Newfoundland and Labrador



**Public Accounts Volume II  
Consolidated Revenue Fund  
Financial Statements**

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FOR THE YEAR ENDED  
MARCH 31, 2011

  
Newfoundland  
Labrador



# **Province of Newfoundland and Labrador**

## **Public Accounts**

### **Volume II**

#### **Consolidated Revenue Fund Financial Statements**

**For The Year Ended  
31 March 2011**

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## INTRODUCTION

The *Financial Administration Act* requires that all revenues over which the Legislature has power of appropriation shall form one Consolidated Revenue Fund. The financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador are presented through the publication of the Public Accounts, Volume II.

These statements are prepared on the accrual basis of accounting in accordance with the Public Sector Accounting Standards of the Canadian Institute of Chartered Accountants, and as outlined in the significant accounting policies of the Province. They are prepared by the Comptroller General of Finance and are audited by the Auditor General, who presents an annual report to the House of Assembly on the results of his audit. Budget figures, where available, are provided on several Statements for comparison purposes.

The Public Accounts for the year ended 31 March 2011 also includes one other volume, Volume I - Consolidated Summary Financial Statements. It presents the summary financial statements which consolidate the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador.

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2010-11 was released in August 2011 and presents expenditures and revenues using the modified cash basis of accounting. This is the same basis used to prepare the budgeted appropriations and revenues as per the Estimates. Another report containing a reproduction of the available financial statements of the Crown Corporations, Boards and Authorities was released as a separate report in December 2011. These reports are available online at the address noted below.

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

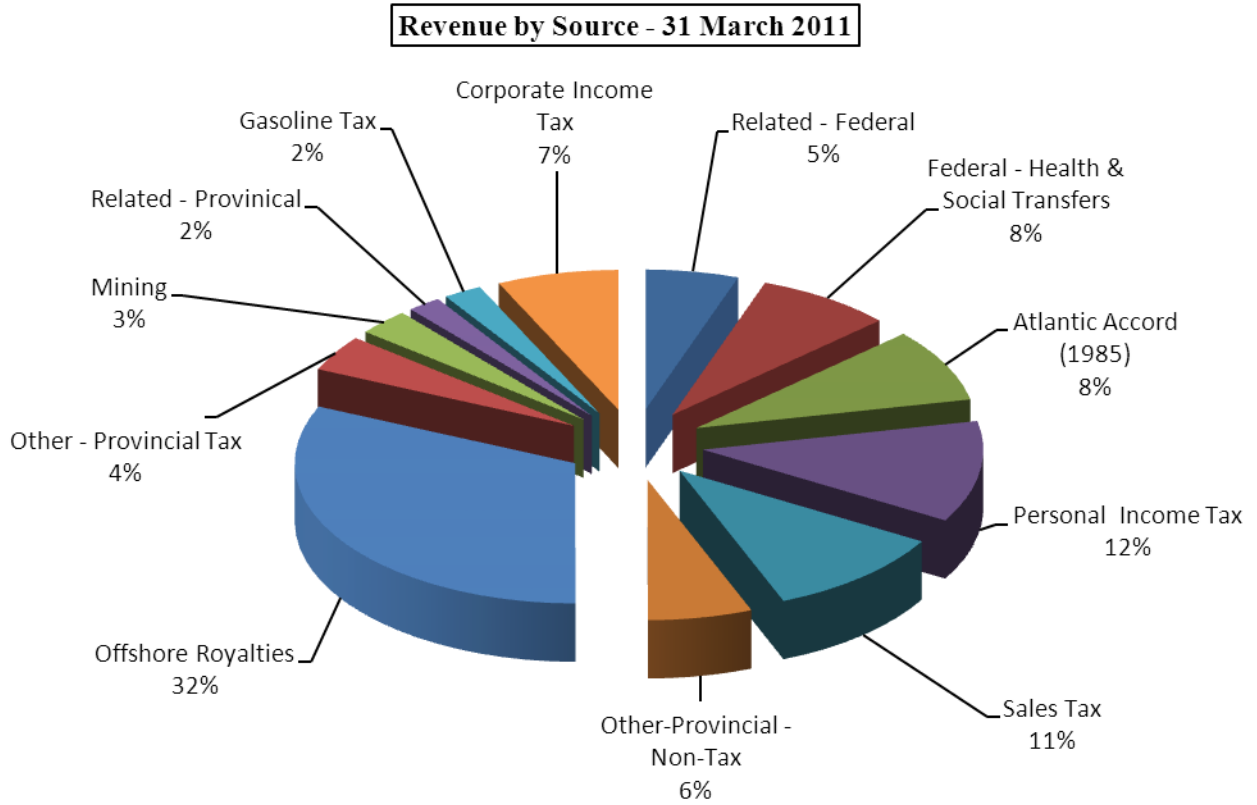
### Internet Address

The Public Accounts are available on the Internet at:  
[http://www.fin.gov.nl.ca/fin/public\\_accounts/index.html](http://www.fin.gov.nl.ca/fin/public_accounts/index.html)

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Revenue

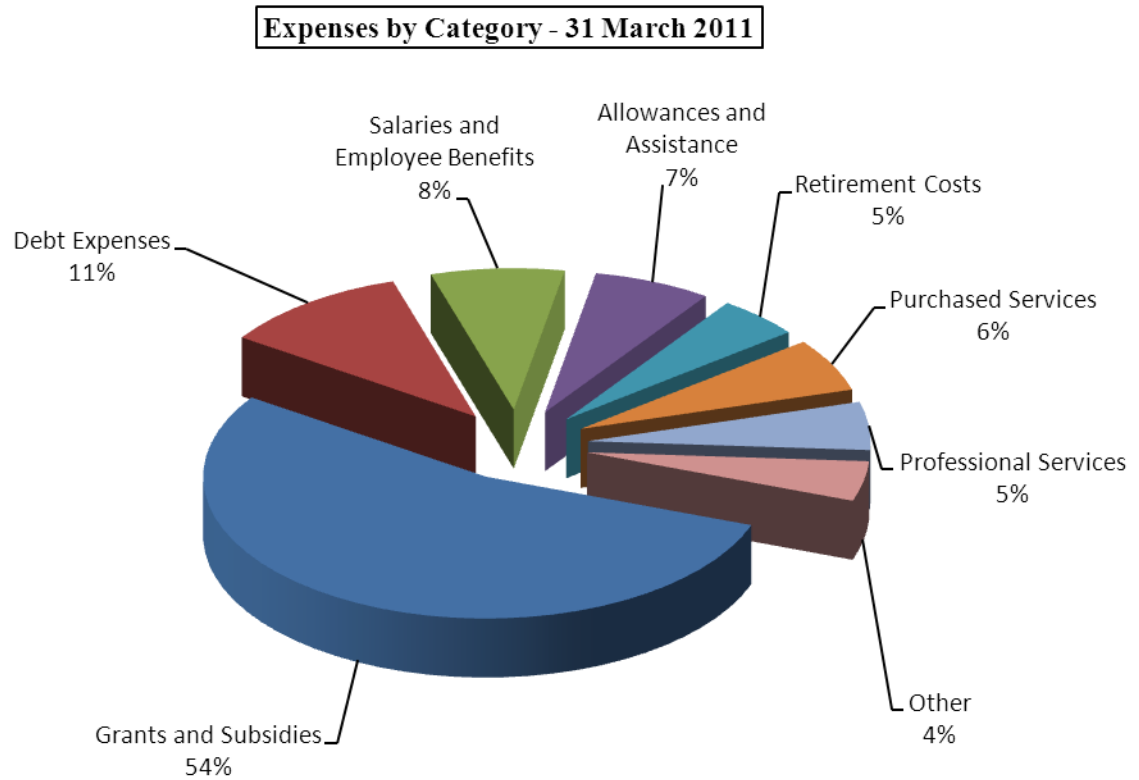
Total revenue was \$7.58 billion in 2010-11 which consisted of federal revenues of \$1.65 billion and provincial revenues of \$5.93 billion.





Expense

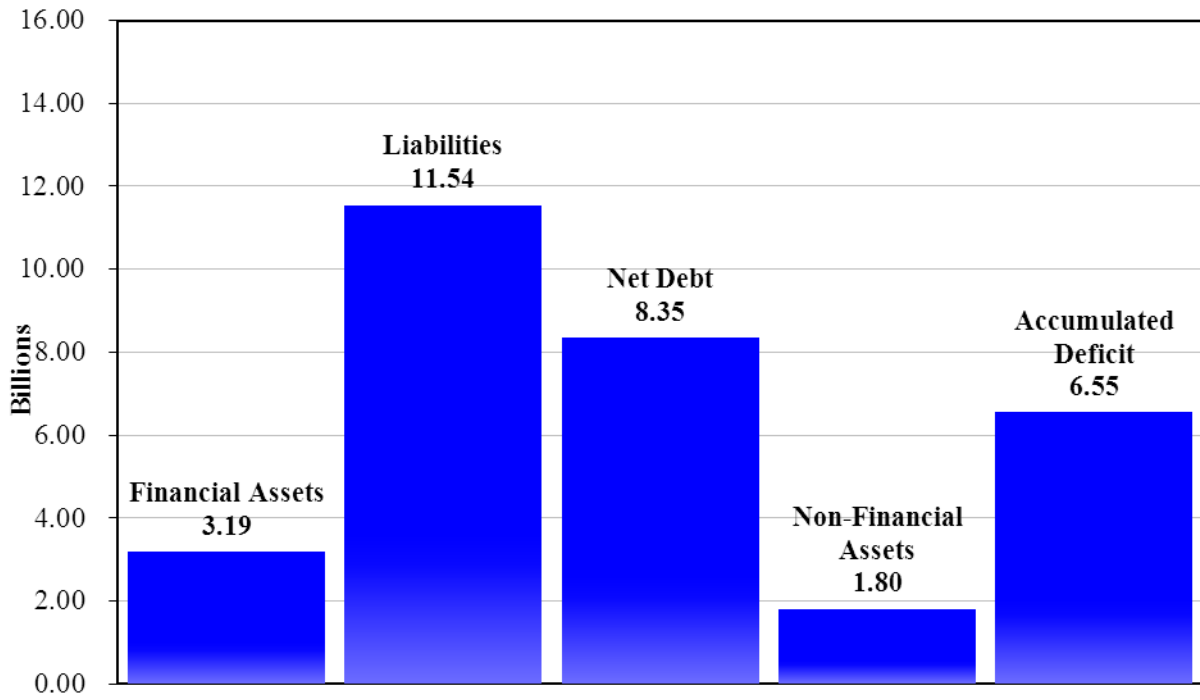
Total expenses were \$7.16 billion in 2010-11. Grants and subsidies of \$3.86 billion and debt expenses of \$0.77 billion represented approximately 65% of this amount.



Financial Position

Net Debt of \$8.35 billion consisted of \$11.54 billion in liabilities less \$3.19 billion in financial assets. Accumulated Deficit of \$6.55 billion consisted of \$8.35 billion in Net Debt less \$1.80 billion in non-financial assets.

**Statement of Financial Position - 31 March 2011**



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9 December 2011

## STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the financial statements of the Consolidated Revenue Fund rests with the Government. As required under Section 59 of the *Financial Administration Act*, these financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these financial statements. Additionally, information has been provided by various government departments as required by 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 financial statements in this volume include a Statement of Financial Position, a Statement of Change in Net Debt, a Statement of Operations, a Statement of Change in Accumulated Deficit, a Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

Pursuant to Section 11 of the *Auditor General Act*, the Auditor General of Newfoundland and Labrador provides an independent opinion on the financial statements.

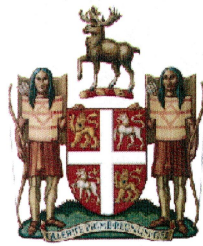


THOMAS W. MARSHALL, Q.C.  
Minister of Finance and President  
of Treasury Board



RONALD A. WILLIAMS, CA  
Comptroller General of Finance

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

## AUDITOR'S REPORT

To the House of Assembly  
Province of Newfoundland and Labrador

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the Consolidated Revenue Fund of the Province of Newfoundland and Labrador, which comprise the statement of financial position as at 31 March 2011, and the statements of change in net debt, operations, change in accumulated deficit, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Government's Responsibility for the Financial Statements*

Government is responsible for the preparation and fair presentation of these financial statements as required by Section 59 of the *Financial Administration Act* and in accordance with the accounting policies as disclosed in Note 1 to these financial statements, and for such internal control as Government determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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



## AUDITOR'S REPORT (cont.)

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

### *Opinion*

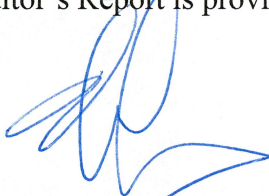
In my opinion, the financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at 31 March 2011, and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with the accounting policies disclosed in Note 1 to these financial statements.

### *Report on Other Legal and Regulatory Requirements*

As required under Section 11 of the *Auditor General Act*, I also report that in my opinion, these financial statements present fairly, in all material respects, the financial position of the Consolidated Revenue Fund as at 31 March 2011, and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these financial statements applied on a basis consistent with that of the preceding year.

### *Other Matter*

These financial statements have been prepared solely to present the activities of the Consolidated Revenue Fund for the year ended 31 March 2011. However, significant financial activities of the Province occur outside of the Consolidated Revenue Fund. These activities, together with those of the Consolidated Revenue Fund, are included in the consolidated summary financial statements of the Province and it is for this reason that those financial statements provide a more comprehensive accounting of the Province's financial position and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows. A separate Auditor's Report is provided on the consolidated summary financial statements.



**WAYNE R. LOVEYS, CMA**  
**Auditor General (A)**

9 December 2011  
St. John's, Newfoundland and Labrador

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Statement of Financial Position  
As at 31 March 2011  
with comparative figures for 2010**

	Actuals 2011 (\$000)	Actuals 2010 (\$000)
<b>FINANCIAL ASSETS</b>		
	1,733,815	1,404,898
	181,701	112,193
Sch. A	868,476	781,880
	77,718	76,943
	790,758	704,937
Sch. B	96,903	94,652
	82,883	82,839
	14,020	11,813
Sch. C	478,580	456,620
	5,832	3,250
	472,748	453,370
	<u>3,193,042</u>	<u>2,687,211</u>
<b>LIABILITIES</b>		
Sch. E	1,623,948	1,508,341
	35,269	44,659
Sch. F	6,178,396	6,381,596
	924,322	856,233
	218,356	205,556
	5,472,430	5,730,919
	1,820,898	1,689,534
	2,586,955	2,114,690
	<u>11,539,500</u>	<u>11,088,143</u>
	<u>8,346,458</u>	<u>8,400,932</u>
<b>NON-FINANCIAL ASSETS</b>		
Sch. D	1,771,066	1,411,342
	5,844	6,301
	24,325	21,851
	<u>1,801,235</u>	<u>1,439,494</u>
	<u>6,545,223</u>	<u>6,961,438</u>

The accompanying notes and 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 2011 with comparative figures for 2010

	Actuals 2011 (\$000)	Original Estimates 2011 (Note 17) (\$000)	Actuals 2010 (\$000)
<b>NET DEBT - beginning of period</b> .....	8,400,932	12,439,399	8,171,265
<b>Surplus (Deficit) for the period</b> .....	416,215	(289,184)	(80,281)
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets .....	490,078	507,257	238,433
Net book value of tangible capital asset disposals .....	(4,940)	-	(346)
Amortization of tangible capital assets .....	(125,414)	(97,982)	(94,219)
<i>Increase (Decrease) in net book value of tangible capital assets</i> .	359,724	409,275	143,868
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid expenses (net of usage) .....	(457)		1,364
Acquisition of inventories of supplies (net of usage) .....	2,474		4,154
<i>Increase (Decrease) in other non-financial assets</i> .....	2,017		5,518
<i>Increase (Decrease) in net debt</i> .....	(54,474)	698,459	229,667
<b>NET DEBT - end of period</b> .....	<u>8,346,458</u>	<u>13,137,858</u>	<u>8,400,932</u>

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Statement of Operations  
For the year ended 31 March 2011  
with comparative figures for 2010**

	Actuals 2011 (\$000)	Original Estimates 2011 (Note 17) (\$000)	Actuals 2010 (\$000)
<b>REVENUE</b>			
Provincial			
Tax Revenue			
Sales .....	799,850	766,135	703,975
Personal income .....	886,797	835,500	817,378
Gasoline .....	168,902	161,160	155,391
Corporate income .....	532,588	323,515	594,935
Mining and mineral rights .....	228,076	76,083	84,849
Other .....	315,084	275,502	282,198
Non-Tax Revenue			
Offshore royalties .....	2,399,444	2,162,200	2,121,311
Investment income .....	238,111	233,828	239,796
Fees and fines .....	174,406	149,975	162,284
Other .....	43,015	-	-
Related revenue .....	148,048	146,764	152,443
Government of Canada			
Atlantic Accord (1985) .....	641,862	641,861	465,288
Health and social transfers .....	597,506	617,835	686,317
Other .....	1,708	1,697	1,708
Related revenue .....	406,667	451,957	295,719
<b>Total Revenue</b> .....	<b>7,582,064</b>	<b>6,844,012</b>	<b>6,763,592</b>
<b>EXPENSE</b>			
Salaries .....	522,736	518,925	485,725
Employee benefits .....	24,376	16,066	30,173
Retirement costs .....	343,822	315,088	363,214
Transportation and communications .....	46,917	50,854	48,750
Supplies .....	102,160	96,975	97,369
Professional services .....	393,147	427,631	387,220
Purchased services .....	425,461	385,148	399,045
Property, furnishings and equipment .....	58,359	68,747	69,605
Allowances and assistance .....	484,189	485,479	460,523
Grants and subsidies .....	3,861,815	3,923,981	3,578,703
Debt expenses .....	774,769	744,628	823,764
Amortization (tangible capital assets) .....	125,414	97,982	94,219
Bad debt expenses .....	2,684	1,692	5,563
<b>Total Expense</b> .....	<b>7,165,849</b>	<b>7,133,196</b>	<b>6,843,873</b>
<b>ANNUAL SURPLUS (DEFICIT) - note 10</b> .....	<b>416,215</b>	<b>(289,184)</b>	<b>(80,281)</b>

The accompanying notes and 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 2011 with comparative figures for 2010

	Actuals 2011 (\$000)	Original Estimates 2011 (Note 17) (\$000)	Actuals 2010 (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b> .....	6,961,438		6,881,157
<b>Surplus (Deficit) for the period</b> .....	416,215	(289,184)	(80,281)
<b>ACCUMULATED DEFICIT - end of period</b> .....	6,545,223		6,961,438

The accompanying notes and 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 2011  
with comparative figures for 2010**

	Actuals 2011	Actuals 2010
	(\$000)	(\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual surplus (deficit) . . . . .	416,215	(80,281)
Add (Deduct) non-cash items:		
Amortization of foreign exchange (gains)/losses . . . . .	(17,774)	(997)
Amortization of tangible capital assets . . . . .	125,414	94,219
April writebacks . . . . .	196,267	(28,931)
Deferred revenue . . . . .	(9,390)	(39,445)
Other . . . . .	(225,469)	(330,787)
Retirement costs . . . . .	603,631	661,490
Sinking funds . . . . .	(46,132)	(47,562)
Valuation allowances . . . . .	173	4,169
<i>Net cash provided from (applied to) operating transactions</i> . . . . .	<u>1,042,935</u>	<u>231,875</u>
<b>CAPITAL</b>		
Acquisitions . . . . .	(490,078)	(238,433)
Disposals . . . . .	2,285	-
<i>Net cash provided from (applied to) capital transactions</i> . . . . .	<u>(487,793)</u>	<u>(238,433)</u>
<b>FINANCING</b>		
Debt assumed . . . . .	103,246	-
Debt retirement . . . . .	(246,627)	(301,063)
Retirement of pension liabilities . . . . .	-	(100,000)
Sinking fund contributions . . . . .	(50,153)	(52,653)
Sinking fund proceeds . . . . .	-	55,875
Special purpose funds/contractors' holdback funds . . . . .	(7,400)	10,415
Treasury bills purchased . . . . .	2,009,951	1,974,852
Treasury bills redeemed . . . . .	(2,010,974)	(1,974,265)
<i>Net cash provided from (applied to) financing transactions</i> . . . . .	<u>(201,957)</u>	<u>(386,839)</u>
<b>INVESTING</b>		
Loan advances and investments . . . . .	(25,527)	(52,349)
Loan repayments . . . . .	1,259	157
<i>Net cash provided from (applied to) investing transactions</i> . . . . .	<u>(24,268)</u>	<u>(52,192)</u>
<i>Net cash provided (applied)</i> . . . . .	328,917	(445,589)
Cash and temporary investments - beginning of period . . . . .	<u>1,404,898</u>	<u>1,850,487</u>
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 2</b> . . . . .	<u><u>1,733,815</u></u>	<u><u>1,404,898</u></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 Financial Statements For the year ended 31 March 2011

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### 1. Summary of Significant Accounting Policies

#### (a) The Reporting Entity

The Reporting Entity includes the accounts and financial activities of the Consolidated Revenue Fund. Pursuant to the *Financial Administration Act* of the Province all public monies are accounted for through the Fund.

#### (b) Basis of Accounting

##### (i) Method

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

##### (ii) Revenues

Revenues from the Government of Canada under the federal-provincial fiscal arrangements, health and social transfers and tax collection agreements are based on regular entitlements received for the current year and adjusted against future years' revenues when known.

Other revenues are recorded on an accrual basis.

##### (iii) Expenses

Expenses are recorded on an accrual basis.

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

##### (iv) Assets

Temporary investments are recorded at cost or market value, whichever is lower.

Government of Canada - claims in process are recorded as a receivable based on claims outstanding at 31 March and relate mainly to cost-shared agreements.

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.

Accounts and taxes receivable are recorded for all amounts due for work performed and goods or services supplied. Valuation allowances are provided when collection is considered doubtful.

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

Investments are recorded at cost and are written down when there is a loss in value that is other than a temporary decline.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

(v) *Liabilities*

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

Deferred revenue represents amounts received but not earned.

Debenture and other debt, except treasury bills, are recorded at face value. Treasury bills are recorded at net proceeds.

The Province records foreign-denominated debt in Canadian dollars translated at the exchange rate on the transaction date which is considered to be the issue date; except for the proceeds of hedged transactions which are recorded at the rate as established by the terms of that hedge. Foreign-denominated sinking fund assets are also recorded in Canadian dollars and transactions are translated at the exchange rate used in recording the related debt. At 31 March, foreign debt and sinking funds are adjusted to reflect the exchange rate in effect on that date.

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria are met.

(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.

(c) **Generally Accepted Accounting Principles**

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

**2. Cash and Temporary Investments**

Cash and temporary investments consist of:

	31 March 2011	31 March 2010
	(\$mil)	(\$mil)
Cash balance (overdraft) .....	1,183.2	1,385.9
Temporary investments - note 16 .....	550.6	19.0
Total: Cash and Temporary Investments .....	<u>1,733.8</u>	<u>1,404.9</u>

As at 31 March 2011, these investments have maturity dates ranging from 8 April 2011 to 31 March 2013 at interest rates ranging from 1.16% to 1.21% .

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**3. Government of Canada - Claims in Process**

Consists of:

	31 March 2011	31 March 2010
	(\$mil)	(\$mil)
Claims receivable at 31 March not received in April .....	134.0	85.2
Receipts in April .....	47.7	27.0
Total: Government of Canada - Claims in Progress .....	<u>181.7</u>	<u>112.2</u>

**4. Deferred Revenue**

Consists of:

	31 March 2011	31 March 2010	Change
	(\$mil)	(\$mil)	(\$mil)
Federal initiatives in support of public transit, clean air and climate change, affordable housing, community development, employment development and police officers .....	15.5	29.2	(13.7)
Federal government funding for various health care initiatives ..	10.9	15.2	(4.3)
Gas tax initiatives .....	8.5	-	8.5
Other miscellaneous programs .....	0.4	0.3	0.1
Total: Deferred Revenue .....	<u>35.3</u>	<u>44.7</u>	<u>(9.4)</u>

The balance as of 31 March 2011 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.

**5. Sinking Fund**

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:

	31 March 2011	31 March 2010
	(\$mil)	(\$mil)
Investments at cost .....	768.8	691.9
Amortization of bond discount .....	114.7	101.0
Investments at amortized cost .....	883.5	792.9
Cash and receivables less accounts payable .....	40.8	63.3
Net Sinking Fund Assets - translated at 31 March .....	<u>924.3</u>	<u>856.2</u>

The net sinking fund assets balance of \$924.3 million Canadian dollars as at 31 March 2011 includes \$290.4 million U.S. dollars translated to \$281.6 million Canadian dollars in accordance with current practice.

The net sinking fund assets balance of \$856.2 million Canadian dollars as at 31 March 2010 includes \$267.6 million U.S. dollars translated to \$271.8 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

**6. Unamortized Unrealized Foreign Exchange Gains and Losses**

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2011 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. See Schedule F - Debenture and Other Debt. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense is \$17.8 million which represents a credit adjustment (31 March 2010 - \$0.8 million-credit adjustment). This is included in debt expenses on the Statement of Operations.

	31 March 2011	31 March 2010
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt .....	253.5	205.0
Sinking funds .....	(70.2)	(52.3)
Net foreign exchange gains (losses) .....	183.3	152.7
Total accumulated amortization .....	35.1	52.9
Net unamortized unrealized foreign exchange gains (losses) .....	<u>218.4</u>	<u>205.6</u>

**7. Provision for Guaranteed Debt**

The provision for possible losses on guaranteed debt is nil (31 March 2010 - nil) (see note 12(a)).

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

All retired employees of the Government of Newfoundland and Labrador who are receiving a pension from the Public Service Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan or the Provincial Court Judges' Pension Plan are eligible to participate in the group insurance program sponsored by Government. All retired teachers who are receiving a pension from the Teachers' Pension Plan are eligible for coverage under the group insurance program sponsored by the Newfoundland and Labrador Teachers Association (NLTA) and cost shared by Government. These programs provide both group health and group life benefits to enrolled retirees.

Under Government's program, the Province contributes 50% towards group health and group life premiums for both employees and retirees. Government also contributes 50% towards group health and group life premiums for both teachers and retirees insured under the programs sponsored by the NLTA, subject to the maximum rates under Government's program. As at 31 March 2011, the plans provided benefits to 18,865 retirees.

**Actuarial Valuations**

An actuarial extrapolation was prepared to 31 March 2011 by the Province's actuaries based on the latest actuarial valuation (valuation date 31 March 2009) 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 4.65%, Consumer Price Index (CPI) of 2.50%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.



## NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

Plan	Estimated Accrued Benefit Obligation	Unamortized Experience Losses	Net Liability 2011	Net Liability 2010	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	2,086.1	(345.7)	1,740.4	1,610.9	129.5
Group life insurance retirement benefits	93.2	(12.7)	80.5	78.6	1.9
<b>Total</b>	<b>2,179.3</b>	<b>(358.4)</b>	<b>1,820.9</b>	<b>1,689.5</b>	<b>131.4</b>

There are no fund assets associated with these plans.

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

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

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

Plan	Province's Share of Current Period Costs	Interest Expense on the Liability	Province's Current Period Contributions	Current Period Amortization of Experience Changes	Plan Amendments	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Group health retirement benefits	52.2	92.5	(30.8)	15.6	-	129.5
Group life insurance retirement benefits	1.5	4.3	(4.3)	0.4	-	1.9
<b>Total</b>	<b>53.7</b>	<b>96.8</b>	<b>(35.1)</b>	<b>16.0</b>	<b>-</b>	<b>131.4</b>

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest related to group health and life insurance retirement benefits for 31 March 2010 amounted to \$91.1 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.

**9. Retirement Benefits - Pensions****Defined Benefits**

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for substantially all of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are - the Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 38,650 participants as at 31 March 2011.

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 2011, the plans provided benefits to 24,254 pensioners. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan or the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

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 of these five plans, including the collection of all contributions and the payment of pensions and the investment of funds. The Consolidated Revenue Fund guarantees any deficiency in the event assets of a plan are insufficient to meet benefit payments or administration costs.

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

Employee contributions are 8.6% of pensionable salary, less a formulated amount representing contributions to the Canada Pension Plan (CPP). A pension benefit is available based on the number of years of pensionable service times 2% of the employee's best five years average salary, reduced by a formulated amount representing CPP pension benefits for each year since 1967.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

**Teachers' Pension Plan**

Employee contributions are 9.35% of pensionable salary. A pension benefit is available based on the number of years of pensionable service prior to 1 January 1991 times 1/45th of the employee's best five years average salary, plus 2% of the employee's best five years average salary times years of pensionable service after that date, reduced by a formulated amount representing CPP pension benefits for each year since 1967. The CPP reduction only applies to pensioners who retired after 31 August 1998.

During 2006-07 plan legislation was enacted consistent with the two components of the Plan. The Registered component will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund and will provide benefits based on limits set out in the federal *Income Tax Act*. The Supplementary component will be administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

**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.

**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 1 April 1998, the percentage is 5% for the first ten years and 2.5% for each of the next ten years. For members elected for the first time after 31 December 2009, the percentage is 3.5% for each year of service as a Member. The accrued benefit is reduced by a formulated amount representing CPP pension benefits for each year since 1967. Ministers receive an additional pension amount calculated similarly, based on service and pensionable salary as a Minister.

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

**Provincial Court Judges' Pension Plan**

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

**Actuarial Valuations**

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

**Expected Interest Rates**

The expected average interest rate for the Public Service Pension Plan is 7.25%. The expected rate for the Teachers' Pension Plan is 7.25% projected on a long-term basis. The expected rate for the Uniformed Services Pension Plan is 7.25% projected on a long-term basis. The expected rate for the Members of the House of Assembly Pension Plan is 7.25% for the Registered component and 4.25% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Provincial Court Judges' Pension Plan is 6.75% for the Registered component and 4.25% for the Supplementary Employee Retirement component, projected on a long-term basis.

**Expected Inflation Rates**

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

The latest actuarial valuations for the Province's pension plans, according to the administrators of those plans, are dated as listed in the following table:

<u>Pension Plan</u>	<u>Valuation Date</u>
Public Service	31 December 2009
Teachers'	31 August 2009
Uniformed Services	31 December 2008
Members of the House of Assembly	31 December 2006
Provincial Court Judges'	31 December 2007

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

**Pension Liability**

Details of the pension liability are outlined in the table below. The estimated accrued benefit obligation and the value of the plan assets reported below have been extrapolated by the Province's actuaries to 31 March 2011. The actual results of future valuations may result in variances from these extrapolations.

Pension Plan	Estimated Accrued Benefit Obligation	Fund Assets	Unamortized Experience Gains (Losses)	Net Unfunded Liability 2011	Net Unfunded Liability 2010	Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	6,005.5	3,814.4	(591.4)	1,599.7	1,330.3	269.4
Teachers'	3,851.1	2,586.6	(516.0)	748.5	567.6	180.9
Uniformed Services	346.8	165.8	(19.4)	161.6	143.8	17.8
Members of the House of Assembly	90.4	13.3	(8.8)	68.3	65.7	2.6
Provincial Court Judges'	13.2	3.9	(0.5)	8.8	7.3	1.5
<b>Total</b>	<b>10,307.0</b>	<b>6,584.0</b>	<b>(1,136.1)</b>	<b>2,586.9</b>	<b>2,114.7</b>	<b>472.2</b>

Pension Fund Assets are valued at the market value at 31 December 2010 and projected to year end.

**Special Payments**

Commencing in 2001-02, the Province began making annual payments of \$7.5 million to the Members of the House of Assembly Pension Plan, however, these payments will only be allowable under the federal *Income Tax Act* to the extent that they fully fund the Registered component of the Plan. There were no special payments made to the Members of the House of Assembly Pension Plan in 2010-11.

**Pension Expense**

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

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

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	24.8	168.1	(31.6)	108.1	-	269.4
Teachers'	29.2	97.0	(41.3)	96.0	-	180.9
Uniformed Services	3.4	12.7	(3.9)	5.6	-	17.8
Members of the House of Assembly	2.0	3.2	(6.4)	3.8	-	2.6
Provincial Court Judges'	1.2	0.4	(0.2)	0.1	-	1.5
<b>Total</b>	<b>60.6</b>	<b>281.4</b>	<b>(83.4)</b>	<b>213.6</b>	<b>-</b>	<b>472.2</b>

Pension interest expense is included with interest as debt expenses in the financial statements. Pension interest expense for 31 March 2010 amounted to \$317.0 million.

## NOTES TO THE 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.

**Other Pension Plans**

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 30,772 participants. Employees contribute 5% of their salary to the Plan and the Province generally matches this contribution. Each employee will receive an annuity at retirement, the value of which is determined by their accumulated contributions plus investment earnings. This Plan is administered by the London Life Insurance Company and at 31 March 2011 assets had a market value of \$258.8 million (31 March 2010 - \$237.0 million).

**10. Current and Capital Account**

The annual surplus of \$416.2 million (31 March 2010 - deficit of \$80.3 million) is comprised of a surplus on the current account of \$804.5 million (31 March 2010 - surplus of \$224.3 million) and a deficit on the capital account of \$388.3 million (31 March 2010 - deficit of \$304.6 million). The classification of revenue and expenses between current account items and capital account items follow the classifications as per the Estimates for the purposes of categorizing the annual deficit.

**11. Amounts Capitalized**

Funds advanced to Crown agencies may be in the form of investments in such agencies or as loans or advances. Payments and receipts related to principal portions of these loans, advances and investments are capitalized on the Statement of Financial Position. Depending upon the relevant legislation and/or particular circumstances under which a Crown agency is established, the profits generated by their operations may be: (a) turned over to the Province and recorded as revenue; (b) used to repay loans and advances made to the agency by the Province; or (c) retained by the agency.

Amounts capitalized for 31 March 2011 amounted to \$28.0 million (31 March 2010 - \$53.9 million). See Schedule K - Reconciliation of Budgetary Contribution (Requirement) to Accrual.

**12. Contingent Liabilities****(a) Guaranteed Debt**

Guarantees made by the Province as at 31 March 2011 amounted to \$1,596.4 million (31 March 2010 - \$1,619.9 million). In addition, the Province guaranteed the interest thereon. See Schedule G - Guaranteed Debt.

**(b) Legal Actions**

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

**(c) Other****(i) Registrar of the Supreme Court**

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

## NOTES TO THE FINANCIAL STATEMENTS (continued)

(ii) *Pensions*

## a) Province of Newfoundland and Labrador Pooled Pension Fund

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

## b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2011, the Memorial University of Newfoundland Pension Plan had an unfunded pension liability for funding purposes of \$317.5 million (31 March 2010 - \$292.5 million). However, there currently exists sufficient money in the Fund for the payment of expenditures as they fall due.

(iii) *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 I - Trust Accounts.

(iv) *Canadian Saltfish Corporation*

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

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

The Corporation was dissolved with effect from 1 April 1995, so that resolution of the matter will be between the Government of Canada and the Province. However, the Province takes the position that for a number of reasons, including the fact that the Corporation engaged in activities beyond its mandate as determined by the Auditor General of Canada and confirmed by the Department of Justice of Canada, it is not liable for the amount claimed.

(v) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has issued guarantees totalling \$0.1 million. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$10.9 million, of which \$8.8 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule E - Other Liabilities.

(vi) *Environmental Responsibility*

As a result of delivering its stated programs and initiatives, there are a number of sites throughout the Province which are considered potentially contaminated sites. A liability will be accrued in the financial statements when it has been determined that the Province is liable for a site which has become contaminated and where a reasonable estimate of the remediation costs can be made. To date, \$21.6 million has been recorded (see Schedule E - Other Liabilities).

Where it is uncertain as to whether an obligation exists for the Province to remediate a contaminated site, then information on any such sites will be disclosed as contingent liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March 2011, while the Province is aware of a number of contaminated sites, the full extent of the remediation costs for these known sites is not readily determinable other than those indicated below. It is the responsibility of the departments to identify any other potentially contaminated sites which are owned by the Province and to collect the information necessary to assess the extent or likelihood of any environmental damage. As contaminated sites are identified, additional environmental liabilities may be recognized or contingent liabilities disclosed due to newly identified sites and/or changes in the assessments of currently known sites.

## Former Abitibi-Consolidated Sites

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

In November 2010, the Province was granted leave to appeal this issue to the Supreme Court of Canada. Until the appeal is heard, the Province cannot determine the likelihood of whether it will be ultimately responsible for environmental remediation. While it has been determined that these sites do contain contamination, the exact cost will not be known until Abitibi-Consolidated submits remediation plans, and until the Province completes further environmental assessments, human health risk assessments and risk analysis. A liability for \$5.0 million has been recorded for work completed subsequent to year-end to address an immediate health risk at one of the sites.

## Former Mining Sites

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

**13. Contractual Obligations**

Contractual obligations to outside organizations in respect of contracts entered into before 31 March 2011 consists of:

	31 March 2011	31 March 2010
	(\$mil)	(\$mil)
Capital projects .....	582.3	468.5
Economic development .....	73.6	12.7
Provincial policing agreement .....	58.5	116.5
Information technology services .....	48.2	24.9
Lease payments .....	28.2	32.7
Ferry services .....	23.5	51.2
Telephone services .....	12.4	16.6
Forestry management .....	10.9	13.7
Food Services .....	1.3	5.9
Other projects .....	30.4	17.6
Total: Contractual Obligations .....	<u>869.3</u>	<u>760.3</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

These contractual obligations will become liabilities and expenses of the Consolidated Revenue Fund when the terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

**14. Measurement Uncertainty**

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available. Some examples of where measurement uncertainty exists are the accrual of retirement benefits, the allowance for guaranteed debt and the accrual of self-insured workers' compensation benefits.

**15. Comparatives**

Certain of the 31 March 2010 financial statement figures and related schedules have been restated to be consistent with the 31 March 2011 statement presentation.

**16. Cash Requirements**

The following summarizes the actual cash requirements, borrowings and utilization of the borrowings in excess of cash requirements for the year ended 31 March 2011. The total borrowing contribution has been adjusted for the modifications to the cash basis of accounting to arrive at the cash requirement. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2011 for further information on the calculation of the Total Borrowing Contribution of \$163.6 million noted below.

	31 March 2011
	(\$mil)
Total Borrowing Contribution (Requirement) .....	163.6
Add (Deduct):	
Treasury bill borrowing repayments .....	(2,011.0)
Temporary investments 1 April 2010 .....	19.0
Writeback expenditure - 2011 .....	536.6
Writeback expenditure - 2010 .....	(322.7)
Federal trust funds .....	(16.7)
Writeback revenue - 2011 .....	(47.7)
Writeback revenue - 2010 .....	27.0
Special purpose funds .....	1.7
Contractors holdback funds .....	(9.1)
Prior year's expenditure cheques recovered .....	(7.0)
Other Adjustments .....	4.2
Total: Cash Requirements .....	<u>(1,662.1)</u>
Borrowings:	
Treasury bill borrowings .....	2,010.0
Increase (Decrease) in cash balance (overdraft) .....	(202.7)
Total: Borrowings .....	<u>2,212.7</u>
Temporary Investments 31 March 2011 .....	<u><u>550.6</u></u>



NOTES TO THE FINANCIAL STATEMENTS (continued)

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**17. Original Estimates**

Certain amounts in the 2010-11 Estimates shown for comparative purposes were prepared on the accrual basis.

The primary focus of the accrual budget information presented in the 2010-11 Budget Speech was to adhere to the more general format of the Consolidated Statement of Operations in Volume I. The details of the budgeted revenue and expense items that comprised the annual deficit amount of \$289.2 million (consistent with the more detailed format of the non-consolidated Statement of Operations in Volume II) were not disclosed in the 2010-11 Budget Speech but rather were obtained from internal documentation used to calculate the budgeted surplus disclosed in the 2010-11 Budget Speech. In addition, an amount for Net Debt was also obtained from internal documentation.

In arriving at the original estimate figures on the Statement of Operations, implicit costs associated with the acquisition of tangible capital assets, which were eliminated from these items, were estimated based on a reasonable allocation methodology.

**18. Additional Notes**

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Accounts and Taxes Receivable  
As at 31 March 2011  
with comparative figures for 2010**

	2011	2010
	(\$000)	(\$000)
Accounts Receivable:		
Offshore royalties .....	437,674	431,520
Crown agencies working capital and unremitted profits .....	62,328	62,315
Court fines .....	40,286	35,976
Social assistance overpayments .....	31,025	28,902
Miscellaneous/other receivables .....	29,448	32,430
Student loans .....	27,105	31,043
Reciprocal billings - medical services .....	5,562	5,956
Nalcor Energy .....	3,225	-
Amounts due as a result of Constituency Allowance review .....	2,708	826
Rent and other royalties/permits to occupy .....	2,158	2,204
Workplace, Health, Safety and Compensation Commission .....	2,005	1,679
Due from municipalities .....	1,398	1,077
Accident recovery claims .....	1,233	488
Accrued interest on temporary investments .....	787	24
Province of Newfoundland and Labrador Pooled Pension Fund .....	760	769
Fees and licences .....	624	653
Medical care plan audit recoveries .....	414	407
Travel advances .....	127	157
Atlantic Lottery Corporation Incorporated .....	-	2,782
Total: Accounts Receivable .....	<u>648,867</u>	<u>639,208</u>
Taxes Receivable:		
Sales tax .....	92,658	72,103
Mining and mineral rights tax .....	78,278	21,087
Gasoline tax .....	14,039	13,849
Tobacco tax .....	11,150	11,630
Health and post secondary education tax .....	9,664	9,813
School tax .....	9,465	9,670
Insurance companies tax .....	4,106	4,061
Miscellaneous/other taxes .....	248	459
Forest management tax .....	1	-
Total: Taxes Receivable .....	<u>219,609</u>	<u>142,672</u>
Total: Accounts and Taxes Receivable .....	<u><u>868,476</u></u>	<u><u>781,880</u></u>

**NOTE**

The allowance for doubtful accounts for 31 March 2011 is \$77.7 million (31 March 2010 - \$76.9 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Loans, Advances and Mortgages Receivable As at 31 March 2011 with comparative figures for 2010

	2011	2010
	(\$000)	(\$000)
Crown Agencies:		
Business Investment Corporation - note 1	54,357	54,357
C.A. Pippy Park Commission	250	250
Newfoundland and Labrador Film Development Corporation	6,819	6,819
Total: Crown Agencies	61,426	61,426
Commercial Loans:		
6574262 Canada Inc.	500	-
A. L. Stuckless & Sons Limited	1,217	1,217
Atlantic Fisheries Limited	980	980
Bit Trap Studios Canada Inc	126	-
Clear Risk Inc	420	420
Cote's Mechanical Limited	200	200
Doyle, James & Sons Ltd.	771	771
Easteel Industries Limited	3,658	3,658
Eastern Ocean Products Limited	163	163
Eastern Star Group Canada Inc	450	-
Gavijo Innovations	15	15
George Sexton Limited	50	50
Grandy, Gordon	90	90
Griffiths Guitars International Inc.	171	171
Holson Forest Products Ltd.	7,000	5,000
Hughes, Vincent	50	50
IC Spa Products Inc.	185	185
Island Seafoods Products Limited	146	167
Keats, Eric	102	102
Koby Seat Inc.	9	9
Mediclink Systems Limited	-	58
Melindy, John	191	191
MyTelescope.com Inc.	315	315
Newfoundland Harvesting Limited	2,727	2,727
Newman, Raymond	162	162
Northeast Coast Sealers Co-op Society Limited	367	378
Object Oriented Concepts Inc.	97	325
O'Rourke, Rupert	337	337
Other Ocean Group Inc.	948	948
Pittman, Thomas	93	93
Pumphrey, Gerry	537	537
Rolls-Royce Canada Limited	500	500
Saunders, Ralph	61	61
Seacraft Limited	68	68
Seaward, Alphonsus	99	99
Sexton Lumber Ltd.	2,250	2,250

LOANS, ADVANCES AND MORTGAGES RECEIVABLE (continued)

	2011	2010
	(\$000)	(\$000)
Commercial Loans:		
Short, William .....	262	262
Superior Waterproof Coatings NF & LB Inc. ....	154	154
Sweet, Roy .....	49	49
Terra Nova Marine Co. Ltd .....	400	400
Terra Nova Shoes ULC .....	7,000	8,000
Virtual Marine Technology .....	991	500
Vokey's Shipyard Limited .....	100	100
Whelan, Ormond .....	853	853
White's Fisheries Limited .....	50	50
Wilson, Ronald & Curtis, Kevin .....	298	298
Total: Commercial Loans .....	<u>35,212</u>	<u>32,963</u>
Other Organizations:		
Gros Morne Mortgages .....	68	66
Municipalities .....	<u>197</u>	<u>197</u>
Total: Other Organizations .....	<u>265</u>	<u>263</u>
Total: Loans, Advances and Mortgages Receivable .....	<u><u>96,903</u></u>	<u><u>94,652</u></u>

NOTES

**1. Business Investment Corporation**

The Province advanced funds to Business Investment Corporation for the purpose of making loans and equity investments to enable it to carry out its mandate. The advances were non-interest bearing and had no fixed terms of repayment or maturity date.

**2. Interest Rates and Loan Terms**

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

**3. Allowance for Doubtful Accounts**

The allowance for doubtful accounts for 31 March 2011 is \$82.9 million (31 March 2010 - \$82.8 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Investments As at 31 March 2011 with comparative figures for 2010

Description of Investment	Net Additions	Balance 31 March 2011		2010
		No. of Shares	Cost	Cost
	(\$000)		(\$000)	(\$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 . . . . .	1,800	36	1,800	-
Cold Ocean Salmon Inc. - Class "A" . . . . .	1,750	10,000	10,000	8,250
Country Ribbon Inc. . . . .	-	4,500	4,500	4,500
Gray Aqua Group Ltd. - Class "A" . . . . .	-	1,000,000	1,000	1,000
Northern Harvest Sea Farms Newfoundland Ltd . . . . .	2,000	2,000,000	2,000	-
Orphan Industries Limited - Class "B" . . . . .	-	97,000	970	970
Pixecur Technologies Inc. - redeemable . . . . .	-	4,000	400	400
Total: Preferred Shares Investments . . . . .	5,550		21,460	15,910
<b>Common Shares:</b>				
ACF Equity Atlantic Inc. . . . .	-	2,390,000	2,231	2,231
ACZEN Innovations Inc. - Class "A". . . . .	15	1,763	176	161
Adfinitum Networks Inc. . . . .	145	3,300	330	185
Atlantic Lottery Corporation Inc. . . . .	-	1	-	-
Blue Drop Inc. - Class "D" . . . . .	-	5,000	500	500
Consilient Technologies Corporation - Class "B" . . . . .	-	568,182	500	500
Dockside Appetizers Ltd.. - Class "B" . . . . .	-	310	31	31
Dynamic Air Shelters Ltd. - Class "B" . . . . .	-	500,000	500	500
First Choice Vision Centre Limited - Class "B" . . . . .	-	4,537	454	454
Hurley Slate Works Company Inc. - Class "B" . . . . .	-	400	400	400
Inter-Provincial Lottery Corporation - common . . . . .	-	1	-	-
iSYS Intelligent Systems Solutions - Class "F" . . . . .	-	986	98	98
Jackman BrandMarketing Inc. - Class "B" . . . . .	-	1,250	125	125
Manitoba Telecom Services Inc. . . . .	-	126	-	-
Marble Mountain Development Corporation. . . . .	-	500	-	-
MedicLink Systems Ltd - Class "A" . . . . .	-	3,517	352	352
Municipal Assessment Agency . . . . .	-	1	-	-
Nalcor Energy Corporation . . . . .	-	122,500,018	110,187	110,187
NavSim Technologies. . . . .	250	2,500	250	-
Newfound Genomics Inc. . . . .	-	5,000	500	500
Newfoundland and Labrador Film Development Corporation . . . . .	-	600	-	-
Newfoundland and Labrador Immigrant Investor Fund Ltd . .	-	3	-	-
Newfoundland Government Fund Limited - Common . . . . .	-	2	-	-

INVESTMENTS (continued)

Description of Investment	Net Additions (\$000)	Balance 31 March 2011		2010
		No. of Shares	Cost (\$000)	Cost (\$000)
<b>Common Shares:</b>				
Newfoundland Hardwoods Limited . . . . .	-	253	26	26
Newfoundland Ocean Enterprises Limited . . . . .	-	3	3	3
Newlab Clinical Research Inc. - Class "A" . . . . .	-	5,000	500	500
Northern Radar Inc. - Class "C" . . . . .	-	3,749	375	375
Rooms Corporation of Newfoundland and Labrador Inc. . . . .	-	500	-	-
SAC Mfg. Inc. - Class "B" . . . . .	-	500	500	500
Sexton Lumber Co. Ltd. . . . .	-	5,000	500	500
Solace Power Inc. - Class "D" . . . . .	-	1,401	140	140
Trans Ocean Gas Inc . . . . .	-	18,000	90	90
Total: Common Shares Investments . . . . .	<u>410</u>		<u>118,768</u>	<u>118,358</u>
<b>Non-Share Equity:</b>				
Nalcor Energy Corporation . . . . .	16,000	-	275,500	259,500
Newfoundland and Labrador Housing Corporation . . . . .	-	-	62,852	62,852
Total: Non-Share Equity Investments . . . . .	<u>16,000</u>	-	<u>338,352</u>	<u>322,352</u>
Total: Investments . . . . .	<u>21,960</u>		<u>478,580</u>	<u>456,620</u>

**NOTE**

**Allowance for Investment Write-downs**

The allowance for investment write-downs for 31 March 2011 is \$5.8 million (31 March 2010 - \$3.3 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2011 with comparative figures for 2010

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2011	Net Book Value 31 March 2010	
	Balance 31 March 2010	Additions 2011	Disposals 2011	Balance 31 March 2011	Balance 31 March 2010	Amort. Net of Disposals 2011			
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	
Buildings	959.4	116.7	3.3	1,072.8	528.8	33.5	562.3	430.6	
Marine vessels & aircraft	98.8	61.3	14.6	145.5	78.4	(10.5)	67.9	20.4	
Equipment & machinery	148.0	15.8	7.2	156.6	85.9	4.1	90.0	62.1	
Infrastructure	3,922.6	251.5	0.4	4,173.7	3,427.2	70.8	3,498.0	495.4	
Computer software	53.9	4.3	-	58.2	44.8	5.3	50.1	9.1	
Sub-total	<u>5,182.7</u>	<u>449.6</u>	<u>25.5</u>	<u>5,606.8</u>	<u>4,165.1</u>	<u>103.2</u>	<u>4,268.3</u>	<u>1,338.5</u>	<u>1,017.6</u>
Work in progress				<u>432.6</u>			<u>432.6</u>	<u>393.7</u>	
Total				<u>6,039.4</u>			<u>1,771.1</u>	<u>1,411.3</u>	

#### NOTES

#### 1. Tangible Capital Assets

Tangible capital assets are capitalized on the Statement of Financial Position with the cost of the assets amortized over the estimated useful life of the assets. Fully amortized tangible capital assets are recorded at gross cost and accumulated amortization.

#### 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. Government currently has a number of projects under construction or development with a total for 31 March 2011 of \$432.6 million (31 March 2010 - \$393.7 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 \$449.6 million include \$195.9 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$236.4 million less disposals of \$1.6 million for 2010-11.

#### 3. Amortization Expense

Amortization net of disposals in the amount of \$103.2 million as reported in the schedule consists of amortization expense of \$125.4 million less accumulated amortization on assets disposed of in the year in the amount of \$22.2 million.

Amortization net of disposals as at 31 March 2010 was \$77.3 million which consisted of amortization expense of \$94.2 million less accumulated amortization on assets disposed of in the year in the amount of \$16.9 million.

TANGIBLE CAPITAL ASSETS (continued)

**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
Aircrafts	20 years
Equipment & machinery	
Heavy machinery and equipment	20 years
Snow removal machinery and 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 assets	20 years
Land	indefinite
Bridges	40 years
Computer software	7 years

**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.

**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 \$27.4 million (31 March 2010 - \$36.3 million), amortization expense is \$0.7 million (31 March 2010 - \$1.0 million) and accumulated amortization is \$12.7 million (31 March 2010 - \$19.4 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 the water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, no decision has been made on whether the assets will continue to be held by the Province, or transferred to Nalcor Energy or other parties. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$138.3 million (\$126.5 million, net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2011 and are included in the infrastructure category as an addition. 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.



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Other Liabilities As at 31 March 2011 with comparative figures for 2010

	2011	2010
	(\$000)	(\$000)
Accounts payable write-backs . . . . .	536,636	322,730
Due to Government of Canada - note 1 . . . . .	365,870	384,806
Due to municipalities . . . . .	167,460	204,494
Salaries and benefits . . . . .	164,814	155,255
Accrued interest . . . . .	151,288	157,084
Offshore royalties . . . . .	38,089	46,606
Self-insured workers' compensation benefits - note 2 . . . . .	31,809	31,841
Taxes payable . . . . .	28,986	27,694
Capital leases - note 3 . . . . .	28,541	29,346
Accounts payable - other . . . . .	24,033	24,129
Environmental liabilities . . . . .	21,615	21,101
Contractors' holdbacks . . . . .	16,149	25,296
Physician services . . . . .	15,326	47,395
Special purpose funds - note 4 . . . . .	10,672	8,925
Provision for student loan debt reduction . . . . .	8,844	9,833
Reciprocal billing - hospital services payable . . . . .	8,467	5,765
St. Clare's Hospital - purchase . . . . .	3,000	3,750
Due to Crown Agencies . . . . .	1,241	2,291
Lottery Revenues . . . . .	1,108	-
Total: Other Liabilities . . . . .	1,623,948	1,508,341

#### NOTES

**1. Due to Government of Canada**

The total due to the Government of Canada is \$365.9 million. This amount is comprised of \$271.2 million for an Equalization loan, \$75.5 million for Equalization overpayments and \$19.2 million for Health and Social transfer overpayments.

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

The amount of \$31.8 million relates to the self-insured workers' compensation benefits liability as at 31 March 2011 (31 March 2010 - \$31.8 million). During the 2010-11 fiscal year, an actuarial valuation as of 31 December 2010, with disclosures as at 31 March 2011, was obtained for the Province's self-insured workers' compensation benefits.

**3. Capital Leases**

Interest rates for all capital leases range from 7.00% to 11.50% and have repayment schedules ranging in duration from less than a year to 13 years.

**4. Special Purpose Funds**

Included in this schedule are funds totalling \$10.7 million (31 March 2010 - \$8.9 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.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Debenture and Other Debt  
As at 31 March 2011  
with comparative figures for 2010**

Series	Date of Issue	Date of Maturity	Interest Rate %	Amount in Foreign Currency	Sinking Fund Balance	Amount Issued or Outstanding		Notes
						2011	2010	
						(\$000)	(\$000)	
General Debentures:								
EC7	19 Feb. 2003	29 Dec. 2010	5.13		-	-	200,000	1(a)
6L	25 Jul. 2001	25 Jul. 2011	6.40		-	200,000	200,000	1(b)
5U	15 Feb. 1989	15 Feb. 2012	11.00		114,738	114,738	125,000	1(b)
EC6	12 May 1993	12 May 2013	5.65		54,134	81,734	81,734	1(a)
6S	04 Jun. 2004	04 Jun. 2014	5.25		-	300,000	300,000	1(b)
5V	22 Nov. 1989	22 Nov. 2014	10.13		110,543	150,000	150,000	1(b)
AG	01 Jun. 1989	01 Jun. 2019	9.00	(150,000 U.S.)	106,222	145,440	152,370	1(b)
AH	01 Jun. 1990	01 Jun. 2020	9.88	(150,000 U.S.)	31,608	145,440	152,370	1(b)
AJ	29 Nov. 1990	01 Dec. 2020	10.00	(150,000 U.S.)	30,263	145,440	152,370	1(b)
5X	15 Apr. 1991	15 Apr. 2021	10.95		-	147,892	147,892	1(b)
AK	17 Oct. 1991	15 Oct. 2021	9.00	(200,000 U.S.)	36,397	193,920	203,160	1(b)
AM	22 Oct. 1992	22 Oct. 2022	8.65	(200,000 U.S.)	32,688	193,920	203,160	1(b)
AN	13 Oct. 1993	13 Oct. 2023	7.32	(200,000 U.S.)	44,418	193,920	203,160	1(b)
6B	07 Jul. 1995	07 Jul. 2025	9.15		19,585	100,000	100,000	1(b)
6C	05 Feb. 1996	05 Feb. 2026	8.45		28,110	150,000	150,000	1(b)
6F	17 Apr. 1998	17 Apr. 2028	6.15		83,364	450,000	450,000	1(b)
6H	27 Jul. 1999	17 Oct. 2029	6.50		35,415	200,000	200,000	1(b)
6K	30 Jun. 2000	17 Oct. 2030	6.55		69,576	450,000	450,000	1(b)
6R	12 Jun. 2003	17 Oct. 2033	5.60		32,157	300,000	300,000	1(b)
6T	21 Sep. 2004	17 Oct. 2035	5.70		26,666	300,000	300,000	1(b)
6U	28 Nov. 2006	17 Apr. 2037	4.50		24,054	350,000	350,000	1(b)
6V	15 May 2007	17 Oct. 2040	4.65		31,683	650,000	650,000	1(b)
6Q	16 Aug. 2002	17 Oct. 2042	6.24		12,701	250,000	250,000	1(b)
Total: General Debentures					<u>924,322</u>	<u>5,212,444</u>	<u>5,471,216</u>	
Other:								
Treasury bill borrowings					-	492,721	493,744	1(c)
Total: Other					<u>-</u>	<u>492,721</u>	<u>493,744</u>	

## DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2011	2010
				(\$000)	(\$000)	(\$000)
Government of Canada and Agencies:						
Canada Pension Plan Investment Fund						
Debentures - note 1(d)						
3A-278	02 Apr. 1990	02 Apr. 2010	10.36			
to	to	to	to			
3A-284	03 Dec. 1990	03 Dec. 2010	11.33	-	-	40,432
3A-285	02 Apr. 1991	02 Apr. 2011	9.81			
to	to	to	to			
3A-288	02 Jul. 1991	02 Jul. 2011	10.04	-	40,858	40,858
3A-289	01 May 1992	01 May 2012	9.17			
to	to	to	to			
3A-291	02 Jul. 1992	02 Jul. 2012	9.45	-	28,770	28,770
3A-292	01 Mar. 1999	01 Mar. 2019	5.97	-	1,827	1,827
3A-293	02 Apr. 1999	02 Apr. 2019	5.89			
to	to	to	to			
3A-303	03 Mar. 2000	03 Mar. 2020	7.02	-	35,282	35,282
3A-304	01 Apr. 2000	01 Apr. 2020	6.41			
to	to	to	to			
3A-314	02 Mar. 2001	02 Mar. 2021	6.90	-	42,645	42,645
3A-315	01 Apr. 2001	01 Apr. 2021	6.38			
to	to	to	to			
3A-326	01 Mar. 2002	01 Mar. 2022	6.85	-	52,376	52,376
3A-327	01 Apr. 2002	01 Apr. 2022	5.88			
to	to	to	to			
3A-337	01 Mar. 2003	01 Mar. 2023	6.61	-	52,104	52,104
3A-338	05 Apr. 2003	05 Apr. 2023	5.41			
to	to	to	to			
3A-347	01 Mar. 2004	01 Mar. 2024	6.15	-	50,738	50,738
3A-348	02 Apr. 2004	02 Apr. 2024	5.36			
to	to	to	to			
3A-356	02 Jan. 2005	02 Jan. 2025	5.92	-	47,146	47,146
3A-357	01 Apr. 2005	01 Apr. 2025	4.91			
to	to	to	to			
3A-359	03 Jun. 2005	03 Jun. 2025	5.34	-	23,987	23,987
Total: Canada Pension Plan Investment Fund Debentures				-	375,733	416,165

DEBENTURE AND OTHER DEBT (continued)

Series	Date of Issue	Date of Maturity	Interest Rate %	Sinking Fund Balance	Amount Issued or Outstanding	
					2011	2010
				(\$000)	(\$000)	(\$000)
Harbour Lodge - see note 1(e) .....				-	447	471
Sun Life Assurance Company of Canada - see note 1(f) .....				-	97,051	-
Total: Agencies .....				-	97,498	471
Total: Government of Canada and Agencies .....				-	473,231	416,636
Total: Debenture and Other Debt .....				924,322	6,178,396	6,381,596
Current portion of Debenture and Other Debt					736,947	734,198
Long-term portion of Debenture and Other Debt					5,441,449	5,647,398
					6,178,396	6,381,596

NOTES

1. Details of Debt Issues

- a) Non-callable by the Province, except upon changes in tax status and/or law, then as a whole at par.
- b) Non-callable.
- c) This amount represents the net proceeds from the sale of \$494 million discounted treasury bills with maturity dates ranging from 7 April 2011 to 30 June 2011 and interest rates ranging from 1.00% to 1.08%.
- 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) This is a loan from the Canada Mortgage and Housing Corporation for the acquisition and construction of the Harbour Lodge. This loan is repayable over a 50 year period in blended annual installments of principal and interest, at an interest rate of 7.875%, maturing 1 December 2021.
- f) 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.

2. Sinking Fund Balance

See note 5 of the Notes to the Financial Statements.

## DEBENTURE AND OTHER DEBT (continued)

**3. Borrowings**

Borrowings and unamortized foreign exchange losses, by major currency, and sinking funds as at 31 March 2011 are as follows:

Major Currencies	Foreign Borrowings	Exchange Rate	Canadian	Unamortized Foreign Exchange Gains/(Losses)	Net
	(\$000)		(\$000)	(\$000)	(\$000)
U.S.	1,050,000	0.9696	1,018,080	286,849	1,304,929
Canadian			5,160,316	-	5,160,316
	Sub-total		6,178,396	286,849	6,465,245
	Foreign sinking funds		(281,596)	(68,493)	(350,090)
	Canadian sinking funds		(642,726)	-	(642,726)
	Total		5,254,074	218,356	5,472,429

**4. Contributions and Repayment Requirements**

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

	U.S.	Canadian	Total
	(\$000)	(\$000)	(\$000)
2011-2012	7,030	285,523	292,553
2012-2013	7,030	73,726	80,756
2013-2014	7,030	43,640	50,670
2014-2015	7,030	341,734	348,764
2015-2016	7,030	313,298	320,328
2016-2043	26,664	1,189,151	1,215,815
	61,814	2,247,072	2,308,886

The foreign exchange gain which has been realized on the Statement of Operations is \$17.8 million.

**5. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2011 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2010 - \$10.5 million).

**6. Related Sinking Fund Investments**

At year end, the Province held \$561.5 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2010 - \$573.0 million) which are reflected in the sinking fund balances disclosed in note 3 above. These were comprised of \$441.0 million in Canadian investments and \$120.5 million in US investments.

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**DEBENTURE AND OTHER DEBT (continued)**

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**7. Debt-Related Risk**

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

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

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

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Guaranteed Debt As at 31 March 2011 with comparative figures for 2010

	Limit of Guarantee	Contingent Liability	
		2011	2010
	(\$000)	(\$000)	(\$000)
Guaranteed Debentures:			
Municipalities:			
(For debentures issued to The Municipal Development and Loan Board and The Canada Mortgage and Housing Corporation)			
Glenwood . . . . .	72	72	72
Grand Falls - Windsor . . . . .	10	10	12
Harbour Breton . . . . .	171	171	171
Harbour Grace . . . . .	127	127	128
La Scie . . . . .	6	6	17
Placentia . . . . .	70	70	70
Wabana . . . . .	18	18	18
	474	474	488
Crown Corporations:			
Eastern Regional Health Authority - note 2 . . . . .	121,937	121,937	123,272
Newfoundland and Labrador Hydro Electric Corporation - note 2 . . . . .	976,612	976,612	1,000,275
Newfoundland and Labrador Municipal Financing Corporation - note 2 . . . . .	80,769	80,769	99,566
	1,179,318	1,179,318	1,223,113
Guaranteed Bank Loans:			
Crown Corporations:			
Labrador-Grenfell Regional Health Authority . . . . .	5,000	-	-
Marble Mountain Development Corporation . . . . .	2,100	1,977	1,614
	7,100	1,977	1,614
Fisheries: - note 3			
11072 Newfoundland Limited. . . . .	123	123	141
A & E Fisheries Limited . . . . .	719	719	1,119
AAG Enterprises Inc. . . . .	122	122	143
Alcon Enterprises . . . . .	133	133	200
Anchor Point Enterprises Limited . . . . .	353	353	-
Andrew Daley Limited . . . . .	270	270	200
Ashco Fishing Limited . . . . .	406	406	487
Ashley's Pride Enterprises Limited . . . . .	350	350	396
Atlantic Blue Fin Limited . . . . .	670	670	750
B.A.D.S. Fisheries Limited . . . . .	375	375	-
B & R Genge Company Limited . . . . .	511	511	557
B D & T Enterprises & William F. Ralph . . . . .	-	-	24
Barrett, Donald . . . . .	-	-	22
BNB Morey Fisheries Limited . . . . .	396	396	445
Butler, Harold . . . . .	125	125	150
C & L Harvesting Limited . . . . .	936	936	101

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2011	2010
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Campbell Fisheries Limited . . . . .	252	252	288
CJ Fisheries . . . . .	396	396	445
Collins Fisheries Limited . . . . .	114	114	170
Daley, Gary . . . . .	320	320	360
DOBCO Enterprises Limited . . . . .	-	-	180
Drover's Sea Harvesting Limited . . . . .	934	934	1,012
Dwight Russell Enterprises Limited . . . . .	840	840	900
E & E Fisheries Limited . . . . .	930	930	430
Emberley, Randy . . . . .	-	-	22
F & G Fisheries Limited . . . . .	237	237	261
F.I.C. Enterprises Limited . . . . .	297	297	316
Feltham, Alexander . . . . .	87	87	87
Fennell, Thomas and Jeanette . . . . .	83	83	111
G & D Fisheries Limited . . . . .	552	552	621
G W R Fisheries Limited . . . . .	430	430	486
Gallant, Guy . . . . .	107	107	133
Genge, Emanuel Jr. . . . .	512	512	513
Genge, Jarvis. . . . .	593	593	652
Genge, Montrose . . . . .	-	-	128
Genge, Theodore . . . . .	925	925	845
Gould, Clifford - et al . . . . .	-	-	19
Greenham, David J. and Billy F. . . . .	1,233	1,233	1,258
Greenspond Fisheries Limited . . . . .	152	152	182
Hailey Bear Enterprises Limited . . . . .	467	467	525
Hart, Lloyd . . . . .	51	51	103
Harvester Enterprises Limited . . . . .	188	188	215
Hickey, John P., John J., & Daniel J . . . . .	195	195	260
Hicks Fisheries Limited . . . . .	350	350	-
Hicks Fisheries Limited & Hicks, Randy and Ross . . . . .	-	-	110
Hicks Fisheries Limited & Randy Hicks . . . . .	-	-	229
High Tide Enterprises Limited . . . . .	244	244	292
High Wave Fisheries Limited . . . . .	207	207	276
Hyde, Gary and Karen . . . . .	19	19	39
J.T. Fisheries Limited . . . . .	172	172	189
JBCE Fisheries Limited . . . . .	156	156	208
Jones, Richard . . . . .	264	264	276
Kane, Charles M . . . . .	49	49	55
Lavers, Boyd George . . . . .	755	755	823
Lavers, Dion . . . . .	35	35	42
Lewis, Patrick . . . . .	68	68	100
Leyte, Melvin . . . . .	473	473	552
LJC Fisheries Ltd. . . . .	-	-	426



## GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2011	2010
	(\$000)	(\$000)	(\$000)
Guaranteed Bank Loans:			
Fisheries: - note 3			
Lormar Enterprises Limited .....	112	112	131
Lower Coast Fisheries Inc. ....	86	86	95
Lynch, Levi .....	82	82	99
Martin, Harold .....	128	128	149
McCarthy, Dennis .....	924	924	621
Mike Butland Fisheries Ltd .....	450	450	450
Morningstar Enterprises Limited .....	550	550	605
Newfoundland Leader Limited .....	410	410	524
Newfoundland Mariner Fishing Enterprises Limited .....	844	844	938
Noel Fisheries Limited .....	91	91	103
Norman, Glenn .....	196	196	271
Ocean Surfer Limited .....	279	279	279
Pencol Enterprises Limited .....	534	534	601
Penney, Boyd - et al .....	-	-	28
Penney's Fisheries Limited .....	396	396	468
Petten, Neal .....	148	148	148
Petten, Raymond, Ivan & Sheldon .....	305	305	500
Piercey's Fishing Enterprises Limited .....	290	290	290
Porter, Robert E. and Robert W. ....	23	23	46
R & C Rose Enterprises Limited .....	123	123	206
Roberts, Charles and Winslow, Glen .....	-	-	60
Ryan, Randy and Lisa .....	73	73	109
Ryan, Randy and Lisa and Sea Surfer Enterprises Ltd. ....	71	71	86
S & D Fisheries Limited .....	-	-	17
S & I Fisheries Limited .....	63	63	94
S & J Fisheries Inc. ....	313	313	358
Salt Water Foam Company Limited .....	162	162	189
Shirley Ann D Enterprises Limited .....	354	354	416
Splendid Fishing Company Limited .....	-	-	98
Strabcol Enterprise Ltd. ....	431	431	518
Straits Venture Inc. ....	372	372	413
Symmonds, Michael - et al .....	62	62	83
T & C Fisheries Ltd. ....	330	330	360
The Roberts and Sisters Enterprises Limited .....	130	130	152
Timton Enterprises Ltd. ....	495	495	540
TJL Enterprises Limited .....	275	275	314
Toope's Enterprises Limited .....	177	177	251
Trina and Sons Ltd. ....	284	284	308
Vernon Petten Enterprises Limited .....	-	-	36
W&R Enterprises Limited .....	257	257	257
Walsh's Fisheries Limited .....	90	90	135
Ward, Cecil .....	235	235	268

GUARANTEED DEBT (continued)

	Limit of Guarantee	Contingent Liability	
		2011	2010
	(\$000)	(\$000)	(\$000)
<b>Guaranteed Bank Loans:</b>			
Fisheries: - note 3			
Waye's Enterprises Limited .....	-	-	198
What's Happening Fisheries Limited .....	468	468	526
Wrice, Wallace & Mary .....	-	-	133
	<u>28,789</u>	<u>28,789</u>	<u>31,345</u>
Aggregate Limit & Contingent Amount .....	<u>34,276</u>	<u>34,276</u>	<u>34,940</u>
<b>Corporate:</b>			
Fogo Island Co-operative Society Limited .....	1,500	-	-
Gray Aqua Group Ltd. ....	6,800	5,110	1,200
Smith Seafoods Limited .....	100	23	37
Stephenville Airport Corporation .....	600	204	325
Torn gat Fish Producers Co-op Society Limited .....	2,100	904	1,502
	<u>11,100</u>	<u>6,241</u>	<u>3,064</u>
<b>Other Bank Loans:</b>			
Consumer Protection Fund for Prepaid Funeral Expenses .....	200	-	1
	<u>200</u>	<u>-</u>	<u>1</u>
<b>Other Guarantees:</b>			
Crown Corporations:			
Newfoundland and Labrador Immigrant Investor Fund Limited - note 4 .....	237,567	237,567	204,230
Student Loan Corporation of Newfoundland and Labrador - note 5 .....	142,000	142,000	156,000
	<u>379,567</u>	<u>379,567</u>	<u>360,230</u>
	<u>1,606,548</u>	<u>1,596,366</u>	<u>1,619,855</u>

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 GUARANTEED DEBT (continued)
 

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## 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 received 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 Sinking Funds**

Corporations for which guarantees are presented net of sinking fund values:

	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	2,605	10,668	<u>121,937</u>
Newfoundland and Labrador Hydro Electric Corporation				
- Canadian Funds .....	1,225,000	17,182	265,570	<u>976,612</u>
Newfoundland and Labrador Municipal Financing Corporation				
- Canadian Funds .....	80,378	391	-	<u>80,769</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. With regard to these term loans, 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.

For the fiscal year ended 31 March 2011, the Province's contingent liability with respect to these guarantees is \$28.8 million (31 March 2010 - \$31.3 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 Citizenship and Immigration Canada under its Business Immigration Program. The Province guarantees repayment of the funds received.

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**GUARANTEED DEBT (continued)**

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**5. Student Loan Corporation of Newfoundland and Labrador**

The Corporation was established on 30 March 2004 under the authority of the *Student Financial Assistance Act* for the purpose of funding and administering loans to qualifying post-secondary students. On 31 March 2004, the Corporation borrowed \$213.0 million, primarily to finance the purchase of the outstanding student loan portfolio from the previous service provider - a Canadian chartered bank. The Corporation has since reduced the principal amount by \$71.0 million and during 2006-07 refinanced the balance for a term of five years. The borrowing is unconditionally guaranteed as to principal and interest by the Province.

**6. Payments under Guarantee**

During the 2010-11 fiscal year the Province made a \$0.03 million payment as a result of a claim made by a chartered bank due to a default on payments by a fishing company on a guaranteed loan.

**7. Valuation Allowance**

The provision for guaranteed debt for 31 March 2011 is nil (31 March 2010 - nil).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Losses, Uncollectible Accounts and Other Amounts Written Off For the year ended 31 March 2011 with comparative figures for 2010

Department	2011 (\$000)	2010 (\$000)
Finance:		
Remissions .....	586	107
Tax forgiveness .....	1,411	3
	<u>1,997</u>	<u>110</u>
Human Resources, Labour and Employment:		
Overpayment of social assistance .....	209	692
Justice:		
Uncollectible accounts .....	110	722
Municipal Affairs:		
Uncollectible accounts .....	105	-
Health & Community Services:		
Uncollectible accounts .....	17	-
Labrador and Aboriginal Affairs:		
Uncollectible accounts .....	1	-
Education:		
Uncollectible accounts .....	-	159
Environment and Conservation:		
Uncollectible accounts .....	-	1
	<u>2,439</u>	<u>1,684</u>
Total: Losses, Uncollectible Accounts and Other Amounts Written Off .....	<u>2,439</u>	<u>1,684</u>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Trust Accounts  
As at 31 March 2011  
with comparative figures for 2010**

	2011	2010
	(\$000)	(\$000)
Assets		
Registrar of the Supreme Court .....	32,766	33,680
Eastern Regional Health Authority Sinking Fund .....	10,670	9,334
Teachers' Accrued Salary Trust Account .....	8,726	7,387
Federal/Provincial Contractors' Security Account .....	6,516	4,068
Rate Stabilization Fund .....	6,025	4,923
Consolidated Tender Account .....	2,048	2,351
Support Enforcement .....	1,157	1,084
Provincial Courts Trust Account .....	452	365
Contractor's Security Account - Transportation and Works .....	390	55
Provincial Nominee Program .....	241	703
Churchill Falls (Labrador) Corporation Trust .....	227	14
Rooms Trust Account .....	94	94
Securities Payable .....	91	96
H.M. Penetentiary .....	86	74
Victims of Mount Cashel .....	81	80
High Sheriff of Newfoundland .....	74	91
Newfoundland and Labrador Youth Centre .....	27	33
Labrador Correctional Centre .....	8	5
Bishop's Falls Correctional Centre .....	8	7
School for the Deaf .....	6	7
West Coast Correctional Centre .....	3	4
Labour Standards Tribunal .....	2	4
Commercial and Corporate Affairs Trust .....	1	1
Chief Electoral Office Account .....	1	2
Newfoundland and Labrador Correctional Centre for Women .....	-	1
Total: Trust Accounts .....	<u>69,700</u>	<u>64,463</u>

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Revenue and Expense by Sector For the year ended 31 March 2011

	General Government Sector and Legislative Branch	Resource Sector	Social Sector	Total
	(\$000)	(\$000)	(\$000)	(\$000)
<b>REVENUE</b>				
Provincial				
Taxation .....	2,931,252	45	-	2,931,297
Non-tax revenue .....	377,054	2,461,993	15,929	2,854,976
Related Revenue .....	97,383	19,527	31,138	148,048
Government of Canada .....	1,294,599	16,909	336,235	1,647,743
<b>Total Sector Revenue</b> .....	<b>4,700,288</b>	<b>2,498,474</b>	<b>383,302</b>	<b>7,582,064</b>
<b>EXPENSE</b>				
Salaries .....	213,432	100,381	208,923	522,736
Employee benefits .....	22,149	823	1,404	24,376
Retirement costs .....	343,822	-	-	343,822
Transportation and communications .....	16,187	15,715	15,015	46,917
Supplies .....	73,809	9,890	18,461	102,160
Professional services .....	28,774	11,691	352,682	393,147
Purchased services .....	233,255	74,953	117,253	425,461
Property, furnishings and equipment .....	(16)	3,956	54,419	58,359
Allowance and assistance .....	3,515	19	480,655	484,189
Grants and subsidies .....	37,972	115,598	3,708,245	3,861,815
Debt expenses .....	755,759	17,103	1,907	774,769
Amortization (tangible capital assets) .....	86,461	18,077	20,876	125,414
Bad debt expense .....	-	2,684	-	2,684
<b>Total Sector Expense</b> .....	<b>1,815,119</b>	<b>370,890</b>	<b>4,979,840</b>	<b>7,165,849</b>
<b>SECTOR SURPLUS (DEFICIT)</b> .....	<b>2,885,169</b>	<b>2,127,584</b>	<b>(4,596,538)</b>	<b>416,215</b>

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REVENUE AND EXPENSE BY SECTOR (continued)

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**NOTE****Sectors**

The sectors identified above are comprised of a broad array of programs which are delivered through the various departments and are consistent with the presentation of the 2010-11 Estimates. Revenues and expenses have been attributed to individual departments based on where the program is administered. Certain amounts have been allocated on a systematic basis. The sectors include the following departments:

**General Government Sector and Legislative Branch**

This sector consists of the Departments of Consolidated Fund Services, Executive Council, Finance, Government Services, Labrador and Aboriginal Affairs, Legislature, Public Service Commission and Transportation and Works.

**Resource Sector**

This sector consists of the Departments of Business, Environment and Conservation, Fisheries and Aquaculture, Innovation, Trade and Rural Development, Natural Resources and Tourism, Culture and Recreation.

**Social Sector**

This sector consists of the Departments of Child, Youth and Family Services, Education, Health and Community Services, Human Resources, Labour and Employment, Justice, Municipal Affairs and Newfoundland Labrador Housing Corporation.



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Reconciliation of Budgetary Contribution (Requirement) to Accrual For the year ended 31 March 2011 with comparative figures for 2010

	2011		2010	
	Current	Capital	Current	Capital
	(\$000)	(\$000)	(\$000)	(\$000)
Budgetary Contribution (Requirement) - note . . . . .	1,155,893	(702,962)	541,405	(532,471)
Less: Amounts capitalized . . . . .	-	28,048	-	53,902
	<u>1,155,893</u>	<u>(674,914)</u>	<u>541,405</u>	<u>(478,569)</u>
Surplus (Deficit) - accrual . . . . .	804,513	(388,298)	224,297	(304,578)
Difference . . . . .	<u>351,380</u>	<u>(286,616)</u>	<u>317,108</u>	<u>(173,991)</u>
The difference is comprised of the following:				
Sinking fund earnings . . . . .	(52,197)	-	(50,366)	-
Accrued retirement costs - interest . . . . .	378,320	-	408,030	-
Accrued retirement costs - other . . . . .	225,311	-	253,460	-
Amortization of foreign exchange gains/losses . . . . .	(19,067)	-	(1,973)	-
Other debt expenses . . . . .	11,283	(1,555)	(17,884)	(1,537)
Bad debt expenses . . . . .	-	2,684	21	5,542
Amortization of tangible capital assets . . . . .	-	125,414	-	94,219
Tangible capital asset acquisitions/adjustments - net . .	-	(379,625)	-	(238,087)
Inventories of supplies . . . . .	(2,474)	-	(4,154)	-
Accrued revenues and expenses . . . . .	<u>(189,796)</u>	<u>(33,534)</u>	<u>(270,026)</u>	<u>(34,128)</u>
Difference . . . . .	<u>351,380</u>	<u>(286,616)</u>	<u>317,108</u>	<u>(173,991)</u>
	<u>64,764</u>		<u>143,117</u>	

#### NOTE

The Budgetary Contribution (Requirement) for current and capital accounts are per the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2011.