

Province of  
Newfoundland and Labrador



**Public Accounts  
Consolidated Summary  
Financial Statements**

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FOR THE YEAR ENDED  
MARCH 31, 2016

  
Newfoundland  
Labrador



# **Province of Newfoundland and Labrador**

## **Public Accounts**

### **Consolidated Summary Financial Statements**

**For The Year Ended  
31 March 2016**

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## INTRODUCTION

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

The consolidated summary financial statements combine the financial statements of the Consolidated Revenue Fund with the financial statements of various Crown Corporations, Boards and Authorities, as approved by Treasury Board, which are controlled by the Government of Newfoundland and Labrador. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

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

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

The Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for 2015-16 was released in June 2016 and presents expenditures and revenues using the modified cash basis of accounting. This is the same basis used to prepare the budgeted appropriations and revenues as per the Estimates. These reports are available online at the address noted below.

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

### Internet Address

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

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

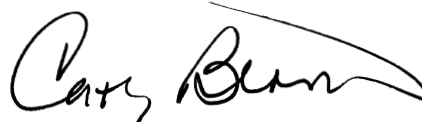
I hereby present the financial statements of the province, the Public Accounts for the 2015-16 fiscal year. To provide further information and transparency on the financial position of Newfoundland and Labrador, the audited financial statements are preceded by a discussion and analysis which highlights the fiscal health of the province.

The province reported a deficit for the 2015-16 fiscal year of \$2.2 billion, which is higher than the original forecasted deficit of \$1.1 billion for 2015-16. The increase in deficit of \$1.1 billion from our original forecast is primarily the result of lower than anticipated resource revenues during the year.

Deteriorating global commodity markets, particularly in the natural resource sector, resulted in economic constraints faced by the province in 2015-16. In addition to the downward pressure on commodity prices, the decline in oil production had an impact on oil royalties.

The uncontrolled growth of expenses in the past resulted in a serious and unsustainable imbalance that must be corrected. Stronger fiscal management must remain the province's top priority.

Going forward, our government will take the necessary steps to achieve long-term financial sustainability for our province. We are committed to regaining control of government finances with a credible plan, with clear objectives, transparent goals, and targets to which we will hold ourselves accountable. By establishing clear targets, our government is laying the building blocks to construct a solid foundation for the future.



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



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

### FINANCIAL REPORTS

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

#### *Public Accounts:*

- These are the consolidated audited financial statements of the Consolidated Revenue Fund (all departments) and government organizations (such as Health and School Boards) which are controlled by and therefore accountable to Government.
- These statements present the consolidated financial position of the Province on an accrual basis, in accordance with the accounting standards established for governments by Chartered Professional Accountants of Canada (CPA).
- The consolidated summary (accrual) deficit for the year ended 31 March 2016 as presented in Consolidated Summary Financial Statements is \$2.2 billion; net debt is \$12.7 billion; and accumulated deficit is \$8.2 billion.
- The Auditor General issued an unqualified audit opinion on the 2015-16 Consolidated Summary Financial Statements.

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

- These are the unaudited financial statements of the Consolidated Revenue Fund (all departments) on an accrual basis.
- The CRF (accrual) deficit for the year ended 31 March 2016 as presented in Consolidated Revenue Fund Financial Information is \$2.0 billion; net debt is \$12.8 billion; and accumulated deficit is \$10.2 billion.

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

- This report presents the actual overall budgetary contribution (requirement) of the Consolidated Revenue Fund as at 31 March 2016.
- This report is prepared using the modified cash basis of accounting and is not subject to an audit opinion.
- The budgetary requirement of \$2.6 billion for the year ended 31 March 2016 is comprised of a current account financial requirement of \$1.5 billion combined with a capital account financial requirement of \$1.1 billion.

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

[www.fin.gov.nl.ca/fin/public\\_accounts/index.html](http://www.fin.gov.nl.ca/fin/public_accounts/index.html)

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

## **FINANCIAL DISCUSSION AND ANALYSIS REPORT**

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

Information provided in this report will focus on the consolidated summary financial statements of the Province. Throughout this report, any reference to a particular year means the fiscal year ended in that year. For example, reference to 2016 means the fiscal year ended 31 March 2016.

## **GLOSSARY OF TERMS**

To assist in understanding the discussion and analysis to follow in this report, definitions of the various terms used are provided below:

<i>Accrual Basis:</i>	A method of accounting whereby revenues are recorded when earned and expenses are recorded when liabilities are incurred.
<i>Accumulated Deficit:</i>	Liabilities less total assets. This equals the net accumulation of all annual surpluses and deficits experienced by the Province.
<i>Annual Surplus/ (Deficit):</i>	The excess of annual revenues (expenses) over annual expense (revenues).
<i>Budgetary Contribution/ (Requirement):</i>	The difference between revenues and expenditure cash flows of the Consolidated Revenue Fund generated as a result of the operations of government departments during the year.
<i>Cash Basis:</i>	A method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.
<i>Deferred Revenue:</i>	Represents funding received in advance of revenue recognition criteria being met.
<i>Financial Assets:</i>	Assets (such as cash, receivables and investments) to be used to reduce existing or future liabilities.
<i>GDP:</i>	Gross Domestic Product (at market prices) of the Province.
<i>Interest Cost:</i>	Interest on the Province's debt (e.g. borrowings, unfunded pension liability), as well as, other debt related expenses.
<i>Net Borrowings:</i>	Total borrowings (debentures, treasury bills, etc.) less sinking funds. Also referred to as Provincial debt in this report.
<i>Net Debt:</i>	Liabilities less financial assets.
<i>Non-Financial Assets:</i>	Assets consumed in the delivery of government services, but not intended to reduce existing or future liabilities. Non-financial assets are primarily comprised of tangible capital assets.

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

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

### CONSOLIDATED ACCRUAL RESULT

#### **Compared to Previous Year**

The difference between the annual deficit of \$2.2 billion for 2016 and the annual deficit of \$1.0 billion for 2015 is approximately \$1.2 billion. While additional variance analysis on the changes in revenue and expense are included later in this report, the following provides a summary of what has contributed to these changes. This increase in annual deficit can be attributed to a decrease in total revenues of \$948.4 million in addition to an increase in total expenses of approximately \$252.7 million.

The decrease in total revenues of approximately \$948.4 million from 2015 to 2016 can be attributed to the following revenue sources:

- \$1,047.8 million decrease in offshore royalties as a result of a decrease in price and production;
- While the remaining variances generally offset for an increase in revenues of \$99.4 million, some of the variances of the more significant revenue streams include a \$131.1 million increase in corporate income tax due to lower prior year entitlement adjustments, a \$59.5 million increase in other miscellaneous revenue due to various non-government funding and donations, non-resident and insured pay fees and a \$40.0 million increase in other federal revenue mainly due to the fiscal stabilization payment. Other provincial tax revenue increased by \$17.2 million due to a higher health and post-secondary education tax and insurance companies tax and Federal cost shared programs increased by \$8.1 million as more funding was utilized under the Labour Market Development Agreement. These were largely offset by a \$101.8 million decrease in net income of government business enterprises and partnerships mainly related to a decline in Nalcor Energy's net income due to a significant decrease in oil prices, a decrease of \$31.4 million in sales tax due to lower levels of consumer expenditure and a decrease of \$25.4 million in mining and mineral rights tax due to lower than anticipated mineral shipments as a result of lower value. Furthermore, there were various variances of \$2.1 million in Federal and other Provincial revenues that contributed to the net variance.

The increase in total expenses of \$252.7 million from 2015 to 2016 can be attributed to increases experienced in the following types of expenses:

- \$210.2 million increase in debt expense primarily due to the increase of \$91.5 million increase in pension interest expense for the MUN pension plan as part of the valuation of the Voluntary Early Retirement Incentive Program and as a result of negative returns on interest earned on pension assets. Furthermore, the previous fiscal year had a significant decrease in interest expense on both pension and group insurance due to retirement benefits reform;
- \$188.6 million increase in grants and subsidies due to an increase in assistance to nursing homes and increases in subsidies for respite, personal care, homemaking from the Regional Health Authorities and investment in Affordable Housing expenditures and Supportive Living Program within the Newfoundland and Labrador Housing Corporation;
- \$4.3 million increase in valuation allowances due to the recent economic downturn, some loans and investments provided by the Province have become doubtful to be repaid. These were investments in various companies to assist in stimulating the economy. As a result, the valuation allowance was increased.

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

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

- \$63.1 million decrease in operating expenses resulting from infrastructure project delays and lower capital works project obligations;
- \$51.7 million decrease in salaries and employee benefits primarily relating to the Consolidated Revenue Fund due to miscellaneous savings amongst Departments as a result of vacancies, turnover in staff and delays in hiring;
- \$20.1 million decrease in amortization and (gain)/loss on sale of tangible capital asset expense due to the timing and status of capital projects delays and aging tangible capital assets and infrastructure decreasing annual amortization expense;
- \$15.5 million decrease in property, furnishings and equipment and professional services due to savings on ferry tariffs and delays of planning and design of several infrastructure projects both within the Department of Transportation and Works.

### **Compared to Original Budget (Accrual)**

The budgeted annual deficit of \$1.1 billion as per the 2015-16 Budget Speech and the actual annual deficit of \$2.2 billion differs by approximately \$1.1 billion. This difference can be attributed to a decrease in total revenues of \$1,003.6 million and an increase in total expenses of \$110.0 million.

The decrease in total revenues of \$1,003.6 million from the original budget can be attributed to the following revenue sources:

- Offshore royalty revenue, compared to the original budget, decreased by \$697.1 million primarily due to a lower than expected oil price and decreased production. The oil and gas industry continues to be the largest contributor to provincial GDP resulting in substantial fiscal contributions to the provincial treasury. In 2015-16 the value of crude oil produced by the Province decreased due to both reduced production volumes, as well as, lower crude oil prices which declined by approximately 37% throughout the 2015-16 fiscal year;
- Taxation revenue, compared to the original budget, decreased by \$266.0 million primarily due to a \$153.9 million decrease in sales tax due to the delay of the proposed HST increase from January 1, 2016 to July 1, 2016 and lower than anticipated consumer expenditure. Furthermore, a \$106.1 million decrease in corporate income tax due to lower corporate profits and a \$74.7 million decrease in mining and mineral rights tax as a result of lower than anticipated mineral shipments due to lower value. This was offset by a \$43.9 million increase in personal income tax revenue due to higher than anticipated assessments for prior years, a \$17.3 million increase in other taxation revenue due to higher health and post-secondary education tax and insurance companies tax than anticipated and a \$7.5 million increase in gasoline tax due to a higher consumption of diesel and marine fuel oil than anticipated;
- Net income from government business enterprises and partnerships, compared to the original budget, decreased by \$110.4 due to a decrease in Nalcor Energy's net income as a result of a significant decrease in oil prices;
- Federal Sources, compared to the original budget, decreased by \$89.1 due to revisions related to Health and Social Transfers and decreases in cost shared programs relating to research grants from the federal government for Memorial University of Newfoundland, and decreases in federal programs for the Eastern Regional Health Authority;
- These declines in revenues were partially offset by an increase of \$159.0 million of fees and fines, miscellaneous revenue and investment revenue. Some of the significant variances are due to the Offshore Revenue Fund, deferred revenue from Memorial University of Newfoundland and Labrador, various vendor discounts and rebates from the Eastern Regional Health Authority, and operational reform measures from the Labrador-Grenfell Regional Health Authority. These revenue sources have been categorized differently between the Original Budget and Actuals, therefore, have been grouped by the nature of the revenue for the purpose of variance analysis;

The difference in total expenses of \$110.0 million from the original budget can be primarily attributed to the following types of expenses:

- \$91.3 million increase in debt from the original budget was primarily due to the greater than anticipated interest on the MUN pension plan;

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

- \$22.8 million increase in salaries and employee benefits due to a general wage increase from the Newfoundland and Labrador English School Board resulting from the collective agreement with the Newfoundland and Labrador Teachers Association;
- \$4.1 million net decrease in grants and subsidies, operating costs and property, furnishings and equipment. Significant contributions of the variance are lower Waste Management expenditures and lower municipal requests as well as some municipalities not in compliance with program requirements in the Canada/NL gas tax program. Furthermore, decreases as a result of reduced expenditures in the Labour Market Development program, the Federal Government releasing the Province from its obligation to pay the tariff for a purchased vessel and delays in the completion of road maintenance projects for the Canada/Newfoundland and Labrador Infrastructure Framework Agreement. These expense objects have been categorized differently between the Original Budget and Actuals, therefore, have been grouped by the nature of the expense for the purpose of variance analysis.

### CASH FLOW ANALYSIS

The Province records its transactions on an accrual basis in accordance with generally accepted accounting principles, the timing of which may vary from when actual cash is paid or received. In 2016, the Province's overall net cash inflow was \$909.7 million. As detailed in the following chart, there was a net cash outflow of \$248.9 million in the previous year, which resulted in a difference in cash flow of approximately \$1,158.6 million between 2015 and 2016.

<u>Cash Flow by Category</u>	<u>2016</u>	<u>2015</u>	<u>Difference</u>
	<i>(\$000's)</i>	<i>(\$000's)</i>	<i>(\$000's)</i>
Operating	(1,544,048)	339,969	(1,884,017)
Capital	(427,661)	(555,515)	127,854
Financing	3,599,686	342,074	3,257,612
Investing	<u>(718,272)</u>	<u>(375,459)</u>	<u>(342,813)</u>
Net Inflows (Outflows) of Cash	<u>909,705</u>	<u>(248,931)</u>	<u>1,158,636</u>

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

The increase in cash flows from financing activities can be primarily attributed to inflows from the issuing of new debenture, sinking fund proceeds and increased activity in the Province's treasury bill program. These cash inflows were partially offset by debt retired during 2015-16.

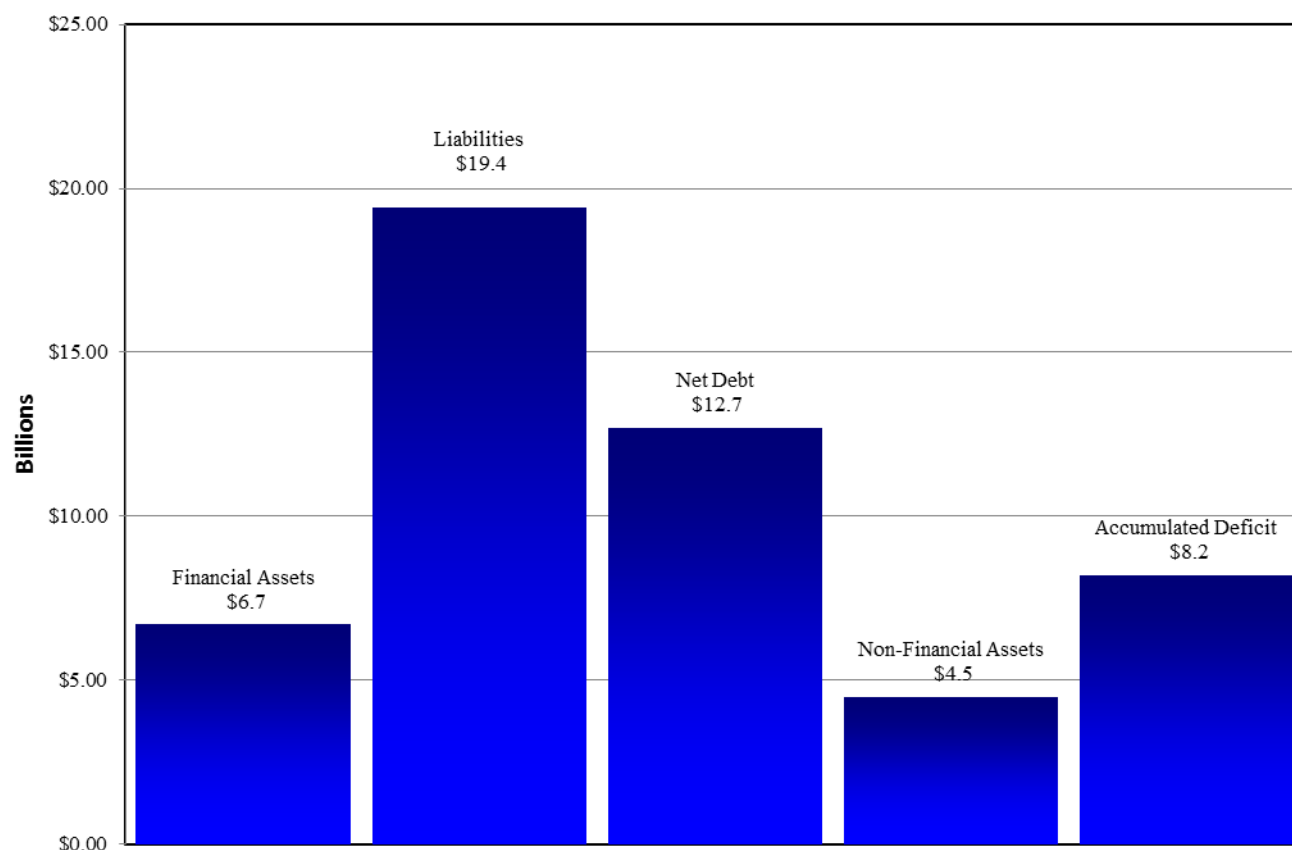
The decline in cash flows from operating activities can be directly attributed to the increase in the annual deficit from 2014-15 to 2015-16. For further details, please refer to the 'Consolidated Accrual Result' and 'Highlights – Financial Operations' sections of this report, as well as, the 'Statement of Operations' and the 'Statement of Cash Flows' in the Consolidated Summary Financial Statements.

The decline in cash flows from investing activities can be directly attributed to the increase in equity contributions to Nalcor Energy.

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

### HIGHLIGHTS – FINANCIAL POSITION

The Province's financial position as at 31 March 2016 is presented in the following chart. As depicted in the chart, the Province's net debt totals \$12.7 billion. The net debt is comprised of the difference between total financial assets of \$6.7 billion and liabilities of \$19.4 billion. The Province's net debt, less non-financial assets of \$4.5 billion, results in an accumulated deficit of approximately \$8.2 billion. Net debt and accumulated deficit are comprised of the following components:



<i>(\$ billions)</i>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Borrowings (net of sinking funds)	9.14	5.53	5.07	5.15	5.30
Unfunded Pension Liability	4.66	4.42	3.91	3.27	3.09
Group Health and Life Insurance Retirement Benefits	2.77	2.61	2.55	2.32	2.08
Other Liabilities	2.76	2.88	2.82	2.73	2.89
Less: Total Financial Assets	(6.68)	(5.11)	(5.27)	(5.12)	(5.53)
<b>Net Debt</b>	<b>12.65</b>	<b>10.33</b>	<b>9.08</b>	<b>8.35</b>	<b>7.83</b>
Less: Tangible Capital Assets	(4.38)	(4.26)	(4.05)	(3.83)	(3.49)
Less: Other Non-financial Assets	(0.10)	(0.09)	(0.09)	(0.09)	(0.09)
<b>Accumulated Deficit</b>	<b>8.17</b>	<b>5.98</b>	<b>4.94</b>	<b>4.43</b>	<b>4.29</b>

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

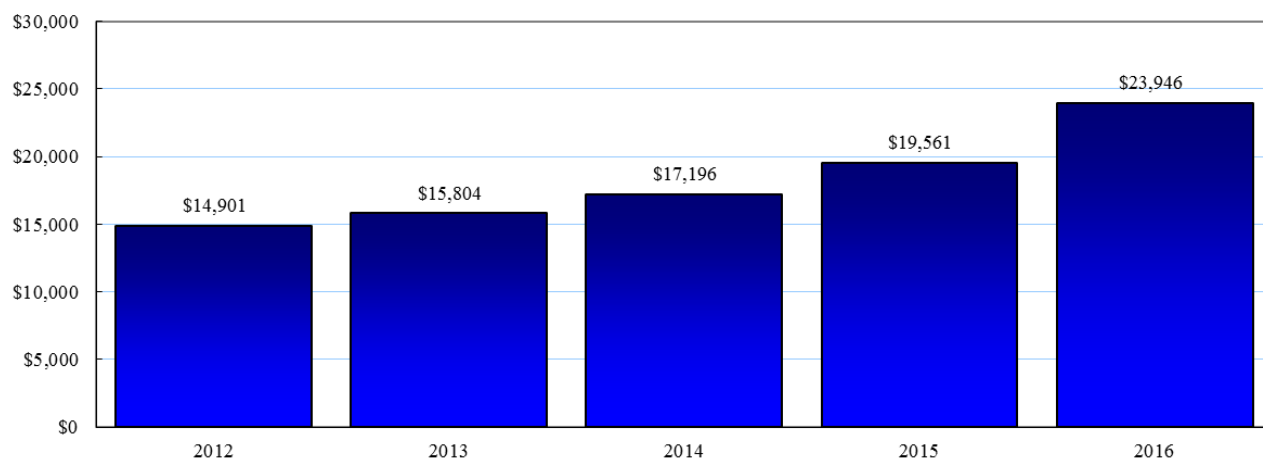
As seen in the previous table, accumulated deficit and net debt have both increased from 2012 to 2016. This can be attributed primarily due to the additional borrowings obtained by the Province during 2016.

### Net Debt and Net Borrowing

For the fiscal year ended 31 March 2016, net debt of \$12.7 billion included net borrowings of \$9.1 billion. Net debt for the fiscal year ended 31 March 2016 increased from the previous year by \$2.3 billion and net borrowings increased by \$3.6 billion.

#### a) Net Debt per Capita

Net debt per capita indicates the average amount of the Province's net debt owing by each citizen of the Province and is calculated by dividing the net debt by the Province's population. Each citizen's share of the net debt increased in 2016. As presented in the chart that follows, it increased from \$19,561 in 2015 to \$23,946 in 2016. This increase of \$4,385 per person is a result of the previously noted increase in the Province's net debt.

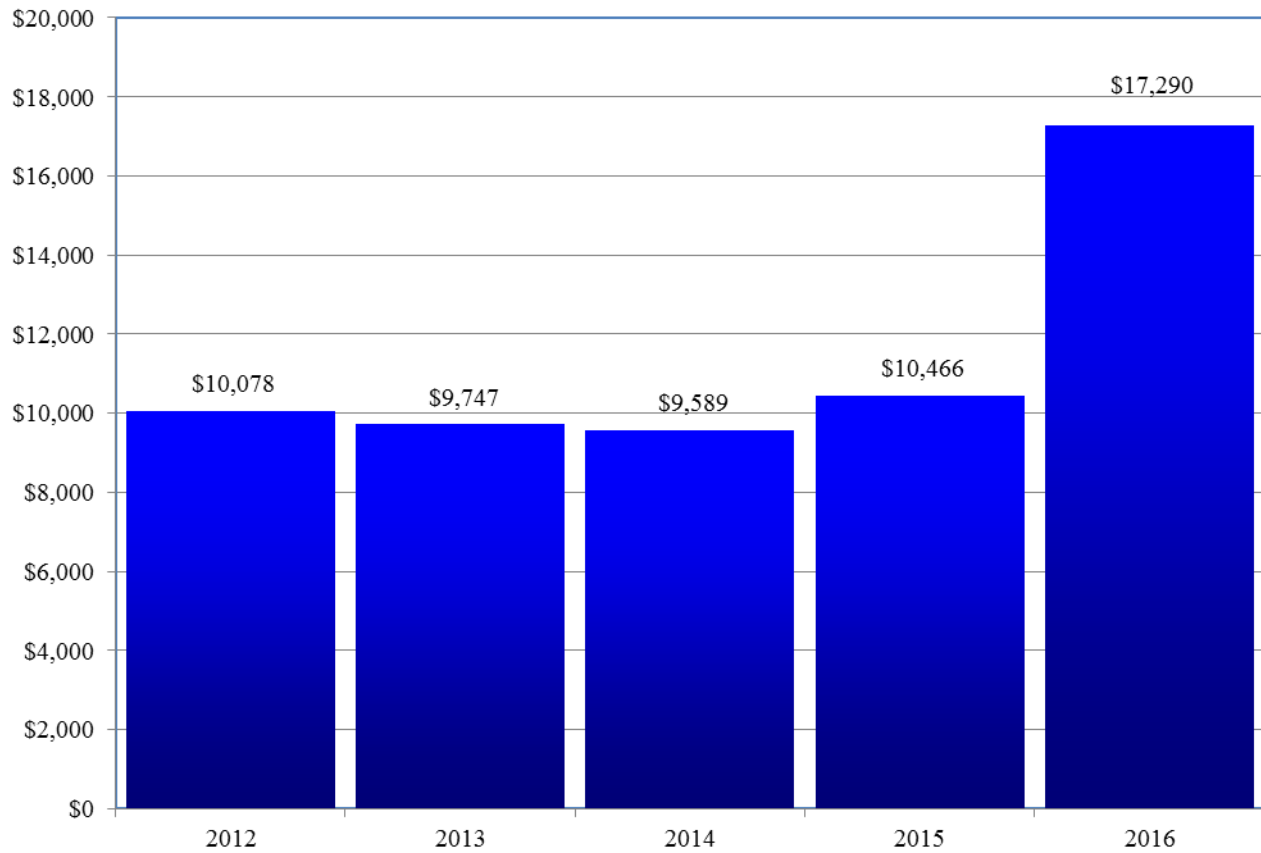


Previous year's numbers have been revised to reflect the information available on the Province's population as at April 2016.



**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR****b) Net Borrowings per Capita**

Net borrowings per capita indicate the average amount of Provincial debt owing by each citizen of the Province and is calculated by dividing the net borrowings of the Province by its population. An increase in net borrowings in 2016 has resulted in a significant increase in net borrowings per capita of \$6,824 since 2015. The net borrowings per capita are presented in the following chart.

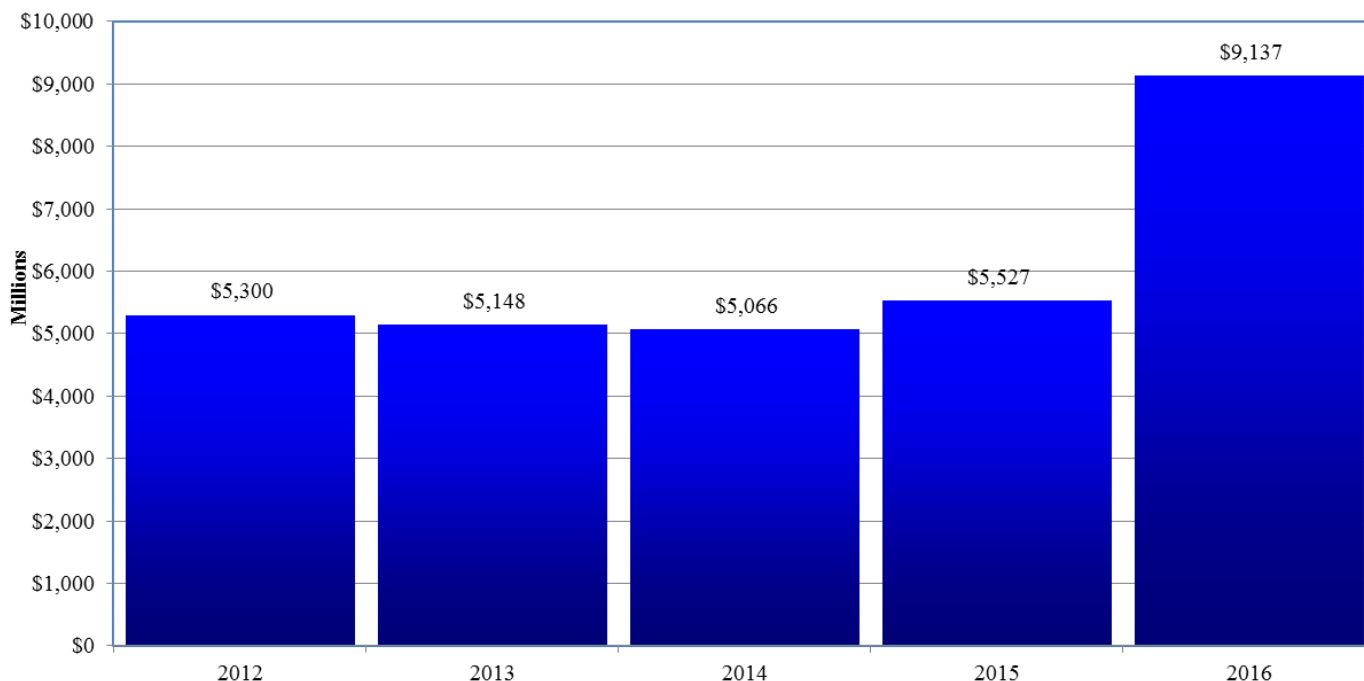


Previous year's numbers have been revised to reflect the information available on the Province's population as at April 2016.

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

### c) Net Borrowings - 5 Year Comparison

As presented in the following chart, net borrowings of the Province increased in 2016 by \$3.6 billion. Net borrowings of \$8.9 billion of the Consolidated Revenue Fund represented the most significant amount of the total net borrowings at 96.9%.



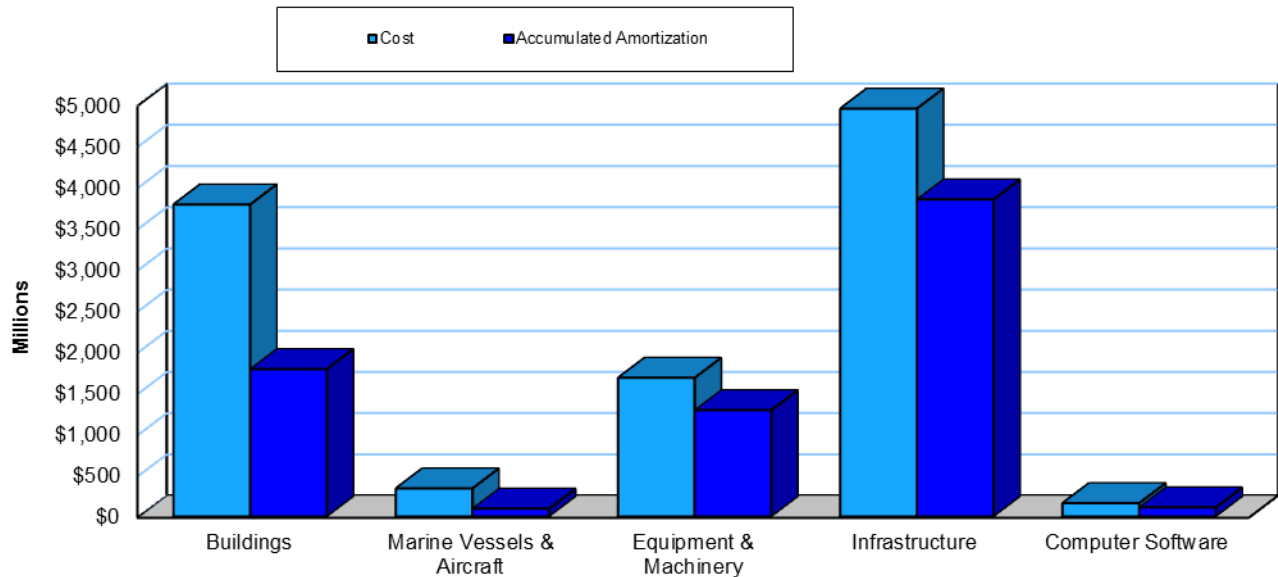
### Non-Financial Assets

The total non-financial assets of \$4.5 billion in 2016 included prepaid and deferred charges of \$44.2 million, inventory of supplies of \$57.0 million and tangible capital assets, the most significant component, of \$4.4 billion. The net book value of the tangible capital assets increased by \$121.1 million from 2015. Analysis of the information in the consolidated summary financial statements related to tangible capital assets follows:

- The increase in net book value of tangible capital assets is the result of acquisitions of \$428.2 million in the current year that more than offset disposals and net accumulated amortization;
- Accumulated amortization of tangible capital assets represents 62.0% of the cost of tangible capital assets, which is a slight increase from 61.7% in 2015. The most significant of the asset categories that are amortized are infrastructure and equipment and machinery where 77.3% and 76.6% of the original cost has been amortized respectively;
- Work in progress assets consist of \$566.7 million as at 31 March 2016 which is a \$62.2 million or a 9.9% decrease from 2015. Work in progress is considered to be a tangible capital asset; however, it is not subject to amortization as it is not currently available for use.

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

The following chart shows the tangible capital asset cost (excluding work in progress) and accumulated amortization by category at 31 March 2016.



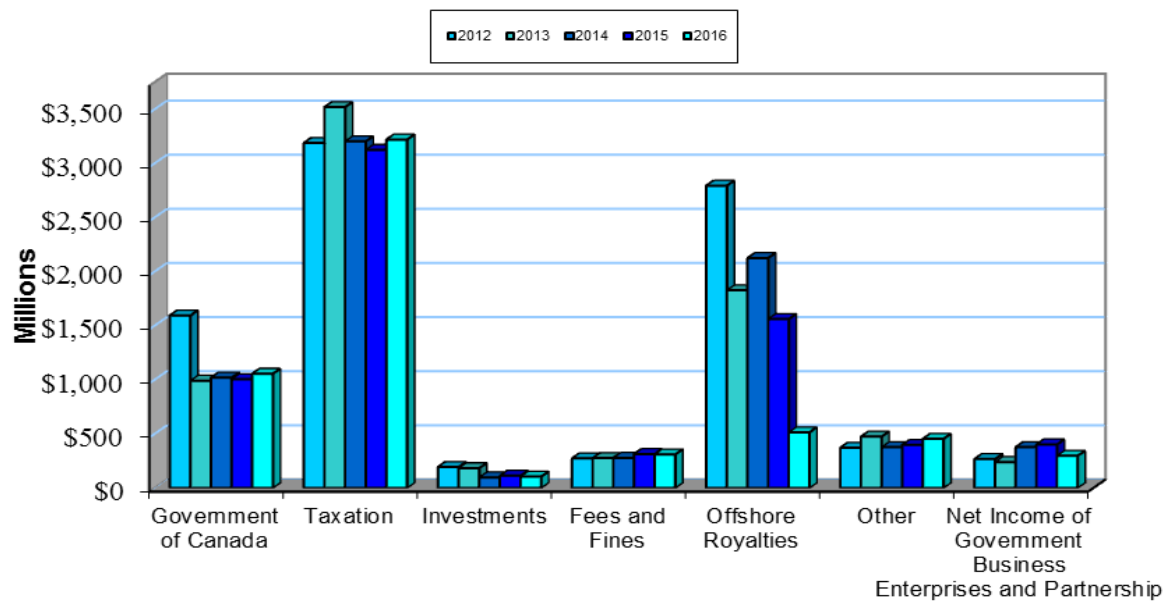
## HIGHLIGHTS - FINANCIAL OPERATIONS

### Revenues

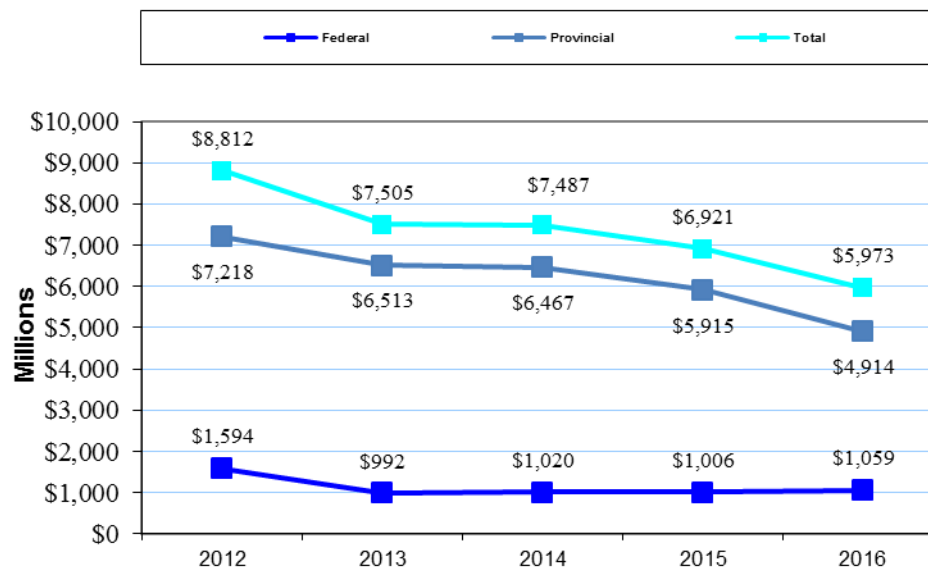
Revenues for 2016 totaled \$6.0 billion. Provincial revenue sources accounted for 82.3% of this total, which decreased by 3.2% compared to 2015. The remaining 17.7% is derived from Federal Government sources. Details on the sources of revenues, including five-year historical comparisons, are provided in the following charts and graphs.

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

### a) Revenues by Source - 5 Year Comparison



### b) Total Revenues - 5 Year Comparison



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

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

- Total revenues were down in 2016, decreasing from 2015 by \$948.4 million. Total revenues have been in decline since 2012.
- Total Provincial revenues decreased by \$1,001.6 million in 2016, the largest factor of which has been the decline in offshore royalties.
- Despite an increase in Federal revenue sources of \$53.2 million from 2015, overall revenues from Federal sources have declined from 2012 by \$535.0 million. The increase from 2015 was due to a one-time Federal stabilization payment.

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

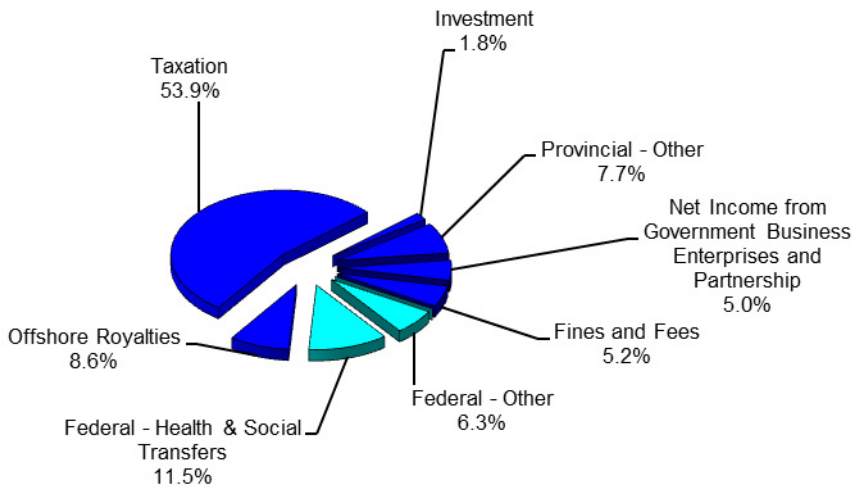
The most significant changes in revenues by source between 2015 and 2016 arise from offshore royalties and net income from government enterprises and partnership.

- Offshore royalties were \$1,047.8 million lower in 2016 than in 2015. This decrease is the result of a decrease in oil prices, resulting in lower royalty rates and lower production. The volatility of oil prices continues to create uncertainty regarding the reliability of this non-renewable revenue source;
- Net income from government enterprises and partnership were \$101.8 million lower in 2016 in comparison to 2015. The decrease is primarily attributed to a decrease in Nalcor Energy's income due to a significant decrease in oil prices .

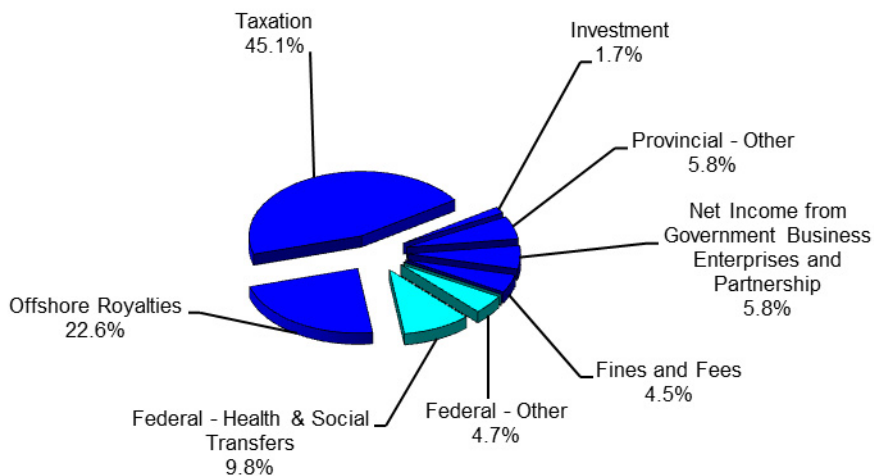
The following graphs display the revenues by source as a percentage of total revenues for 2016 and 2015.

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

Revenues by Source - 2016



Revenues by Source - 2015

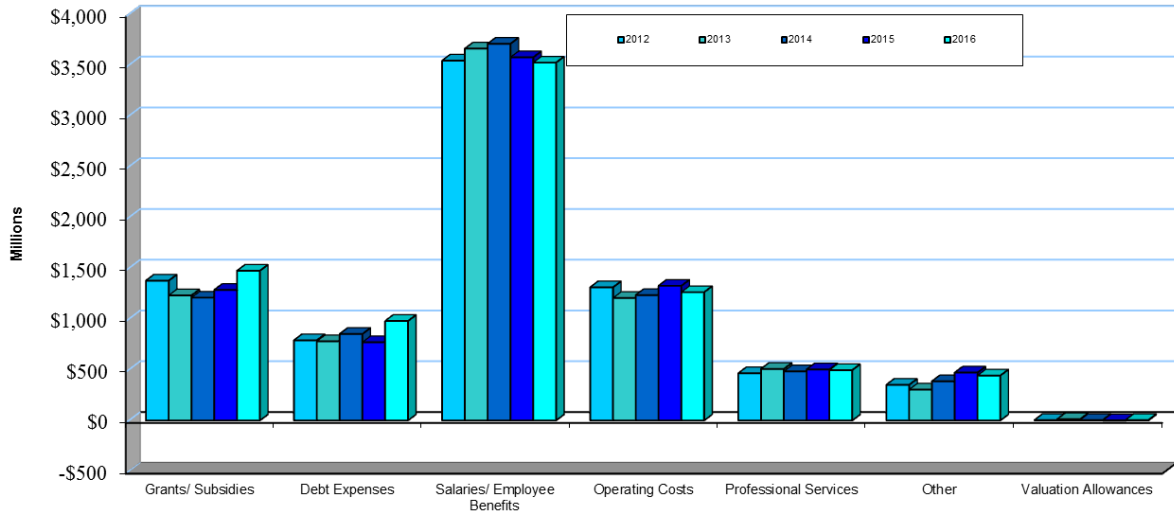


**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR**

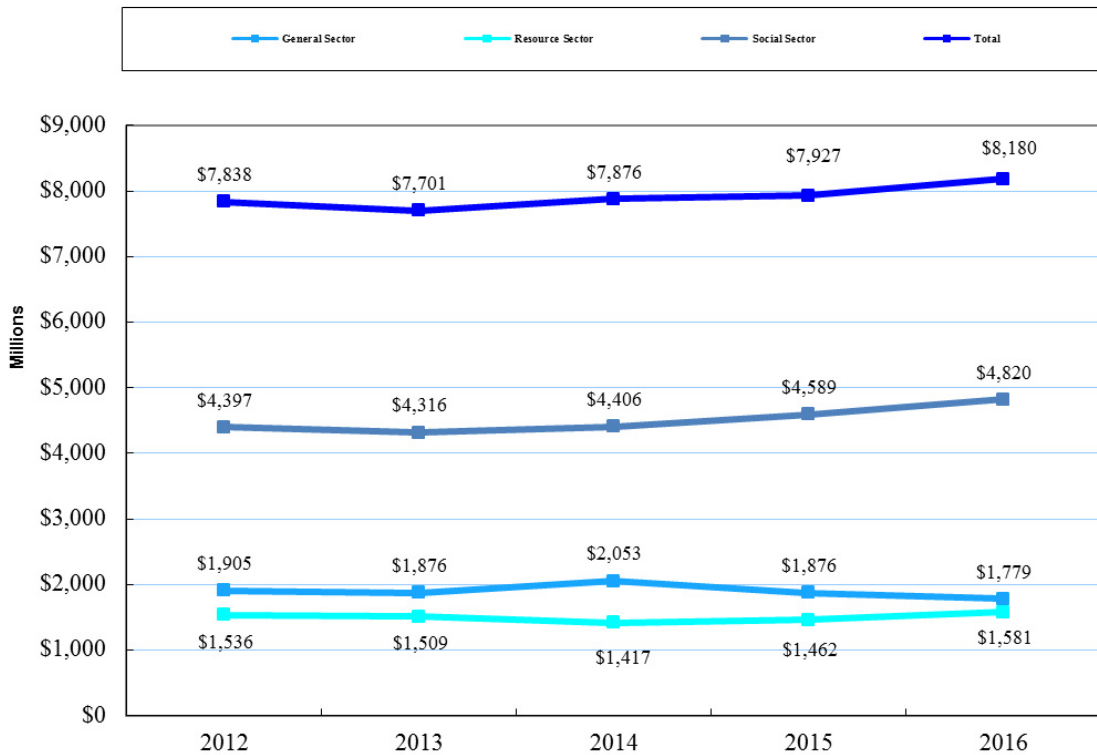
**Expenses**

The total expenses incurred by the Province for 2016 amounted to \$8.2 billion. The following charts and discussion analyze the nature of these expenses by category and sector. In the discussion of expenses by category, it should be noted that the 'Other' category represents minor capital property acquisitions and valuation allowances (recovery).

**a) Expenses by Major Category - 5 Year Comparison**



**b) Expenses by Sector - 5 Year Comparison**



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

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

- In the past five years, total expenses of the Province have grown by \$0.34 billion. The largest growth occurred between 2015 and 2016 at an amount of \$0.3 billion. The increase in that year is largely attributed to increased debt expenses mainly due to the increase in pension interest expense, negative returns on interest earned on pension assets and the previous fiscal year had a significant decrease in interest expense on both pension and group insurance due to retirement benefits reform. Also, increased grants and subsidies relating to increased assistance to nursing homes, respite, personal care and homemaking and investment in Affordable Housing expenditures and Supportive Living Program within the Newfoundland Housing Corporation contributed to the total expense increase.
- Salaries and employee benefits remain the Province's most significant expense, ranging from \$3.5 billion in 2012 to \$3.6 billion in 2015. It decreased to \$3.5 billion in 2016.
- Grants and subsidies and operating costs are the next most significant expenses, representing 33.5% of the total expenses for 2016. This is relatively similar to 2015 levels in which operating costs and grants and subsidies represented 16.8% and 16.2% of the total respectively.
- Expenses for the social sector were the most significant portion of total expenses by sector in the past five years. This sector's expenses in 2016 were approximately \$4.8 billion, an increase of \$286.1 million from 2015, accounting for 58.9% of the total expenses for the year.

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

The most significant changes in expenses by category between 2015 and 2016 relate to debt expenses, salaries and employee benefits, grants and subsidies and operating activities;

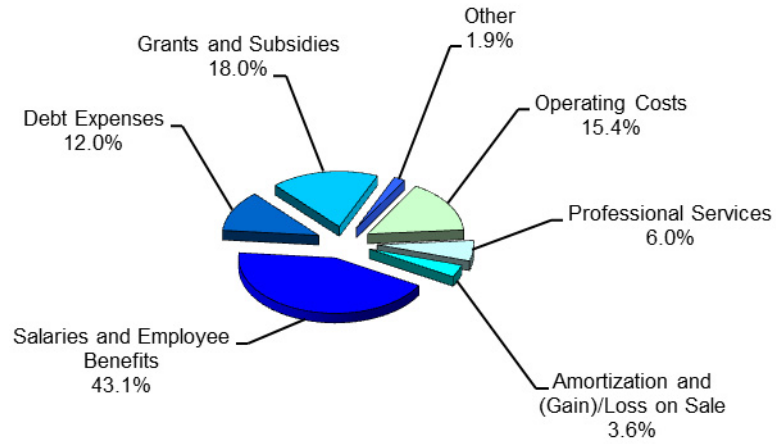
- Debt expenses increased by \$210.2 million as a result of the increase in pension interest expense, negative returns on interest earned on pension assets and the previous fiscal year had a significant decrease in interest expense on both pension and group insurance due to retirement benefits reform;
- Grants and subsidies increased by \$188.6 million primarily due increase in assistance to nursing homes and increases in subsidies for respite, personal care, and homemaking from the Regional Health Authorities and investment in Affordable Housing expenditures and Supportive Living Program within the Newfoundland and Labrador Housing Corporation;
- Operating costs decreased by \$63.1 million primarily resulting from infrastructure project delays and lower capital works project obligations;
- Salaries and employee benefits decreased by \$51.7 million primarily relating to the Consolidated Revenue Fund due to miscellaneous savings amongst Departments as a result of vacancies, turnover in staff and delays in hiring.

The following graphs display the expenses by category as a percentage of total expense for 2016 and 2015.

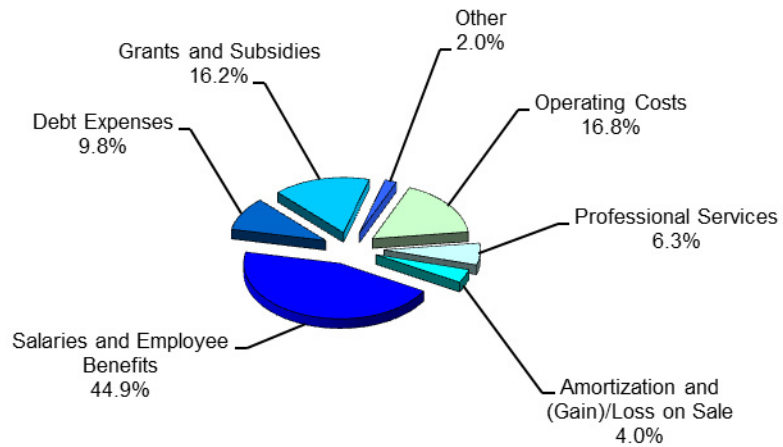


**UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR**

Expenses by Major Category - 2016



Expenses by Major Category - 2015



## **KEY INDICATORS**

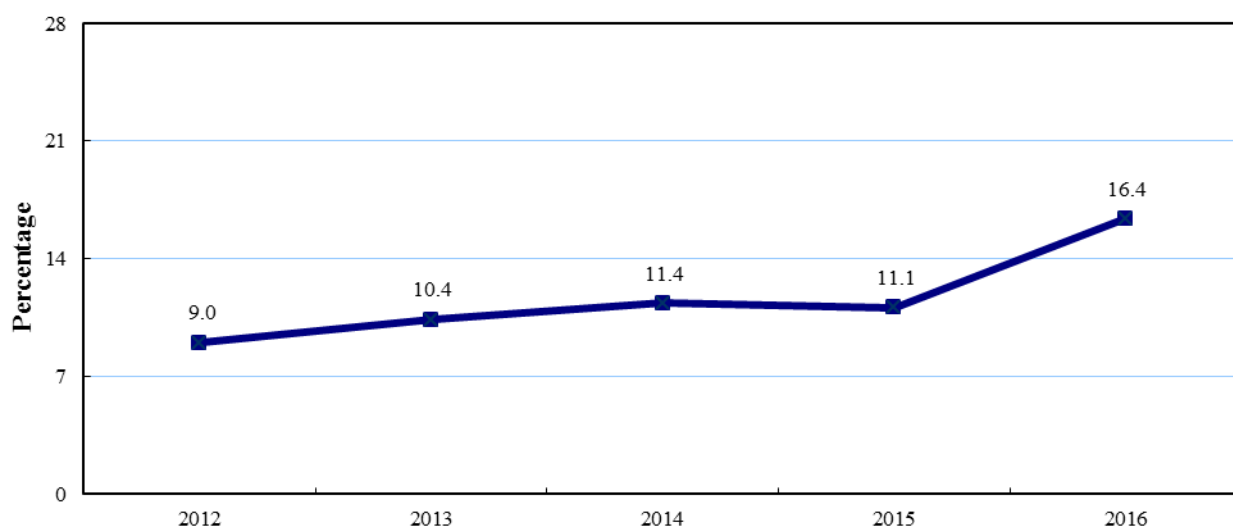
- Key indicators included in this document provide a complete picture of the Province's financial position at 31 March 2016.
- The common key indicators included herein were primarily identified in a research report issued by the Canadian Institute of Chartered Accountants (now represented as Chartered Professional Accountants of Canada) entitled *Indicators of Government Financial Condition*. These indicators, which are used in assessing a government's financial health in the context of the overall economic and financial environment, can be summarized under the headings of *flexibility, sustainability and vulnerability*.
- While there are no established public sector benchmarks for these indicators, one can assess the Province's financial condition through a comparison of previous years' indicators.
- Gross Domestic Product (GDP) and population figures were obtained from Newfoundland and Labrador Statistics Agency's website. Figures used were the latest non-forecasted information available as of 31 March 2016. The figures used in 2016 and 2015 analysis were the most recently available for each respective year.

### **Flexibility**

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

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

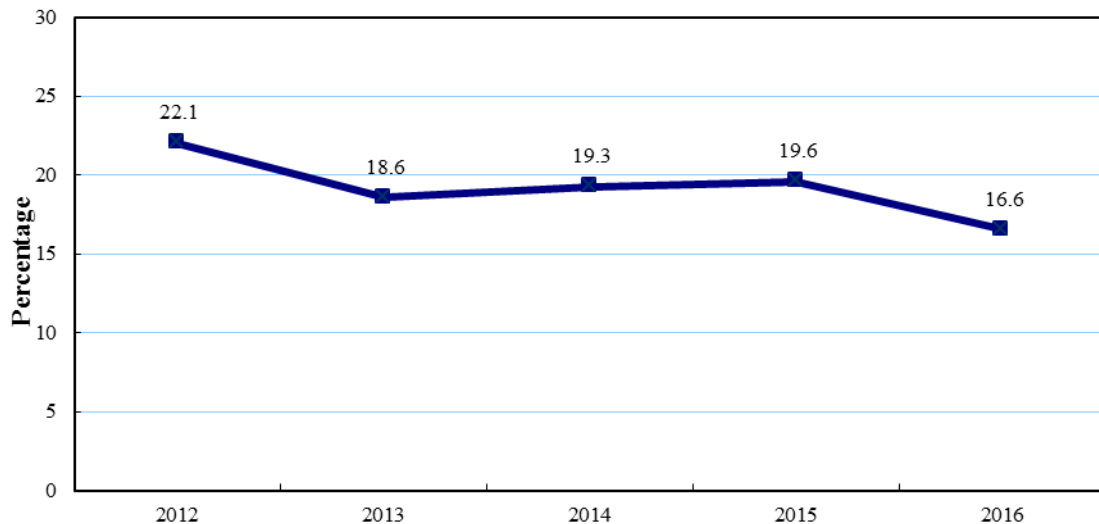
- This ratio measures the extent to which past borrowings may impact the Province's ability to provide for the economic and social needs of its citizens.
- The following graph indicates that the Province's interest costs as a percentage of revenues has increased in 2016 to 16.4%. The increase in the current year is mainly the result of an increase in debt expenses from 2015.
- The average of this ratio over the past five years is 11.7%. Interest costs continue to remain a significant expense incurred by the Province.



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

### b) Provincial Revenues as a Percentage of GDP

- The purpose of this indicator is to show the extent to which a government is taking income out of the economy in its jurisdiction, through both taxation and user charges.
- The following graph indicates that Provincial revenues as a percentage of GDP decreased in the current year from 2015. The Province's GDP decreased in 2016 which coincided with a decrease in revenue.
- The 2016 ratio is 16.6%, a decrease from 19.6% in 2015. This ratio is below the five-year average of 19.2%.



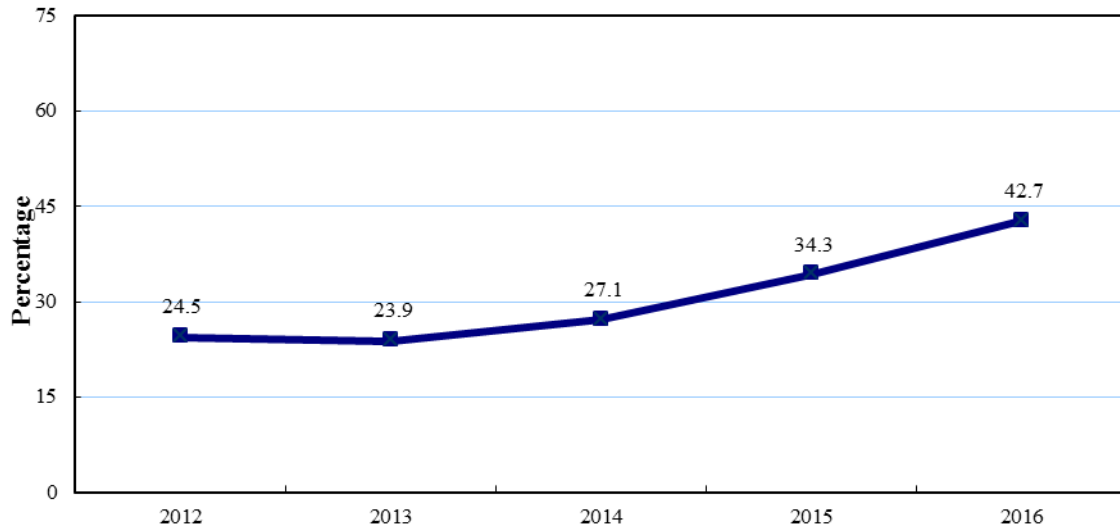
### Sustainability

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

#### a) Net Debt as a Percentage of GDP

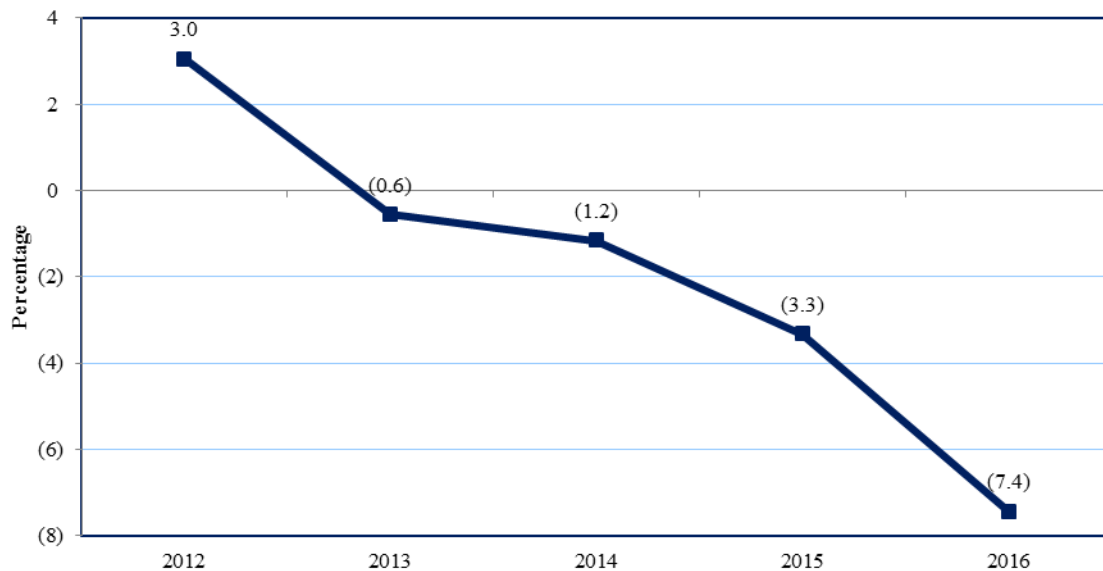
- This ratio measures the level of debt that the Province carries as a percentage of its GDP.
- As presented in the following graph, there has been an increase in net debt as a percentage of GDP in the current year resulting from both an increase in debt and a contraction in the economy. On a five year basis, the relationship implies that the rate of increase in net debt has been greater than the rate of economic growth and as such, it indicates that Government has increased its demands on the Provincial economy during this time.
- The 2016 ratio is 42.7%, an increase of 8.4% from 2015. The average of this ratio over the past five years is 30.5%. Since 2012, it has experienced a significant increase of approximately 18.2%.

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



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

- This ratio measures the difference between revenues and expenses expressed as a percentage of GDP.
- As indicated in the following graph, the annual surplus (deficit) as a percentage of GDP increased to a greater deficit as a percentage of GDP to (7.4%) in 2016. The average of this ratio over the past five years is (1.9%). The current decrease suggests that the Province's ability to meet its financial obligations has also decreased.



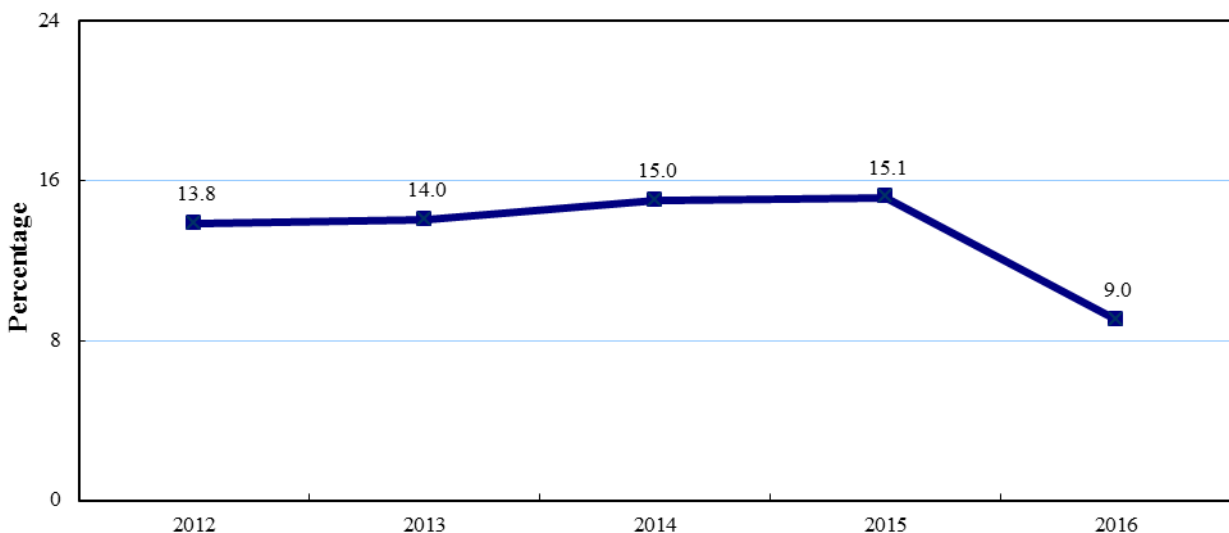
## UNDERSTANDING THE FINANCIAL HEALTH OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Vulnerability

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

#### a) *Foreign Currency Debt as a Percentage of Net Borrowings*

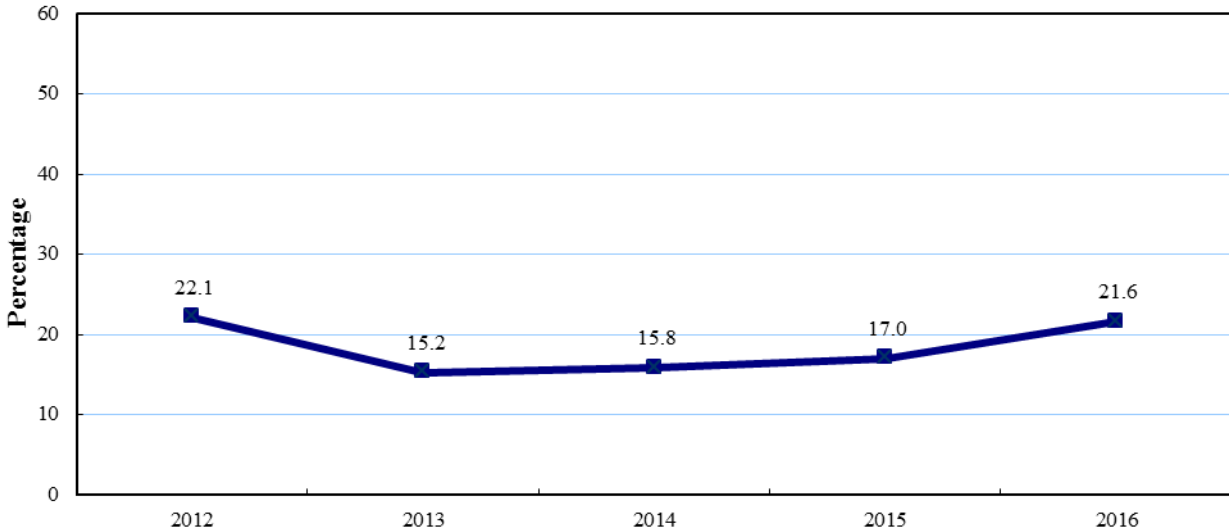
- This ratio measures the Province's foreign currency debt relative to its net borrowings. It reflects the degree of vulnerability to which the Province is subject in relation to foreign currency swings.
- As indicated in the following graph, foreign currency debt as a percentage of net borrowings has decreased to 9.0% in 2016. The decrease in the current year occurred due to a higher exchange rate offset by an increase in overall borrowings. As the percentage of foreign debt total borrowings has decreased from the prior year, the Province is less vulnerable to changes in foreign currency exchange rates than in the previous years.
- The average of this ratio over the past five years is 13.3%. Foreign currency debt has historically represented a significant portion of net borrowings which is consistent with the decrease to 9.0%.



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

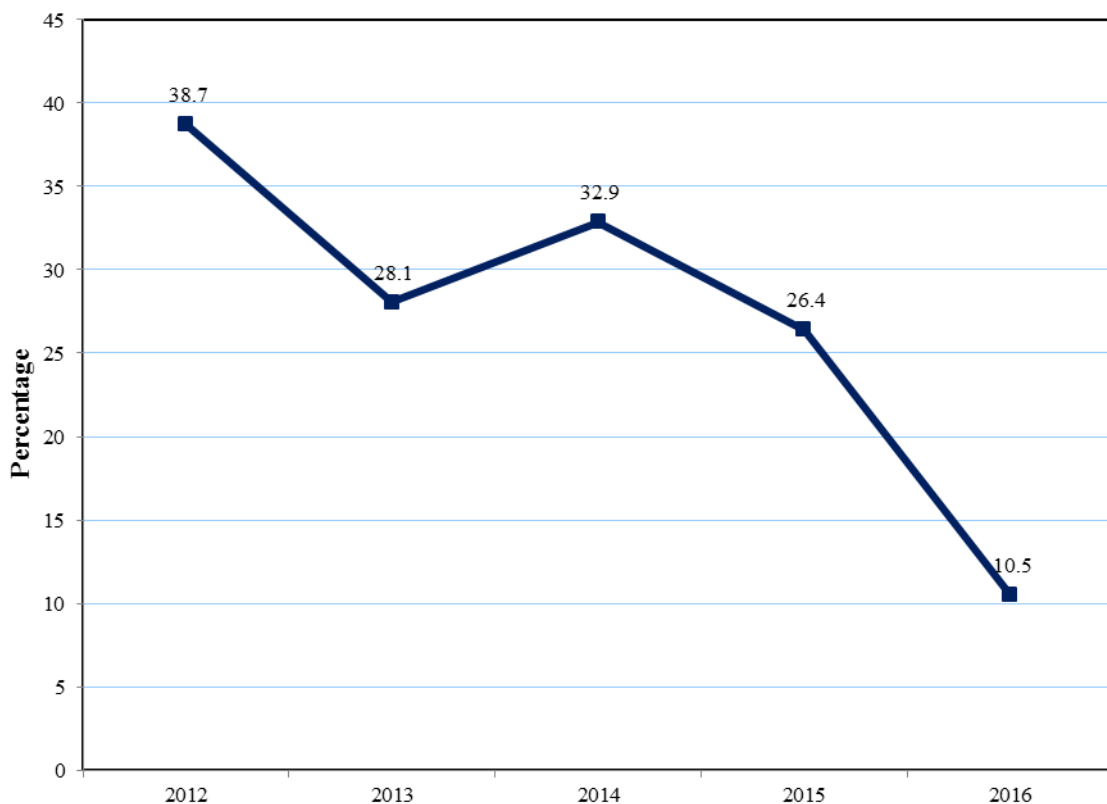
- This ratio measures the extent to which the Province increases its own revenues from within the Province as compared to the extent it receives funds from the Federal Government.
- As indicated in the following graph, Federal transfers as a percentage of Provincial revenues is relatively consistent with 2016 having a slight increase of 4.6%. This trend indicates that the Province has become less self-reliant in 2016 than the past five years, and the fiscal policy decisions of the Federal Government continue to have an impact on the Province's financial position.
- Although the 2016 ratio of Federal transfers as a percentage of revenue generated from Provincial sources increased to 21.6%, this is still less than the five-year high of 22.1% in 2012. Furthermore, this ratio has increased from 2015, and Federal source revenues also increased. Therefore, the increase in this ratio is due to the decrease in Provincial revenues primarily related to offshore royalties.

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



### c) *Offshore Royalties as a Percentage of Provincial Revenues*

- This ratio measures the Province's offshore royalty revenues in relation to total Provincial revenues. It reveals the degree to which the Province relies on revenues from offshore royalties as a source of funding.
- As indicated in the following graph, offshore royalties as a percentage of Provincial revenues have decreased significantly from 2014 primarily due to falling oil prices and decreased production.
- For the past five years, the average ratio of offshore royalties to Provincial revenues is 27.3%. In 2016, the ratio is below average at 10.5%. Although the ratio has decreased in the most recent fiscal year, offshore royalties continue to be a significant component of Provincial revenues; a revenue source which is subject to the volatility of market factors such as the price of oil.



**FINANCIAL PERFORMANCE**

As presented in this report, the Province experienced a deficit in 2015-16 for the fourth consecutive year. The Province experienced economic decline in 2015-16 and will continue to face fiscal challenges including a large level of debt. The financial challenges are a consequence of the Province's dependence on resource based revenues which are inherently volatile. To ensure the future financial health of the Province, it is necessary that the Province address this fiscal reality through strong financial management of its resources to ensure sustainable spending levels, generating increased sources of revenues and ensuring the efficient delivery of public services.



# **Province of Newfoundland and Labrador**

## **Consolidated Summary Financial Statements**

**For The Year Ended  
31 March 2016**



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October 13, 2016

## STATEMENT OF RESPONSIBILITY

Responsibility for the integrity, objectivity and fair presentation of the consolidated summary financial statements of the Province of Newfoundland and Labrador rests with the Government. As required under Section 59 of the *Financial Administration Act*, these consolidated summary financial statements are prepared by the Comptroller General of Finance in accordance with the applicable legislation and in accordance with the accounting policies as disclosed in Note 1 to these consolidated summary financial statements. These consolidated summary financial statements are prepared based upon information provided by the various Government departments and the noted Crown corporations, boards and authorities pursuant to Section 19 of the *Transparency and Accountability Act* and Section 20 of the *Financial Administration Act*.

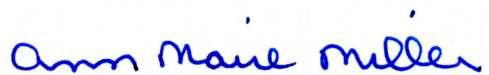
The Government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained.

The consolidated summary financial statements in this volume include a Consolidated Statement of Financial Position, a Consolidated Statement of Change in Net Debt, a Consolidated Statement of Operations, a Consolidated Statement of Change in Accumulated Deficit, a Consolidated Statement of Cash Flows and notes. Other schedules and notes that are included also form an integral part of these statements.

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



CATHY BENNETT  
Minister of Finance and  
President of Treasury Board



ANN MARIE MILLER, CPA, CMA  
Comptroller General of Finance

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**AUDITOR  
GENERAL**  
of Newfoundland and Labrador

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**INDEPENDENT AUDITOR'S REPORT**

To the House of Assembly  
Province of Newfoundland and Labrador

**Report on the Consolidated Summary Financial Statements**

I have audited the accompanying Consolidated Summary Financial Statements of the Province of Newfoundland and Labrador, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of change in net debt, operations, change in accumulated deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Government's Responsibility for the Consolidated Summary Financial Statements*

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

*Auditor's Responsibility*

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

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

## INDEPENDENT AUDITOR'S REPORT (cont.)

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

### *Opinion*

In my opinion, the Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2016, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

As required under Section 11 of the *Auditor General Act*, I also report that in my opinion, these Consolidated Summary Financial Statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2016, and the consolidated results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with the accounting policies as disclosed in Note 1 to these Consolidated Summary Financial Statements applied on a basis consistent with that of the preceding year except as described in Note 1(e) of these Consolidated Summary Financial Statements.

A handwritten signature in black ink, appearing to read 'T. Paddon', with a long horizontal line extending to the right.

**TERRY PADDON, CPA, CA**  
**Auditor General**

October 14, 2016  
St. John's, Newfoundland and Labrador

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Consolidated Statement of Financial Position As at 31 March 2016 with comparative figures for 2015

	Actuals 2016 (\$000)	Actuals 2015 (Note 1 (e), (f)) (\$000)
<b>FINANCIAL ASSETS</b>		
Sch. 1 Cash and temporary investments - note 2	2,243,828	1,334,123
Sch. 1 Receivables (net of valuation allowances)	484,605	554,974
Inventories held for resale - note 3	4,709	4,830
Sch. 2 Loans, advances and investments (net of valuation allowances)	354,849	395,043
Sch. 3 Equity in government business enterprises and partnership - note 1(b)	3,592,124	2,817,527
<b>Total Financial Assets</b>	<b>6,680,115</b>	<b>5,106,497</b>
<b>LIABILITIES</b>		
Sch. 5 Payables, accrued and other liabilities	2,784,447	2,819,387
Deferred revenue - note 4	146,975	160,934
Sch. 6 Borrowings (net of sinking fund assets)	9,137,071	5,527,106
Plus: Unamortized unrealized foreign exchange gains (losses) and unamortized premiums, discounts and issuance fees - note 5	(162,822)	(99,612)
	8,974,249	5,427,494
Group health and life insurance retirement benefits - note 6	2,770,744	2,609,492
Unfunded pension liability - note 7	2,054,581	1,783,415
Plus: Promissory note - note 7	2,603,172	2,636,250
	4,657,753	4,419,665
<b>Total Liabilities</b>	<b>19,334,168</b>	<b>15,436,972</b>
<b>NET DEBT</b>	<b>12,654,053</b>	<b>10,330,475</b>
<b>NON-FINANCIAL ASSETS</b>		
Sch. 10 Tangible capital assets	4,382,770	4,261,668
Prepaid and deferred charges - note 8	44,155	38,528
Inventories of supplies - note 3	56,968	49,081
<b>Total Non-Financial Assets</b>	<b>4,483,893</b>	<b>4,349,277</b>
<b>ACCUMULATED DEFICIT</b>	<b>8,170,160</b>	<b>5,981,198</b>
Contingent Liabilities - note 9		
Contractual Obligations - note 11		
Externally Restricted Assets - note 12		
Sch. 7 Guaranteed Debt - note 13		
Sch. 9 Trust Accounts - note 9(c)(i)		

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

## SUMMARY FINANCIAL STATEMENTS

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Consolidated Statement of Change in Net Debt**  
**For the year ended 31 March 2016**  
**with comparative figures for 2015**

	Actuals 2016 (\$000)	Original Budget 2016 (Note 19) (\$000)	Actuals 2015 (Note 1 (e), (f)) (\$000)
<b>NET DEBT - beginning of period</b>	10,330,475	10,259,969	9,084,952
Add (Deduct):			
Adjustments - note 14			
Inter-organizational bond holdings	-	-	(5,988)
Amortization of premiums, discounts and issuance fees	-	-	(33,283)
Pension Plan	-	-	20,571
Change in Government reporting entity	1,205	-	-
Government organization changes	(118)	-	46,890
Contaminated sites	-	-	19,417
<b>ADJUSTED NET DEBT - beginning of period</b>	<u>10,331,562</u>	<u>10,259,969</u>	<u>9,132,559</u>
<b>Surplus (Deficit) for the period</b>	<u>(2,207,011)</u>	<u>(1,093,423)</u>	<u>(1,005,904)</u>
<b>Changes in tangible capital assets</b>			
Acquisition of tangible capital assets	428,960	472,373	555,973
Net book value of tangible capital asset disposals/adjustments	(15,747)	-	(80,921)
Amortization of tangible capital assets	(292,111)	(297,821)	(268,959)
<b>Increase (Decrease) in net book value of tangible capital assets</b>	<u>121,102</u>	<u>174,552</u>	<u>206,093</u>
<b>Changes in other non-financial assets</b>			
Acquisition of prepaid and deferred charges (net of usage)	5,627	-	(7,280)
Acquisition of inventories of supplies (net of consumption)	7,887	-	2,211
<b>Increase (Decrease) in other non-financial assets</b>	<u>13,514</u>	<u>-</u>	<u>(5,069)</u>
<b>Changes in net debt from operations</b>			
Sch. 3 Other comprehensive (income) loss	(19,136)	-	(9,012)
<b>Increase (Decrease) from operations</b>	<u>(19,136)</u>	<u>-</u>	<u>(9,012)</u>
<b>Increase (Decrease) in net debt</b>	<u>2,322,491</u>	<u>1,267,975</u>	<u>1,197,916</u>
<b>NET DEBT - end of period</b>	<u><u>12,654,053</u></u>	<u><u>11,527,944</u></u>	<u><u>10,330,475</u></u>

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Consolidated Statement of Operations For the year ended 31 March 2016 with comparative figures for 2015

	Actuals 2016 (\$000)	Original Budget 2016 (Note 19) (\$000)	Actuals 2015 (Note 1 (e), (f)) (\$000)
<b>REVENUE</b>			
Sch. 11 Provincial			
Sch. 11 Taxation	3,222,849	3,488,831	3,125,564
Sch. 11 Investment	107,938	74,127	113,998
Sch. 11 Fees and fines	311,044	488,882	314,313
Sch. 11 Offshore royalties	514,557	1,211,636	1,562,307
Sch. 11 Miscellaneous	458,163	155,146	398,212
Sch. 11 Federal	<u>1,059,434</u>	<u>1,148,565</u>	<u>1,006,194</u>
	5,673,985	6,567,187	6,520,588
Sch. 4 Net income of government business enterprises and partnership	<u>298,741</u>	<u>409,141</u>	<u>400,529</u>
<b>Total Revenue</b>	<u>5,972,726</u>	<u>6,976,328</u>	<u>6,921,117</u>
<b>EXPENSE</b>			
Sch. 12 General Government Sector and Legislative Branch	1,779,338	1,864,815	1,875,941
Sch. 12 Resource Sector	1,580,878	1,497,268	1,462,007
Sch. 12 Social Sector	<u>4,819,521</u>	<u>4,707,668</u>	<u>4,589,073</u>
Sch. 13 <b>Total Expense</b>	<u>8,179,737</u>	<u>8,069,751</u>	<u>7,927,021</u>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<u>(2,207,011)</u>	<u>(1,093,423)</u>	<u>(1,005,904)</u>

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



## SUMMARY FINANCIAL STATEMENTS

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

**Consolidated Statement of Change in Accumulated Deficit**  
**For the year ended 31 March 2016**  
**with comparative figures for 2015**

	Actuals 2016 (\$000)	Original Budget 2016 (Note 19) (\$000)	Actuals 2015 (Note 1 (e), (f)) (\$000)
<b>ACCUMULATED DEFICIT - beginning of period</b>	5,981,198		4,936,699
Add (Deduct):			
Adjustments - note 14			
Inter-organizational bond holdings	-		(5,988)
Amortization of premiums, discounts and issuance fees	-		(33,283)
Pension Plan	-		20,571
Change in Government reporting entity	1,205		-
Government organization changes	(118)		46,890
Contaminated sites	-		19,417
<b>ADJUSTED ACCUMULATED DEFICIT - beginning of period</b>	<u>5,982,285</u>		<u>4,984,306</u>
<b>Surplus (Deficit) for the period</b>	(2,207,011)	(1,093,423)	(1,005,904)
Sch. 3 <b>Other comprehensive (income) loss</b>	<u>(19,136)</u>		<u>(9,012)</u>
<b>ACCUMULATED DEFICIT - end of period</b>	<u><u>8,170,160</u></u>		<u><u>5,981,198</u></u>

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Consolidated Statement of Cash Flows For the year ended 31 March 2016 with comparative figures for 2015

	Actuals 2016 (\$000)	Actuals 2015 (Note 1 (e), (f)) (\$000)
<b>Funds provided from (applied to):</b>		
<b>OPERATIONS</b>		
Annual surplus (deficit)	(2,207,011)	(1,005,904)
Add (Deduct) non-cash items:		
Accounts receivable	61,776	364,678
Accounts payable	(34,940)	197,573
Amortization of foreign exchange (gains)/losses, premiums, discounts and issuance fees	(44,254)	(10,228)
Amortization of tangible capital assets	292,111	268,959
Retirement costs	435,496	595,169
Valuation allowances	3,298	(1,022)
Unremitted net income of government business enterprises and partnership	4,543	(104,833)
Sinking fund earnings	(54,477)	(54,477)
Deferred revenue	(13,959)	8,238
Other	13,369	81,816
<b>Net cash provided from (applied to) operating transactions</b>	<u>(1,544,048)</u>	<u>339,969</u>
<b>CAPITAL</b>		
Acquisitions	(428,210)	(555,973)
Disposals	549	458
<b>Net cash provided from (applied to) capital transactions</b>	<u>(427,661)</u>	<u>(555,515)</u>
<b>FINANCING</b>		
Debt issued	2,411,414	518,344
Debt retirement	(33,126)	(475,830)
Retirement of pension liabilities	(3,118)	(25,388)
Retirement of promissory note	(33,078)	(48,750)
Sinking fund contributions	(47,814)	(47,746)
Sinking fund proceeds	96	140,688
Special purpose funds/contractors' holdback funds	(8,658)	(4,917)
Treasury bills purchased	10,203,892	3,890,402
Treasury bills redeemed	(8,889,922)	(3,604,729)
<b>Net cash provided from (applied to) financing transactions</b>	<u>3,599,686</u>	<u>342,074</u>
<b>INVESTING</b>		
Loan repayments	56,012	73,534
Investments	26,630	33,831
Loan advances	(40,910)	(145,224)
Investment in government business enterprises	(760,004)	(337,600)
<b>Net cash provided from (applied to) investing transactions</b>	<u>(718,272)</u>	<u>(375,459)</u>
<b>Net cash provided (applied)</b>	909,705	(248,931)
Cash and temporary investments - beginning of period	1,334,123	1,583,054
<b>CASH AND TEMPORARY INVESTMENTS - end of period - note 2</b>	<u>2,243,828</u>	<u>1,334,123</u>

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

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**SUMMARY FINANCIAL STATEMENTS**

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**PROVINCE OF NEWFOUNDLAND AND LABRADOR****Notes to the Consolidated Financial Statements  
For the year ended 31 March 2016**

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**1. Summary of Significant Accounting Policies****(a) The Reporting Entity**

The Reporting Entity includes the accounts and financial activities of organizations, as approved by Treasury Board, which are controlled by Government. These organizations are accountable for the administration of their financial affairs and resources either to a Minister of the Government or directly to the Legislature.

A listing of organizations included in these financial statements is provided in Schedule 15 - Government Reporting Entity.

**(b) Method of Consolidation**

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

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

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

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

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

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

**(c) Basis of Accounting****(i) Method**

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

**(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

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## SUMMARY FINANCIAL STATEMENTS

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

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received for the current year and adjusted against future years' revenues when known. Government transfers are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue when the funds are used as intended.

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

Other revenues are recorded on an accrual basis.

(iii) *Expenses*

Expenses are recorded on an accrual basis.

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

(iv) *Assets*

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

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

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

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

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

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

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**SUMMARY FINANCIAL STATEMENTS**

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

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

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

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

(v) *Liabilities*

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

A liability for remediation of contaminated sites is recognized when an environmental standard exists, contamination exceeds the environmental standard, the government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. An obligation is not recognized unless all criteria above are satisfied. The standard was adopted in the 2014-15 fiscal year end and was applied retroactively without restatement resulting in an adjustment to beginning Net Debt and Accumulated Deficit of \$19.4 million.

Deferred revenue represents amounts received but not earned.

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

(vi) *Government Transfers*

Government transfers are recognized by the Province as revenues or expenses in the period during which both the payment is authorized and any eligibility criteria and stipulations are met. The recognition of transfer revenues is only deferred when and to the extent that the transfer gives rise to an obligation that meets the definition of a liability. Receivables are established for transfers to which the Province is entitled under government legislation, regulation or agreement. Liabilities are established for any transfers due at 31 March for which the intended recipients have met the eligibility criteria and the transfer is authorized.

(vii) *Loan Guarantees*

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

## SUMMARY FINANCIAL STATEMENTS

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

**(d) Generally Accepted Accounting Principles**

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

**(e) Change in Accounting Policy**

A change in accounting policy has been implemented whereby premiums and discounts as well as issuance fees relating to the issuance of debt are deferred and amortized.

These changes have been applied retroactively with restatement resulting in a decrease to beginning Net Debt and Accumulated Deficit of \$33.3 million, a decrease to the prior year Annual Deficit of \$3.4 million for a combined decrease to borrowings, net of sinking funds, of \$36.7 million.

**(f) Prior Period Adjustment**

The Province has restated the unfunded pension liability to account for unprocessed requests for pension benefits. The impact of these unprocessed requests has been estimated by the Province's actuary based on the history of requests processed and taking into consideration the type of outstanding request. These requests when processed would be transferred to the respective pension plan for pension buyback and transfers in from the money purchase pension plan or other reciprocal arrangements. In addition, the Province has restated the unfunded pension liability to account for changes in the valuation of the Supplementary Employee Retirement component of the Public Service Pension Plan (PSPP). Specifically, the expected interest rate for the actuarial valuation was revised from the expected rate of return on the plan assets to the Province's borrowing rate.

These changes have been applied retroactively with restatement resulting in an increase to beginning Net Debt and Accumulated Deficit of \$20.6 million, an increase to the prior year Annual Deficit of \$20.3 million for a combined increase to the unfunded pension liability of \$40.9 million. Actual results may differ from these estimates.

The Province has restated the equity in a government business enterprises and partnership. This is the result of adjustments relating to inter-organizational bond holdings which the Province and Nalcor hold within their sinking fund investments.

These changes have been applied retroactively with restatement resulting in a decrease to beginning Net Debt and Accumulated Deficit of \$6.0 million, an increase to the prior year Annual Deficit of \$2.7 million for a combined increase to the equity in government business enterprises and partnership of \$3.3 million.

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

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

Effective 1 April 2017:

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

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

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

## SUMMARY FINANCIAL STATEMENTS

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

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

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

Effective 1 April 2018:

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

Effective 1 April 2019:

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

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

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

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

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

## 2. Cash and Temporary Investments

Cash and temporary investments consist of:

	31 March 2016 (\$mil)	31 March 2015 (\$mil)
Cash and temporary investments – Consolidated Revenue Fund (CRF):		
Cash balance (overdraft)	1,665.4	688.9
Temporary investments	-	-
Total cash and temporary investments – CRF	1,665.4	688.9
Cash and temporary investments – Other Entities:		
Cash balance (overdraft)	432.5	476.7
Temporary investments	145.9	168.5
Total cash and temporary investments – Other Entities	578.4	645.2
Total: Cash and Temporary Investments (CRF and Other Entities)	2,243.8	1,334.1

Temporary investments consist of investments with financial institutions. As at 31 March 2016, these investments are on call or have maturity dates ranging from 11 April 2016 to 30 June 2020 at interest rates which vary from 0.95% to 7.00%.

## SUMMARY FINANCIAL STATEMENTS

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

#### 3. Inventories

Inventories consist of:

	31 March 2016	31 March 2015
	(\$mil)	(\$mil)
Inventories Held for Resale		
University and college textbooks, stockroom and food supplies	3.3	3.6
Other entities	1.4	1.2
Total: Inventories Held for Resale	4.7	4.8
 Inventories of Supplies		
Textbooks and stockroom supplies held within the CRF	31.1	23.4
Medical and drug supplies held by health sector entities	24.4	24.2
Other miscellaneous supplies	1.5	1.5
Total: Inventories of Supplies	57.0	49.1

#### 4. Deferred Revenue

Deferred revenue consists of:

	31 March 2016	31 March 2015	Change
	(\$mil)	(\$mil)	(\$mil)
Entities in the education sector relating to the provision of various educational services including contract training and special projects	98.1	117.6	(19.5)
Gas tax initiatives	27.2	21.1	6.1
Entities in the health sector relating to the provision of various health care services including research and other contracts	5.5	5.2	0.3
Federal initiatives in support of community and employment development	1.2	1.6	(0.4)
Other miscellaneous programs including recycling programs, social and economic development and cultural heritage	15.0	15.4	(0.4)
Total: Deferred Revenue	147.0	160.9	(13.9)

The balance as of 31 March 2016 will be recognized as revenue in the periods in which the revenue recognition criteria have been met.



## SUMMARY FINANCIAL STATEMENTS

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

#### 5. Unamortized Unrealized Foreign Exchange Gains and Losses and Unamortized Premiums and Discounts and Issuance Fees

Foreign currency debt and sinking funds are translated to Canadian dollars at the exchange rate at 31 March 2016 or the exchange rate at maturity for those debt and sinking funds retired during the fiscal year. Premiums and Discounts as well as issuance fees relating to the issuance of debentures are deferred and amortized over the term of the related debt. See Schedule 6 - Borrowings. Details of the effect of these translations at year end are outlined in the table below.

The net amortization expense on foreign exchange is \$9.8 million which represents a debit adjustment (31 March 2015 - \$6.8 million-credit adjustment). The net amortization expense on premiums, discounts and issuance fees is \$54.1 million which represents a credit adjustment (31 March 2015 - \$3.4 million-credit adjustment).

	31 March 2016	31 March 2015
	(\$mil)	(\$mil)
Foreign exchange gain (loss):		
Debt	(92.0)	(58.3)
Sinking funds	36.0	21.3
Net	(56.0)	(37.0)
Accumulated amortization on foreign exchange	(16.1)	(25.9)
Net unamortized unrealized foreign exchange gains (losses)	(72.1)	(62.9)
Unamortized premiums and discounts and issuance fees	(90.7)	(36.7)
Total accumulated amortization	(162.8)	(99.6)

#### Change in Accounting Policy

A change in accounting policy has been implemented whereby premiums and discounts as well as issuance fees relating to the issuance of debt are deferred and amortized.

These changes have been applied retroactively with restatement resulting in a decrease to beginning Net Debt and Accumulated Deficit of \$33.3 million, a decrease to the prior year Annual Deficit of \$3.4 million for a combined decrease to borrowings, net of sinking funds, of \$36.7 million.

#### 6. Retirement Benefits - Group Health and Life Insurance

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

## SUMMARY FINANCIAL STATEMENTS

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

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contributed are eligible to participate in the group insurance plans, including dental benefits, sponsored by MUN. These programs provide both group health and group life benefits to enrolled retirees.

Following proclamation of the *Other Post-Employment Benefits Eligibility Modification Act* (OPEB Act) on 01 January 2015 new criteria related to the eligibility for post-employment group health and group life insurance benefits (i.e., OPEBs) were established for PSPP members. Effective 01 January 2015, new employees and those who do not meet the eligibility criteria applicable during the five year transitional period under the OPEB Act will require 10 years of pensionable service instead of five and must immediately retire under the PSPP upon termination of employment to be eligible for OPEBs. During the five year transitional period certain employees and deferred pensioners, as defined in the OPEB Act, may be eligible for OPEBs in accordance with the OPEB Act.

Under the plans sponsored by the Province, NLTA and NLHC, the employer contributes 50% towards group health and group life premiums for both employees and eligible retirees. Plans sponsored by the NLTA are subject to the maximum rates under the NLTA's program. NLHC contributes 100% of the retirees' group life premiums after age 65 up to a maximum coverage of \$10,000. For plans sponsored by MUN, the employer also contributes 50% of the total premium charged towards the benefits of both employees and retirees, with the exception of certain retirees whose health benefits are fully funded by MUN. Group life benefits cease at age 72 for MUN retirees and at age 65 for the Province and NLTA retirees. As at 31 March 2016, the plans have 60,679 participants who contributed total contributions of \$107.6 million. The total of all the plans provided benefits of \$31.7 million to 38,376 retirees, their spouses and dependents.

#### **Actuarial Valuations**

An actuarial extrapolation was prepared to 31 March 2016 by the Province's actuaries based on the latest actuarial valuations (Public Service valuation date of 31 December 2014 and Teachers' valuation date of 31 August 2015) for the programs sponsored by the Province and the NLTA. The actuarial extrapolation was based on a number of assumptions about future events including an interest rate of 3.70%, Consumer Price Index (CPI) of 2.25%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect the Province's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2016 by NLHC's actuaries (valuation date 31 March 2015) for the programs sponsored by NLHC. The actuarial valuation was based on a number of assumptions about future events including an interest rate of 5.0%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect NLHC's best estimates of expected long-term rates and short-term forecasts.

An actuarial extrapolation was prepared to 31 March 2016 by MUN's actuaries based on the latest actuarial valuation (valuation date of 31 December 2012) for the programs sponsored by MUN. The extrapolation was based on a number of assumptions about future events including an interest rate of 4.2%, CPI of 2.0%, as well as other assumptions such as health care cost trends, wage and salary increases, termination rates, plan participation rates, utilization rates and mortality. The assumptions used reflect MUN's best estimates of expected long-term rates and short-term forecasts.

## SUMMARY FINANCIAL STATEMENTS

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

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

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

Plan	Estimated Accrued Benefit Obligation (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Liability 2016 (\$mil)	Net Liability 2015 (\$mil)	Difference (\$mil)
Group health retirement benefits	2,138.7	526.3	2,665.0	2,510.9	154.1
Group life insurance retirement benefits	125.0	(19.3)	105.7	98.6	7.1
<b>Total</b>	<b>2,263.7</b>	<b>507.0</b>	<b>2,770.7</b>	<b>2,609.5</b>	<b>161.2</b>

There are no fund assets associated with these plans.

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

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

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

Plan	Employer's Share of Current Period Costs (\$mil)	Interest Expense on the Liability (\$mil)	Employer's Current Period Contributions (\$mil)	Current Period Amortization of Experience Changes (\$mil)	Other Adjustments (\$mil)	Change (\$mil)
Group health retirement benefits	93.8	77.8	(29.4)	11.9	-	154.1
Group life insurance retirement benefits	3.5	3.7	(2.3)	2.4	(0.2)	7.1
<b>Total</b>	<b>97.3</b>	<b>81.5</b>	<b>(31.7)</b>	<b>14.3</b>	<b>(0.2)</b>	<b>161.2</b>

Interest expense related to the group health and life insurance retirement benefits liability is included with interest as debt expenses in the financial statements. Interest expense for 31 March 2015 amounted to \$91.9 million.

#### Other Adjustments

Other adjustments include plan amendments of \$0.2 million relating to teachers' life insurance benefits as a result of changes to the Teachers' Pension Plan. See Note 7 for additional information on the changes to the pension plan.

## SUMMARY FINANCIAL STATEMENTS

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

#### Experience Gains or Losses

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

The opening unamortized experience loss of \$119.5 million was increased by \$626.5 million during the year resulting in a closing unamortized experience gain of \$507.0 million. This increase consists of \$612.2 million for new experience gains and amortization of \$14.3 million.

The expected average remaining service life (EARSL) of programs sponsored by the Province and the NLTA is 12 years while NLHC is 8 years and MUN is 13 years.

#### 7. Retirement Benefits - Pensions

##### Defined Benefits

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

##### Public Service Pension Plan Fund

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

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

The joint agreement and the subsequent amendments to the *Public Service Pensions Act, 1991* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the PSPP Corporation, effective 31 March 2015. The promissory note amortizes \$2.685 billion over 30 years at a discount rate of 6%. The payments under this agreement are fixed and shall be made regardless of the funded status of the PSPP. Payments of \$47.0 million are made on a quarterly basis, which equates to equal annual payments of \$195.0 million due to the time value of money. As at 31 March 2016, the balance of the promissory note is \$2.603 billion. The promissory note is included as part of the total net pension liability on the statement of financial position.

As at 31 March 2016, the PSPP has 28,550 participants who contributed \$182.2 million. The plan provided benefits of \$418.1 million to 19,255 pensioners.

## SUMMARY FINANCIAL STATEMENTS

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

#### Contribution and Benefit Formulae

##### Public Service Pension Plan

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

During 2006-07 the *Public Service Pensions Act, 1991* was enacted consistent with the two components of the Plan. The Registered component is administered in the PSP Corporation. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

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

The Government of Newfoundland and Labrador guarantees defined benefit pension plans for many of its full time employees, and those of its Agencies, Boards and Commissions and for members of its Legislature. The plans are – the Teachers' Pension Plan, Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan, and the Provincial Court Judges' Pension Plan. Combined, the plans have 6,798 participants who contributed \$57.0 million as at 31 March 2016 as follows: Teachers' - \$51.9 million, Uniformed Services - \$4.4 million, Members of the House of Assembly - \$0.4 million and Provincial Court Judges' - \$0.3 million.

The Plans provide for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2016, the plans provided benefits of \$316.6 million to 9,889 pensioners as follows: Teachers' - \$283.6 million Uniformed Services - \$25.1 million, Members of the House of Assembly - \$7.3 million and Provincial Court Judges' - \$0.6 million. Inflation protection is not extended to pensioners of the Uniformed Services Pension Plan and the Members of the House of Assembly Pension Plan nor to pensioners of the Teachers' Pension Plan who retired prior to 1 September 1998.

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

##### Teachers' Pension Plan

During 2015-16, the Province and the Newfoundland and Labrador Teachers' Association (NLTA) reached an agreement to sustain the Teachers' Pension Plan (TPP). The agreement establishes joint and equal participation in the sponsorship and management of the TPP via the Teachers' Pension Plan Corporation (TPP Corporation). As a result, changes were made to the *Teachers' Pensions Act, 1991* to establish the Teachers' Pension Plan Fund. The TPP Corporation will be created subsequent to year end to administer the plan and manage the investment of the Fund. The Corporation will be an independent, statutory corporation without share capital and will not be an agent of the Crown.

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

## SUMMARY FINANCIAL STATEMENTS

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

The joint agreement and the subsequent amendments to the *Teachers' Pensions Act, 1991* require the Province to deliver a fully enforceable non-marketable and non-transferrable promissory note to the TPP Corporation, effective 31 August 2016 with interest accruing as of 1 September 2015. The promissory note amortizes \$1.862 billion over 30 years at a discount rate of 6%. Equal annual payments of \$135.0 million will begin on 31 August 2016. The payments under this agreement are fixed and shall be made regardless of the funded status of the TPP. As at 31 March 2016, the balance of the promissory note is not reflected as part of the total net pension liability on the statement of financial position as the TPP Corporation has not yet been established.

In addition to changes to Joint Sponsorship, other plan amendments were effective 01 September 2015. Amendments include an increase in members' contributions to 11.35% of pensionable salary from 9.35%, suspension of indexing for future service and changes to the average pensionable earnings formula. Any active member who terminates employment after 31 August 2016 with less than 24.5 years of credited service shall be eligible to retire at age 62. Amendments to the *Teachers' Pensions Act, 1991* to reflect the terms of the agreement signed by the Provincial Government and NLTA have been approved by the House of Assembly.

The impact of the plan amendment during fiscal 2015-16 resulted in a gain of \$70.2 million.

#### Contribution and Benefit Formulae

##### Teachers' Pension Plan

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

During 2006-07 the *Teachers' Pensions Act, 1991* was enacted consistent with the two components of the Plan. The Registered component will be administered in the Teachers' Pension Plan Corporation. The Supplementary component is administered in the accounts of the Consolidated Revenue Fund and will provide for the remainder of benefits under the Plan.

##### Uniformed Services Pension Plan

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

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

##### Members of the House of Assembly Pension Plan

Member contributions are 9% of pensionable salary, which includes salary as a Minister, if applicable. A pension benefit is available after serving as a Member in, at least, two General Assemblies and for, at least, five years. The benefit formula is based on years of service expressed as a percentage of the average pensionable salary for the best three years. The percentage varies being 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. For members elected for the first time after 8 February 1999, the percentage is 5% for the first ten years and 2.5%

## SUMMARY FINANCIAL STATEMENTS

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

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

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

#### **Provincial Court Judges' Pension Plan**

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

#### **Memorial University Pension Fund**

Memorial University of Newfoundland (MUN) has a defined benefit pension plan for full time employees known as the Memorial University of Newfoundland Pension Plan (MUNPP). The MUNPP has 3,961 participants who contributed \$30.1 million as at 31 March 2016.

The MUNPP provides for pensions based on employees' length of service and highest average earnings. Employees contribute a defined percentage of their salary, and the employer generally matches this amount. As at 31 March 2016, the MUNPP provided benefits of \$68.6 million to 2,229 pensioners.

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

#### **Contribution and Benefit Formulae**

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

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

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

## SUMMARY FINANCIAL STATEMENTS

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

Program. The program provided an incentive of enhanced pension benefits of up to five years pensionable service and waiver of actuarial reduction, if applicable, or a lump sum early retirement payment.

#### Actuarial Valuations

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

#### Expected Interest Rates

The expected average interest rate for the Public Service Pension Plan used for the extrapolation is 6.0% for the Registered component and 3.70% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Teachers' Pension Plan is 6.50% projected on a long-term basis. The expected rate of return for the Memorial University of Newfoundland Pension Plan is 5.80%, the Supplemental Retirement Income Plan is 4.20% and the Voluntary Early Retirement Income Plan is 3.30% projected on a long-term basis. The expected rate for the Uniformed Services Pension Plan is 6.50% projected on a long-term basis. The expected rate for the Members of the House of Assembly Pension Plan is 6.50% for the Registered component and 3.70% for the Supplementary Employee Retirement component, projected on a long-term basis. The expected rate for the Provincial Court Judges' Pension Plan is 6.25% for the Registered component and 3.70% 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%, changing to 2.25% at 31 March 2016 for all pension plans excluding MUNPP.

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

Pension Plan	Valuation Date
Public Service	31 December 2015
Teachers'	31 August 2015
Memorial University of Newfoundland	31 December 2015
Uniformed Services	31 December 2014
Members of the House of Assembly	31 December 2012
Provincial Court Judges'	31 December 2013

Actuarial extrapolations are provided for accounting purposes by the Province's and MUN's actuaries based on the above dates, with the exception of the Members of the House of Assembly which is based on a draft valuation dated 31 December 2015.



## SUMMARY FINANCIAL STATEMENTS

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

#### Pension Liability

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

Pension Plan	Estimated Accrued Benefit Obligation (\$mil)	Fund Assets (\$mil)	Unamortized Experience Gains (Losses) (\$mil)	Net Unfunded Liability 2016 (\$mil)	Net Unfunded Liability 2015 (\$mil)	Change (\$mil)
Public Service	6,038.7	2,881.7	(569.6)	2,587.4	2,599.2	(11.8)
Teachers'	4,806.3	2,884.7	(434.8)	1,486.8	1,373.7	113.1
Memorial University of Newfoundland	1,690.3	1,358.4	(115.3)	216.6	108.0	108.6
Uniformed Services	458.1	172.4	(25.5)	260.2	237.7	22.5
Members of the House of Assembly	118.6	21.4	(9.3)	87.9	84.6	3.3
Provincial Court Judges'	25.9	7.9	0.9	18.9	16.5	2.4
<b>Total</b>	<b>13,137.9</b>	<b>7,326.5</b>	<b>(1,153.6)</b>	<b>4,657.8</b>	<b>4,419.7</b>	<b>238.1</b>

Pension Fund Assets are valued at the market value at 31 March 2016 (31 March 2015 – \$7,549.8 million).

As at 31 March 2016, the net unfunded liability of \$4,657.8 million is comprised of the \$2,603.2 million outstanding balance of the promissory note delivered by the Province upon joint sponsorship to address the unfunded liability related to the Public Service Pension Plan and \$2,054.6 million in net unfunded pension liabilities.

#### Special Payments

During 2015-16, MUN made a special payment of \$3.1 million (31 March 2015 - \$25.4 million) towards the balance of the unfunded liability.

## SUMMARY FINANCIAL STATEMENTS

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

#### Pension Expense

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

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

Pension Plan	Province's Share of Pension Benefits Earned for the Period	Pension Interest Expense on the Unfunded Liability	Province's Current Period Pension Contributions	Current Period Amortization of Experience Changes	Other Adjustments	Unfunded Portion of Current Period Pension Change
	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
Public Service	131.9	91.9	(279.0)	43.4	-	(11.8)
Teachers'	26.3	101.7	(51.7)	107.0	(70.2)	113.1
Memorial University of Newfoundland	35.2	91.5	(30.8)	12.7	-	108.6
Uniformed Services	4.5	16.8	(4.4)	5.6	-	22.5
Members of the House of Assembly	2.6	2.9	(6.1)	3.9	-	3.3
Provincial Court Judges'	2.0	0.5	(0.5)	0.4	-	2.4
<b>Total</b>	<b>202.5</b>	<b>305.3</b>	<b>(372.5)</b>	<b>173.0</b>	<b>(70.2)</b>	<b>238.1</b>

#### Interest Expense

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

Pension Plan	Interest Expense on the Accrued Benefit Obligation 2016	Interest Earned on Fund Assets 2016	Net Interest Expense 2016
	(\$mil)	(\$mil)	(\$mil)
Public Service	266.6	(174.7)	91.9
Teachers'	311.6	(209.9)	101.7
Memorial University of Newfoundland	93.8	(2.3)	91.5
Uniformed Services	29.3	(12.5)	16.8
Members of the House of Assembly	4.4	(1.5)	2.9
Provincial Court Judges'	1.0	(0.5)	0.5
<b>Total</b>	<b>706.7</b>	<b>(401.4)</b>	<b>305.3</b>

Pension interest expense for 31 March 2015 amounted to \$294.3 million.

#### Other Adjustments

Other adjustments include plan amendments of \$70.2 million for increased member contribution rates, changes in eligibility for early retirement and a change in the calculation of future service benefits. The reduction in the obligation due to the benefit changes is recognized immediately in expense, with offsetting recognition of the earliest outstanding net unamortized losses.

## SUMMARY FINANCIAL STATEMENTS

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

#### Experience Gains or Losses

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

#### Accrued Benefit Obligation

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

Pension Plan	Opening Unamortized Experience Gains (Losses) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	(674.7)	(23.0)	70.4	(627.3)
Teachers'	(418.3)	(88.6)	118.9	(388.0)
Memorial University of Newfoundland	(116.2)	(105.9)	12.1	(210.0)
Uniformed Services	(43.9)	(3.3)	7.6	(39.6)
Members of the House of Assembly	(20.9)	5.1	4.4	(11.4)
Provincial Court Judges'	(3.0)	2.6	0.5	0.1
<b>Total</b>	<b>(1,277.0)</b>	<b>(213.1)</b>	<b>213.9</b>	<b>(1,276.2)</b>

#### Fund Assets

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

Pension Plan	Opening Unamortized Experience Gains (Losses) (\$mil)	New Experience Gains (Losses) (\$mil)	Amortization (\$mil)	Closing Unamortized Experience Gains (Losses) (\$mil)
Public Service	319.1	(234.4)	(27.0)	57.7
Teachers'	260.2	(295.1)	(11.9)	(46.8)
Memorial University of Newfoundland	83.8	10.3	0.6	94.7
Uniformed Services	33.4	(17.3)	(2.0)	14.1
Members of the House of Assembly	3.9	(1.3)	(0.5)	2.1
Provincial Court Judges'	1.1	(0.2)	(0.1)	0.8
<b>Total</b>	<b>701.5</b>	<b>(538.0)</b>	<b>(40.9)</b>	<b>122.6</b>

## SUMMARY FINANCIAL STATEMENTS

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

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

	Expected average remaining service life of related employee groups (EARSL)
Public Service - RPP	11 years
Public Service – SERP	9 years
Teachers'	13 years
Memorial University of Newfoundland	16 years
Uniformed Services	14 years
Members of the House of Assembly	8 years
Provincial Court Judges'	8 years

#### **Prior Period Adjustment**

The Province has restated the unfunded pension liability to account for unprocessed requests for pension benefits. The impact of these unprocessed requests has been estimated by the Province's actuary based on the history of requests processed and taking into consideration the type of outstanding request. These requests when processed would be transferred to the respective pension plan for pension buyback and transfers in from the money purchase pension plan or other reciprocal arrangements. In addition, the Province has restated the unfunded pension liability to account for changes in the valuation of the Supplementary Employee Retirement component of the Public Service Pension Plan (PSPP). Specifically, the expected interest rate for the actuarial valuation was revised from the expected rate of return on the plan assets to the Province's borrowing rate.

These changes have been applied retroactively with restatement resulting in an increase to beginning Net Debt and Accumulated Deficit of \$20.6 million, an increase to the prior year Annual Deficit of \$20.3 million for a combined increase to the unfunded pension liability of \$40.9 million. Actual results may differ from these estimates.

#### **Other Pension Plan**

The Government Money Purchase Pension Plan was established for employees whose employment status does not qualify them for participation in another of their employer's pension plans. This plan has approximately 33,827 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 Great-West Life Assurance Company and at 31 March 2016 assets had a market value of \$340.4 million (31 March 2015 - \$342.3 million). The expense recognized for 31 March 2016 amounted to \$14.3 million (31 March 2015 - \$13.8 million).

## SUMMARY FINANCIAL STATEMENTS

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

#### 8. Prepaid and Deferred Charges

Prepaid and deferred charges consist of:

	31 March 2016	31 March 2015
	(\$mil)	(\$mil)
Maintenance contracts	8.8	7.7
Property taxes and other municipal fees	6.9	7.3
Insurance costs	5.3	4.6
Software licences	4.2	6.7
Computer network and accessories	2.3	0.1
Membership fees and subscriptions	2.0	1.3
Ambulance services	2.0	1.4
Library operating supplies	1.5	2.2
Rent	1.1	1.2
Workers' compensation fees	0.8	1.4
Other prepaid and deferred charges	9.3	4.6
Total: Prepaid and Deferred Charges	44.2	38.5

#### 9. Contingent Liabilities

(a) Guaranteed Debt

Guarantees made by the Province as at 31 March 2016 amounted to \$1,236.4 million (31 March 2015 - \$1,230.5 million). In addition, the Province guaranteed the interest thereon. See Schedule 7 - Guaranteed Debt.

(b) Legal Actions

(i) There have been a number of statements of claim alleging negligence on the part of Government employees and agencies in not preventing abuse while these claimants were under Government care.

(ii) A number of claims have been filed against the Province for alleged breaches of contracts and/or tenders as well as for general damages and personal claims pursuant to action initiated by the Province.

(c) Other

(i) *Trust Accounts*

a) Office of the Public Trustee

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

## SUMMARY FINANCIAL STATEMENTS

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

b) Supreme Court of Newfoundland and Labrador

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

c) Other Trust Accounts

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

(ii) *Pensions*

a) Province of Newfoundland and Labrador Pooled Pension Fund

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

b) Memorial University of Newfoundland Pension Fund

Pursuant to Section 6 of the *Memorial University Pensions Act*, if there is insufficient money in the Memorial University of Newfoundland Pension Fund to provide for the payment of applicable expenditures as they fall due, the Consolidated Revenue Fund is liable for payment of an amount to cover the deficiency. As at 31 March 2016, the Memorial University of Newfoundland Pension Plan had a net unfunded pension liability for funding purposes of \$283.4 million (31 March 2015 - \$202.6 million). However, sufficient money currently exists in the Fund for the payment of expenditures as they fall due. See note 7.

(iii) *Canadian Saltfish Corporation*

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

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

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

(iv) *Newfoundland and Labrador Student Loans Program*

Under the loan guarantee component of this Program, the Province has no guarantees issued at 31 March 2016. Under the debt reduction component of the Program, the Province is contingently liable for possible grants totalling \$4.7 million, of which \$3.3 million has been recorded as a provision for likely amounts payable related to student loans due to the debt reduction component. See Schedule 5 - Payables, Accrued and Other Liabilities.

## SUMMARY FINANCIAL STATEMENTS

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

(v) *Contaminated Sites*

The Province has identified approximately 192 sites for which environmental liabilities or contamination may exist for assessment, remediation or monitoring. See note 10 – Contaminated Sites for further details.

In addition, the Province has provided an environmental guarantee to the acquiring entity of North Atlantic Refining Limited (NARL) regarding the oil refinery in Come by Chance. The Province and NARL entered into an environmental agreement on 13 November 2014 which required an environmental site assessment to be completed by NARL. The environmental assessment includes Phase I, Phase II and Phase III assessments and a remediation plan. The environmental assessment process has not yet been completed. Phase I, which included a review of current and historical activities associated with oil refinery, has been completed and approved the Province. Phase II, which included the preliminary collection and analysis of samples, has been completed and is being reviewed by the Province. While Phase III and a remediation plan have not been completed, a preliminary estimate indicates a range of \$34 - \$269 million.

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

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

The project is expected to cost \$11.4 billion, including interest during construction and other capitalized/pre-funded financing costs of \$2.3 billion. The Province had a total equity investment in the project of \$1.6 billion as at 31 March 2016. Also, as at 31 March 2016, the Province had further equity commitments totaling \$3.6 billion related to the project (see Note 11). The project is being financed through the issuance of bonds in the amount of \$5.0 billion and equity contributions of \$6.4 billion.

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

In 2014 the Province signed an agreement with CBPPL which states that in the event of the closure of the Corner Brook Mill, the Province has agreed to purchase the power assets and water rights. The purchase price is dependent upon the timing of the closure of the Corner Brook Mill, and could range from \$99.3 million to the greater of \$200.0 million or the fair market value of the purchased assets, less any monies owing to the Province in relation to the loan agreement with CBPPL.

#### 10. Contaminated Sites

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

The Province has identified approximately 192 sites for which environmental liabilities may exist for assessment, remediation or monitoring. Of these, 14 were identified as sites where action is possible and for which a liability was recorded. As at 31 March 2016, a total liability for contaminated sites of \$110.3 million (31 March 2015 – \$96.9 million) has been recorded (see Schedule 5 – Payables, Accrued and Other Liabilities). Of this, \$104.7 million relates to a liability for remediation of former mining sites. The Province has completed a partial

## SUMMARY FINANCIAL STATEMENTS

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

remediation program at these sites, focused on the removal of buildings and infrastructure, designed to address safety hazards. The remaining contaminated sites liability of \$5.6 million is mainly related to Petroleum Hydrocarbon (PHC) impacts. The liability reflects the present value of estimated future cash flows, where applicable, with total undiscounted expenditures of \$508.6 million present valued at a discount rate of 6.35%.

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

#### 11. Contractual Obligations

Contractual obligations consist of:

	31 March 2016	31 March 2015
	(\$mil)	(\$mil)
Lower Churchill Project	3,578.0	3,719.7
Capital projects	602.7	527.7
Power purchase agreements	370.5	357.3
Lease payments	197.0	225.5
Economic development	163.5	187.0
Provincial policing agreement	152.5	150.9
Oil and Gas	149.6	217.6
Transmission service agreements	99.9	101.0
Ferry services	36.0	33.5
Information technology services	35.1	46.3
Road maintenance	25.0	30.2
Residential services	17.7	27.8
Telephone services	14.5	1.2
Letters of credit	12.0	2.1
Building maintenance	-	3.7
Other agreements	28.8	38.4
Total: Contractual Obligations	<u>5,482.8</u>	<u>5,669.9</u>

Contractual obligations are those to outside organizations in respect of contracts entered into before 31 March 2016. These contractual obligations will become liabilities when the terms of the contracts are met. Payments in respect of these contracts and agreements for the Consolidated Revenue Fund are subject to voting of supply by the Legislature.

The above table includes contractual obligations of \$4.1 billion (31 March 2015 - \$4.4 billion) for government business enterprises and \$11.6 million (31 March 2015 - \$22.2 million) for government business partnership.



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**SUMMARY FINANCIAL STATEMENTS**

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

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**12. Externally Restricted Assets**

Externally restricted assets amount to \$122.6 million (31 March 2015 - \$113.4 million) of which \$121.1 million relates to Memorial University of Newfoundland which consists primarily of assets held for endowment purposes whereby the principal is not expendable. Income earned on these assets is required to be used for the purpose specified by the donors and hence cannot be used for other operating purposes. The externally restricted assets consist of donations and investments which are to be used for scholarships, assistance, professional recruitment and development, equipment and other external endowments. Externally restricted assets of other entities amount to \$1.5 million which relate to various donations designated for specified purposes.

**13. Provision for Guaranteed Debt**

The provision for probable losses on guaranteed debt (see note 9(a)) is nil (31 March 2015 - nil).

**14. Adjustments to Beginning Balances****(a) Inter-organizational Bond Holdings**

There was no change in Net debt and Accumulated Deficit (31 March 2015 – \$6.0 million decrease) as a result of the Province restating the equity in government business enterprises and partnership (see note 1(f)). These changes have been applied retroactively with restatement.

**(b) Amortization of Premiums, Discounts and Issuance Fees**

There was no change in Net debt and Accumulated Deficit (31 March 2015 – \$33.3 million decrease) as a result of the Province restating borrowings, net of sinking funds (see note 1(e)). These changes have been applied retroactively with restatement.

**(c) Pension Plan**

There was no change in Net debt and Accumulated Deficit (31 March 2015 – \$20.6 million increase) as a result of the Province restating the unfunded pension liability (see note 1(f)). These changes have been applied retroactively with restatement.

**(d) Change in Government Reporting Entity**

Net Debt and Accumulated Deficit increased by \$1.2 million (31 March 2015 – nil) as a result of changes to entities included in the Government reporting entity. Newfoundland and Labrador 911 Bureau Inc. was included for the 2015-16 fiscal year.

**(e) Government Organization Changes**

Net Debt and Accumulated Deficit decreased by \$0.1 million (31 March 2015 - \$46.9 million increase) relating to the following government organization changes:

- (i) Entity accounting policies and entity restatements resulted in no change in accumulated deficit (31 March 2015 - \$53.6 million increase);
- (ii) Prior period adjustments relating to deferred revenue resulted in a decrease in accumulated deficit by \$0.1 million (31 March 2015 - \$6.7 million decrease).

These changes have been applied retroactively without restatement.

## SUMMARY FINANCIAL STATEMENTS

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

#### (f) Contaminated Sites

There was no change in Net debt and Accumulated Deficit (31 March 2015 – \$19.4 million increase) as a result of the Province adopting a new accounting standard PS3260 – Liability for Contaminated Sites in the prior year. The standard has been applied retroactively without restatement.

#### 15. Change in Government Structure

Under sections 5 and 17 of the *Executive Council Act*, government departments were reorganized effective 1 April 2015. Pursuant to Cabinet direction and under section 20 of the *Financial Administration Act*, the new financial structure for the departments commenced for the 2015-16 fiscal year. The comparative figures have been restated to reflect this new departmental structure.

#### 16. Measurement Uncertainty

Measurement uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Estimates are based on the best information available at the time of preparation of the financial statements and are adjusted annually to reflect new information as it becomes available.

Some examples of where measurement uncertainty exists are as follows:

- (i) The nature of uncertainty for the accrual of retirement benefits, the allowance for guaranteed debt, and the accrual of self-insured workers' compensation benefits arises as actual results may differ significantly from the Province's assumptions about plan members and economic conditions in the marketplace.
- (ii) The accruals for environmental remediation obligations are uncertain because the actual extent of the remediation activities, methods, and site contamination may differ significantly from the Province's original remediation plans.
- (iii) Revenues from sales taxes, income taxes, oil royalties, Canada Health Transfer, and Canada Social Transfer are uncertain due to differences between the estimated and actual economic performance and other assumptions used to accrue these revenues. The tax revenues under the federal-provincial fiscal arrangements attributable to the year can change as a result of reassessments in subsequent years. The variability of the final amounts attributable to the year cannot be reasonably determined.

#### 17. Borrowing Contributions (Requirements)

The following summary compares the actual amounts for the year ended 31 March 2016 with amounts included in Statement I (Summary of Cash (Requirement) / Contribution) of the Estimates approved by the Legislature. Please refer to the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for the year ended 31 March 2016 for further information on the calculation of the Total Borrowing Contribution (Requirement) - CRF of \$(2,604.9) million noted below.

Borrowing Contributions (Requirements)	Actual	Estimates	Increase (Decrease)
	(\$mil)	(\$mil)	(\$mil)
CRF	(2,604.9)	(2,092.9)	512.0
Other Entities	3.3	-	(3.3)
Total Borrowing Contributions (Requirements)	<u>(2,601.6)</u>	<u>(2,092.9)</u>	<u>508.7</u>

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**SUMMARY FINANCIAL STATEMENTS**

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

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**18. Subsequent Event**

## a) Nalcor Energy Commitments

Subsequent to year end, the Province, through Nalcor Energy and its subsidiaries, entered into new commitments related to the Lower Churchill Project in the amount of \$92.0 million.

**19. Original Budget**

Certain amounts in the statements and exhibits of the 2015-16 Budget Speech shown for comparative purposes were prepared on the accrual basis as described under note 1(c)(i). To be consistent with the format of the financial statements, presentation changes have been applied as necessary.

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

**20. Additional Notes**

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

**21. Comparatives**

Certain of the 31 March 2015 financial statement figures and related schedules have been restated to be consistent with the 31 March 2016 statement presentation.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR****Receivables  
As at 31 March 2016  
with comparative figures for 2015**

	<u>2016</u>	<u>2015</u>
	(\$000)	(\$000)
Accounts receivable	271,323	283,543
Due from Government of Canada	114,332	115,325
Taxes receivable	112,338	97,825
Offshore royalties	78,340	142,243
Accrued interest receivable	<u>4,392</u>	<u>3,565</u>
	580,725	642,501
Less: Allowance for doubtful accounts	<u>96,120</u>	<u>87,527</u>
Total: Receivables	<u><u>484,605</u></u>	<u><u>554,974</u></u>

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Loans, Advances and Investments As at 31 March 2016 with comparative figures for 2015

	2016	2015
	(\$000)	(\$000)
Loans and Advances		
Commercial	154,108	147,370
Student loans	94,780	111,110
Housing	81,961	78,630
Municipalities	16,607	25,904
Other	5,384	4,928
Total: Loans and Advances	352,840	367,942
Less: Discounts due to concessionary terms on loans - note 2	82,950	79,105
Allowance for doubtful loans and advances	45,442	45,155
Provision for loan repayments through future appropriations (municipalities)	16,607	25,904
	207,841	217,778
Investments		
Equity Investments:		
Administered by Memorial University of Newfoundland	48,671	41,312
Administered by Newfoundland & Labrador Film Development Corporation	41,711	36,390
Cold Ocean Salmon Inc.	10,000	10,000
Administered by Business Investment Corporation	9,538	11,765
Northern Harvest Sea Farms Newfoundland Ltd.	8,608	8,200
Gray Aqua Group Ltd.	4,827	4,827
Country Ribbon Inc.	4,500	4,500
Burton's Cove Logging and Lumber	3,818	3,818
Administered by Janeway Children's Hospital Foundation	2,930	3,364
ACF Equity Atlantic Inc.	2,203	2,203
Newfoundland Aqua Services Ltd. - redeemable	2,000	2,000
Icewater Seafoods Inc.	1,841	2,016
Newfoundland and Labrador Venture Capital Fund	1,820	-
Blue Line Innovations Inc.	500	500
Consilient Technologies Corporation	500	500
Marine Industrial Lighting Systems	500	500
NavSim Technologies	500	500
Newfound Genomics Inc.	500	500
Sexton Lumber Co. Ltd.	500	500
Newlab Clinical Research Inc.	484	484
Administered by Multi-Materials Stewardship Board	426	377
Hurley Slate Works Company Inc.	400	400
Pixecur Technologies Inc. - redeemable	400	400
First Choice Vision Centre Limited	371	411
Dynamic Air Shelters Ltd.	231	428
Other	2,469	2,391
	150,248	138,286

**SUMMARY FINANCIAL STATEMENTS**

**LOANS, ADVANCES AND INVESTMENTS (continued)**

	2016	2015
	(\$000)	(\$000)
Other Investments:		
Memorial University of Newfoundland - Fixed Income	53,923	66,289
Administered by Janeway Children's Hospital Foundation	3,699	2,510
Dr. H. Bliss Murphy Cancer Care Foundation - Endowment Funds investments	1,193	1,123
Government of Canada Coupon investments	-	5
Administered by Newfoundland and Labrador Immigrant Investor Fund Limited	-	27,480
	58,815	97,407
Total: Investments	209,063	235,693
Less: Discounts due to concessionary terms on investments - note 3	42,272	36,891
Allowance for write-down of investments	19,783	21,537
	147,008	177,265
Total: Loans, Advances and Investments	354,849	395,043

**NOTES**

**1. Interest Rates and Loan Terms**

Interest rates for all loans range from non-interest bearing to 14.0% and are payable over terms not exceeding 25 years.

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

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

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

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Equity in Government Business Enterprises and Partnership As at 31 March 2016 with comparative figures for 2015

	Atlantic Lottery Corporation 31 Mar 2016 (\$000)	NL Liquor Corporation 2 Apr 2016 (\$000)	Nalcor Energy 31 Dec 2015 (\$000)	Total 2016 (\$000)	Total 2015 (Note 4) (\$000)
Equity - beginning of year	(9,048)	67,310	2,759,265	2,817,527	2,425,794
Adjustment to opening balance	-	-	-	-	(59,712)
Adjusted equity - beginning of period	(9,048)	67,310	2,759,265	2,817,527	2,366,082
Net income for year	150,483	166,942	(18,684)	298,741	400,529
Other comprehensive income (loss) - note 1	1,188	(152)	18,100	19,136	9,012
Capital transactions:					
Transfers from government - note 2	-	-	760,004	760,004	337,600
Transfers to government	(144,784)	(158,500)	-	(303,284)	(295,696)
Equity - end of year	<u>(2,161)</u>	<u>75,600</u>	<u>3,518,685</u>	<u>3,592,124</u>	<u>2,817,527</u>
Equity represented by:					
Assets					
Cash and temporary investments	6,375	29,429	3,011,000	3,046,804	1,248,978
Receivables	4,478	13,135	333,804	351,417	340,888
Inventories	1,544	40,567	77,900	120,011	140,869
Prepaid and deferred charges	4,136	1,940	167,600	173,676	161,607
Investments	-	-	102,400	102,400	2,885,700
Reserve fund	-	-	30,900	30,900	34,200
Capital and intangible assets	41,187	32,073	8,258,100	8,331,360	5,704,298
Total Assets	<u>57,720</u>	<u>117,144</u>	<u>11,981,704</u>	<u>12,156,568</u>	<u>10,516,540</u>
Liabilities					
Accounts payable and accruals	21,608	41,544	2,366,000	2,429,152	1,580,241
Deferred government assistance	-	-	4,900	4,900	4,900
Borrowings - note 3	38,273	-	6,092,119	6,130,392	6,113,872
Total Liabilities	<u>59,881</u>	<u>41,544</u>	<u>8,463,019</u>	<u>8,564,444</u>	<u>7,699,013</u>
Equity	<u>(2,161)</u>	<u>75,600</u>	<u>3,518,685</u>	<u>3,592,124</u>	<u>2,817,527</u>

### NOTES

#### 1. Other Comprehensive Income (Loss)

Other comprehensive income (loss) includes certain unrealized gains and losses of government business enterprises and partnership that are not reported in the statement of operations but are reported in the statement of financial position. Unrealized gains and losses are recognized in the statement of operations when they become realized gains and losses. Accumulated other comprehensive income (loss) as at 31 March 2016 amounted to \$38.9 million (31 March 2015 - \$19.8 million). The other comprehensive income recognized during the year was \$19.1 million (31 March 2015 - \$9.0 million).

#### 2. Transfers from Government

Capital transfers from the Province include \$571.0 million (31 March 2015 - \$114.6 million) for the Lower Churchill Project and \$189.0 million (31 March 2015 - \$223.0 million) for oil and gas development.

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

**3. Contributions and Repayment Requirements**

Sinking fund contributions and long term debt repayments for Nalcor Energy, in Canadian dollars are as follows.

	<u>Total</u>
	(\$000)
2016-2017	322,100
2017-2018	134,986
2018-2019	-
2019-2020	-
2020-2021	-
2021-2053	<u>5,881,414</u>
	6,338,500
Less: Sinking Fund Contributions	<u>(246,381)</u>
	<u><u>6,092,119</u></u>

**4. Prior Period Adjustment**

The Province has restated the equity in a government business enterprises and partnership. This is the result of adjustments relating to inter-organizational bond holdings which the Province and Nalcor hold within their sinking fund investments.

These changes have been applied retroactively with restatement resulting in a decrease to beginning Net Debt and Accumulated Deficit of \$6.0 million, an increase to the prior year Annual Deficit of \$2.7 million for a combined increase to the equity in government business enterprises and partnership of \$3.3 million.



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Net Income of Government Business Enterprises and Partnership As at 31 March 2016 with comparative figures for 2015

	Atlantic Lottery Corporation 31 Mar 2016 (\$000)	NL Liquor Corporation 2 Apr 2016 (\$000)	Nalcor Energy 31 Dec 2015 (\$000)	Total 2016 (\$000)	Total 2015 (\$000)
Revenue					
Revenue from operations	<u>340,014</u>	<u>331,037</u>	<u>812,416</u>	<u>1,483,467</u>	<u>1,417,494</u>
Expense					
Expenses from operations	<u>189,531</u>	<u>164,095</u>	<u>831,100</u>	<u>1,184,726</u>	<u>1,016,965</u>
Net Income	<u><u>150,483</u></u>	<u><u>166,942</u></u>	<u><u>(18,684)</u></u>	<u><u>298,741</u></u>	<u><u>400,529</u></u>

#### NOTE

##### Related Party Transactions

Nalcor Energy earned related party revenues regarding funding to support new and offshore petroleum exploration, funding for wind feasibility studies in Labrador, as well as Churchill Falls Trust contributions, for a total amount of \$7.9 million (31 December 2014 - \$8.0 million). Nalcor Energy incurred related party expenses in relation to power purchase agreements, cost of application hearings, operation of Exploits assets, various rentals and royalties, and a debt guarantee fee. Netted against these expenses is the funding received from the Province related to Nalcor's obligation under the Upper Churchill Redress Agreement resulting in total recovery of \$16.2 million (31 December 2014 - \$17.2 million).

In relation to the above listed related party transactions for Nalcor Energy, there exists accounts receivable, accounts payable and deferred credits. Accounts receivable include \$41.7 million (31 December 2014 - \$41.0 million); accounts payable include \$12.2 million (31 December 2014 - \$7.5 million); and deferred credits include \$0.4 million (31 December 2014 - \$4.4 million). In addition, Nalcor Energy invested \$58.3 million (31 December 2014 - \$57.4 million) in Provincial bonds.

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

Atlantic Lottery Corporation Inc.'s related party profit earnings totaled \$148.5 million (31 March 2015 - \$128.9 million). In relation to profit earnings, there exists an accounts payable of \$2.0 million (31 March 2015 - \$3.9 million).

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Payables, Accrued and Other Liabilities As at 31 March 2016 with comparative figures for 2015

	2016	2015
	(\$000)	(\$000)
Accrued salaries and employee benefits - note 1	1,133,142	1,100,114
Accounts payable	857,955	874,285
Due to Government of Canada	452,835	527,224
Accrued interest payable	167,863	145,814
Contaminated sites	110,335	96,887
Due to municipalities	31,649	40,652
Capital leases - note 2	23,800	24,771
Provision for student loan debt reduction payable	3,301	5,502
Other	3,567	4,138
Total: Payables, Accrued and Other Liabilities	2,784,447	2,819,387

#### NOTES

##### 1. Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consists of \$481.3 million for severance (31 March 2015 - \$459.8 million), \$502.2 million for leave and other employee benefits (31 March 2015 - \$493.9 million), \$105.6 million for salaries (31 March 2015 - \$103.6 million) and \$44.0 million related to the self-insured workers' compensation benefits liability (31 March 2015 - \$42.8 million). During the 2013-14 fiscal year, an actuarial valuation as of 31 December 2013, with disclosures as at 31 March 2016, was obtained for the Province's self-insured workers' compensation benefits. Accrued severance and sick leave balances have been determined using a combination of actuarial valuations and internal methodologies.

##### 2. Capital Leases

Interest rates for all capital leases range from non-interest bearing to 16.0% and have repayment schedules ranging in duration from 11 months to 9 years.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Borrowings As at 31 March 2016 with comparative figures for 2015

	2016			Interest Rate Range	2015
	Total Borrowings	Sinking Fund Balance	Net Borrowings		Net Borrowings
	(\$000)	(\$000)	(\$000)	(%)	(\$000)
Consolidated Revenue Fund					
Treasury bill borrowings	2,092,446	-	2,092,446	0.55 - 0.70	778,476
General debentures	7,596,480	1,219,413	6,377,067	1.13 - 10.95	4,072,814
Sun Life Assurance Company of Canada	76,382	-	76,382	7.55 - 9.20	81,274
Government of Canada	<u>306,395</u>	<u>-</u>	<u>306,395</u>	4.91 - 7.02	<u>306,431</u>
	10,071,703	1,219,413	8,852,290		5,238,995
Health care organizations	157,659	17,993	139,666	0.99 - 10.50	141,193
Newfoundland and Labrador Housing Corporation	97,078	-	97,078	1.01 - 19.75	103,364
Memorial University of Newfoundland	21,416	-	21,416	3.69 - 5.88	11,796
School Districts	14,223	-	14,223	prime-1 - 5.04	13,694
Newfoundland and Labrador Municipal Financing Corporation	12,398	-	12,398	5.05 - 6.50	18,064
	<u>10,374,477</u>	<u>1,237,406</u>	<u>9,137,071</u>		<u>5,527,106</u>

See accompanying notes.

**NOTES TO THE SCHEDULE OF BORROWINGS**  
As at 31 March 2016

**1. Borrowings**

Borrowings and unamortized foreign exchange losses, by major currency, sinking funds and unamortized premiums, discounts and issuance fees as at 31 March 2016 are noted below. Refer to note 5 of the Notes to the Financial Statements for further details.

Major Currencies	Foreign Borrowings (\$000)	Exchange Rate	Canadian (\$000)	Unamortized Foreign Exchange Gains/(Losses) and Unamortized Premiums/ Discounts and Issuance Fees (\$000)	Net (\$000)
U.S.	1,050,000	1.2987	1,363,635	(123,486)	1,240,149
Canadian			<u>9,010,842</u>	-	<u>9,010,842</u>
	Sub-total		10,374,477	(123,486)	10,250,991
	Foreign sinking funds		(539,903)	51,429	(488,474)
	Canadian sinking funds		<u>(697,503)</u>	-	<u>(697,503)</u>
	Sub-total		<u>9,137,071</u>	(72,057)	9,065,014
	Unamortized premiums and discounts and issuance fees			<u>(90,765)</u>	<u>(90,765)</u>
	Total			<u>(162,822)</u>	<u>8,974,249</u>

**2. Contributions and Repayment Requirements**

Sinking fund contributions and long term debt repayments, by major currency, in Canadian dollars are as follows. The total contributions and repayment requirements differ from the total debt outstanding due to reconciling items such as foreign exchange adjustments between 31 March 2016 and the maturity dates and projected adjustments for sinking fund values at maturity.

	U.S. (\$000)	Canadian (\$000)	Total (\$000)
2016-2017	6,494	2,163,366	2,169,860
2017-2018	6,494	57,599	64,093
2018-2019	6,494	293,955	300,449
2019-2020	6,494	90,939	97,433
2020-2021	229,208	597,256	826,464
2021-2047	<u>427,640</u>	<u>3,909,017</u>	<u>4,336,657</u>
	<u>682,824</u>	<u>7,112,132</u>	7,794,956
Plus: Sinking Fund Values at Maturity			3,288,236
Less: Sinking Fund Contributions			<u>(708,715)</u>
			<u>10,374,477</u>

**SUMMARY FINANCIAL STATEMENTS****NOTES TO THE SCHEDULE OF BORROWINGS (continued)****3. Interest Expense**

The gross interest expense associated with borrowings, recognized for 31 March 2016, amounted to \$424.4 million (31 March 2015 - \$382.7 million).

**4. Foreign Exchange Gain/Loss and Premiums, Discounts and Issuance Fees**

The foreign exchange loss which has been recognized on the Consolidated Statement of Operations is \$9.8 million (31 March 2015 - \$6.8 million-credit adjustment). The net amortization expense on premiums, discounts and issuance fees is \$54.1 million which represent a credit adjustment (31 March 2015 - \$3.4 million - credit adjustment).

**5. Sensitivity Analysis**

An increase/decrease of one cent in the foreign exchange rates at 31 March 2016 would result in an increase/decrease in foreign borrowings of \$10.5 million (31 March 2015 - \$10.5 million).

**6. Related Sinking Fund Investments**

At year end, the Province held \$587.2 million worth of its own debentures (face value) in sinking funds as active investments (31 March 2015 - \$511.1 million) which are reflected in the sinking fund balances disclosed in note 1 above. These were comprised of \$411.8 million in Canadian investments and \$175.4 million in US investments.

**7. Debt Related Risk**

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

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

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

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

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Guaranteed Debt As at 31 March 2016 with comparative figures for 2015

	2016	2015
	(\$000)	(\$000)
Guaranteed Debentures		
Newfoundland and Labrador Hydro	1,135,940	1,116,112
Newfoundland and Labrador Housing Corporation	56,873	65,458
Municipalities	559	542
	<u>1,193,372</u>	<u>1,182,112</u>
Guaranteed Bank Loans		
Fisheries	42,281	46,942
Other corporations	719	1,453
	<u>43,000</u>	<u>48,395</u>
Total: Guaranteed Debt	<u>1,236,372</u>	<u>1,230,507</u>

#### NOTES

**1. Limit of Loan Guarantees**

The limit of loan guarantees for guaranteed debentures is \$1,193.4 million and \$75.9 million for guaranteed bank loans.

**2. Provision for Guaranteed Debt**

The provision for probable losses on guaranteed debt is nil (31 March 2015 - nil).

**3. General Terms and Conditions**

Guaranteed debentures for government business enterprises have maturity dates ranging from October 2016 to December 2045 at interest rates varying from 3.6% to 10.25%. Other guaranteed debentures and guaranteed bank loans have maturity dates ranging from June 2016 to December 2036 at interest rates varying from 0.84% to 10.5%.

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Losses, Uncollectible Accounts and Other Amounts Written Off As at 31 March 2016 with comparative figures for 2015

Department	2016 (\$000)	2015 (\$000)
Finance:		
Remissions	388	1,084
Advanced Education and Skills:		
Uncollectible accounts	951	2
Business, Tourism, Culture and Rural Development:		
Loan forgiveness	-	83
Uncollectible accounts	4	-
	<u>4</u>	<u>83</u>
Forestry and Agrifoods:		
Tax forgiveness	1,685	-
Justice and Public Safety:		
Uncollectible accounts	149	-
Municipal and Intergovernmental Affairs:		
Uncollectible accounts	220	200
Natural Resources:		
Tax forgiveness	-	1,571
Service Newfoundland and Labrador:		
Uncollectible accounts	-	38
	<u>3,397</u>	<u>2,978</u>
Total: Losses, Uncollectible Accounts and Other Amounts Written Off	<u>3,397</u>	<u>2,978</u>

#### NOTE

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

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Trust Accounts As at 31 March 2016 with comparative figures for 2015

	<u>2016</u>	<u>2015</u>
	(\$000)	(\$000)
Office of the Public Trustee	40,219	43,245
Supreme Court of Newfoundland and Labrador	34,338	36,833
Refund Deposit Account (formerly known as Rate Stabilization Fund)	9,018	11,224
Teachers' Accrued Salary Trust Account	8,754	8,903
Scholarships and Awards	7,342	7,036
Patients' Funds Held in Trust	5,699	5,928
Federal/Provincial Contractors' Security Account	5,521	7,871
Consolidated Tender Account	4,512	4,956
Replacement Reserve Funds	3,878	3,862
Support Enforcement	1,327	1,393
Provincial Courts Trust Account	490	312
Contractors' Security Account - Transportation and Works	246	236
Other Trust Accounts	<u>2,143</u>	<u>2,126</u>
Total: Trust Accounts	<u><u>123,487</u></u>	<u><u>133,925</u></u>

### NOTE

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

The Workplace, Health, Safety and Compensation Commission (the Commission) is considered to be a form of trust. For the most recent fiscal year ended 31 December 2015, the Commission reported a net fund surplus of \$206.5 million (31 December 2014 - net fund surplus of \$129.8 million) and an accumulated operating surplus of \$206.5 million (31 December 2014 - surplus of \$130.2 million). Under legislation, no liability on behalf of the Province has been established.



## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Tangible Capital Assets As at 31 March 2016 with comparative figures for 2015

Category	Original Cost			Accumulated Amortization			Net Book Value 31 March 2016 (\$mil)	Net Book Value 31 March 2015 (\$mil)	
	Balance 31 March 2015 (\$mil)	Additions 2016 (\$mil)	Disposals 2016 (\$mil)	Balance 31 March 2016 (\$mil)	Balance 31 March 2015 (\$mil)	Amort. Net of Disposals 2016 (\$mil)			Balance 31 March 2016 (\$mil)
Buildings	3,646.5	148.4	6.1	3,788.8	1,704.8	87.2	1,792.0	1,996.8	1,941.7
Marine vessels & aircraft	247.7	94.8	-	342.5	84.0	11.9	95.9	246.6	163.7
Equipment & machinery	1,623.2	83.4	20.9	1,685.7	1,224.0	67.9	1,291.9	393.8	399.2
Infrastructure	4,842.0	146.3	8.7	4,979.6	3,760.5	91.1	3,851.6	1,128.0	1,081.5
Computer software	145.0	18.2	-	163.2	98.3	14.0	112.3	50.9	46.7
Sub-total	<u>10,504.4</u>	<u>491.1</u>	<u>35.7</u>	<u>10,959.8</u>	<u>6,871.6</u>	<u>272.1</u>	<u>7,143.7</u>	<u>3,816.1</u>	<u>3,632.8</u>
Work in progress				<u>566.7</u>				<u>566.7</u>	<u>628.9</u>
Total				<u>11,526.5</u>				<u>4,382.8</u>	<u>4,261.7</u>

#### NOTES

##### 1. Tangible Capital Assets

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

##### 2. Work In Progress

Work in progress is considered to be a tangible capital asset, however it is not amortized as it is not yet available for use. The Province currently has a number of projects under construction or development with a total for 31 March 2016 of \$566.7 million (31 March 2015 - \$628.9 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 \$491.1 million include \$257.8 million of work in progress assets that have been capitalized in the year. Net additions to work in progress assets include additions of \$195.6 million less disposals of nil for 2015-16.

## TANGIBLE CAPITAL ASSETS (continued)

**3. Accumulated Amortization**

The \$272.1 million change in accumulated amortization from the prior year, as reported in the Tangible Capital Asset schedule, consists of amortization expense of \$292.1 million less accumulated amortization on assets disposed of in the year in the amount of \$21.1 million. The remaining increase in accumulated amortization of \$1.1 million is the result of changes in estimates by certain entities.

The \$248.2 million change in accumulated amortization as at 31 March 2015 consisted of amortization expense of \$269.0 million less accumulated amortization on assets disposed of in the year in the amount of \$25.5 million. The remaining increase of \$4.7 million is the result of adjustments by certain entities.

**4. Estimated Useful Life**

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

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

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

**5. Historical or Cultural Assets**

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

**SUMMARY FINANCIAL STATEMENTS****TANGIBLE CAPITAL ASSETS (continued)****6. Intangible and Inherited Assets**

Intangible assets and items inherited by right of the Crown, such as Crown lands, forest, and mineral resources, are not recognized as tangible capital assets in accordance with current accounting standards.

**7. Leased Assets**

The gross amount of leased tangible capital assets is \$51.2 million (31 March 2015 - \$57.5 million), amortization expense is \$1.7 million (31 March 2015 - \$1.4 million) and accumulated depreciation is \$37.0 million (31 March 2015 - \$43.0 million). These are included in the appropriate category in the schedule.

**8. Expropriated Assets**

In December 2008, the Province passed legislation entitled Abitibi-Consolidated Rights and Assets Act, to expropriate certain rights and assets from Abitibi-Consolidated. The intent of this Act was to return to the Province rights relating to timber and water use, as well as assets and land associated with the generation of electricity enabled by water use rights. As a result of the expropriation, the Province also assumed responsibility of other assets associated with the pulp and paper mill. While the Province has licensed Nalcor Energy to manage and operate the hydro electricity generating assets on behalf of the Province, the intent is to transfer these assets to Nalcor Energy or Newfoundland and Labrador Hydro. Nalcor Energy is operating these electricity generating assets on a cost recovery basis and with revised power purchase rates now applying to these facilities. As the value of the electricity generating assets expropriated, and their ultimate use, have not been determined, any payments related to subsection 10.(2) of the Act have been recorded as tangible capital assets. \$144.7 million, (net) has been recorded as the cost of the electricity generating assets for the fiscal year ended 31 March 2016 and are included in the infrastructure category. As the value of the non-electricity generating assets expropriated, and their ultimate future use have not been determined, they have been recorded as tangible capital assets at a nominal amount.

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Revenue by Source For the year ended 31 March 2016 with comparative figures for 2015

	Actuals 2016 (\$000)	Original Budget 2016 (Note 19) (\$000)	Actuals 2015 (\$000)
<b>Provincial Sources</b>			
<b>Taxation</b>			
Personal income tax	1,308,669	1,264,779	1,310,225
Sales tax	905,398	1,059,272	936,821
Corporate income tax	349,635	455,722	218,577
Gasoline tax	193,240	185,709	185,858
Mining and mineral rights tax	70,038	144,708	95,440
Other	395,869	378,641	378,643
	<u>3,222,849</u>	<u>3,488,831</u>	<u>3,125,564</u>
<b>Investment</b>			
Sinking fund earnings	54,234	56,739	55,208
Interest	20,625	17,388	26,860
Other	33,079	-	31,930
	<u>107,938</u>	<u>74,127</u>	<u>113,998</u>
<b>Fees and Fines</b>			
Fees	299,493	470,793	303,567
Fines	11,551	18,089	10,746
	<u>311,044</u>	<u>488,882</u>	<u>314,313</u>
<b>Offshore royalties</b>	514,557	1,211,636	1,562,307
<b>Miscellaneous</b>			
Sales and rentals	69,141	-	61,514
Cost recoveries	36,683	-	43,856
Other	352,339	155,146	292,842
	<u>458,163</u>	<u>155,146</u>	<u>398,212</u>
<b>Total Provincial Sources</b>	<u>4,614,551</u>	<u>5,418,622</u>	<u>5,514,394</u>
<b>Federal Sources</b>			
Health and social transfers	685,070	689,046	679,867
Cost-shared programs	308,824	329,217	300,741
Other	65,540	130,302	25,586
<b>Total Federal Sources</b>	<u>1,059,434</u>	<u>1,148,565</u>	<u>1,006,194</u>
Net income of government business enterprises and partnership - see note	298,741	409,141	400,529
<b>Total: Revenue by Source</b>	<u><u>5,972,726</u></u>	<u><u>6,976,328</u></u>	<u><u>6,921,117</u></u>

### NOTE

See Schedule 4 for a breakdown by entity.

# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Expenses by Department For the year ended 31 March 2016 with comparative figures for 2015

	Actuals 2016 (\$000)	Original Budget 2016 (Note 19) (\$000)	Actuals 2015 (\$000)
<b>General Government Sector and Legislative Branch</b>			
<b>General Government Sector</b>			
Consolidated Fund Services	495,207	529,970	357,055
Executive Council	106,537	115,290	107,292
Finance	657,683	666,591	879,143
Government Purchasing	2,321	2,456	2,499
Public Service Commission	2,426	2,458	2,322
Service NL	38,132	39,928	34,469
Transportation and Works	448,951	477,651	469,411
<b>Legislative Branch</b>			
Legislature	28,081	30,471	23,750
	<u>1,779,338</u>	<u>1,864,815</u>	<u>1,875,941</u>
<b>Resource Sector</b>			
Advanced Education and Skills	1,244,296	1,192,572	1,072,470
Business, Tourism, Culture and Rural Development	119,279	106,519	112,802
Environment and Conservation	55,048	55,404	44,829
Fisheries and Aquaculture	19,028	19,273	17,843
Forestry and Agrifoods	89,296	61,009	81,637
Natural Resources	53,931	62,491	132,426
	<u>1,580,878</u>	<u>1,497,268</u>	<u>1,462,007</u>
<b>Social Sector</b>			
Child, Youth and Family Services	151,432	152,930	135,013
Education and Early Childhood Development	838,473	885,791	826,743
Health and Community Services	3,178,169	3,014,748	3,024,805
Justice and Public Safety	270,572	262,738	255,563
Labour Relations	4,355	3,425	4,399
Municipal and Intergovernmental Affairs	221,780	232,169	200,256
Newfoundland and Labrador Housing Corporation	133,252	115,349	122,954
Seniors, Wellness and Social Development	21,488	40,518	19,340
	<u>4,819,521</u>	<u>4,707,668</u>	<u>4,589,073</u>
<b>Total: Expenses by Department</b>	<u><u>8,179,737</u></u>	<u><u>8,069,751</u></u>	<u><u>7,927,021</u></u>

### NOTE

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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR**

**Expenses by Object**  
**For the year ended 31 March 2016**  
**with comparative figures for 2015**

	Actuals 2016 (\$000)	Original Budget 2016 (Note 19) (\$000)	Actuals 2015 (\$000)
Salaries and employee benefits	3,523,771	3,500,922	3,575,533
Grants and subsidies	1,473,803	1,298,540	1,285,175
Operating costs	1,262,800	1,550,963	1,325,814
Debt expenses	979,066	887,808	768,898
Professional services	495,555	499,684	501,857
Amortization and (gain)/loss on the sale of tangible capital assets	292,147	297,821	312,213
Property, furnishings and equipment - see note	149,297	33,867	158,553
Valuation allowances (recovery)	3,298	146	(1,022)
Total: Expenses by Object	<u>8,179,737</u>	<u>8,069,751</u>	<u>7,927,021</u>

**NOTE**

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

## PROVINCE OF NEWFOUNDLAND AND LABRADOR

### Revenue and Expense by Sector For the year ended 31 March 2016

	General Government Sector and Legislative Branch (\$000)	Resource Sector (\$000)	Social Sector (\$000)	Total (\$000)
<b>REVENUE</b>				
Provincial				
Taxation	3,264,822	334	-	3,265,156
Investment	84,832	18,308	4,798	107,938
Fees and Fines	151,321	132,469	27,254	311,044
Offshore Royalties	308	514,249	-	514,557
Other	26,521	207,996	247,683	482,200
Federal sources	<u>753,948</u>	<u>177,332</u>	<u>128,154</u>	<u>1,059,434</u>
	4,281,752	1,050,688	407,889	5,740,329
Net income of government business enterprises and partnership	<u>317,425</u>	<u>(18,684)</u>	<u>-</u>	<u>298,741</u>
<b>Total Sector Revenue - note 2</b>	<u>4,599,177</u>	<u>1,032,004</u>	<u>407,889</u>	<u>6,039,070</u>
<b>EXPENSE</b>				
Salaries and employee benefits	426,519	692,736	2,449,069	3,568,324
Operating costs	296,788	242,152	744,794	1,283,734
Grants and subsidies	103,806	425,542	944,652	1,474,000
Debt expenses	832,060	109,437	37,569	979,066
Professional services	15,407	17,542	462,662	495,611
Amortization and loss on sale of tangible capital assets	103,382	68,282	120,483	292,147
Property, furnishings, and equipment	1,197	37,989	110,715	149,901
Valuation allowances	179	1,426	1,693	3,298
<b>Total Sector Expense - note 3</b>	<u>1,779,338</u>	<u>1,595,106</u>	<u>4,871,637</u>	<u>8,246,081</u>
Sector Results - before adjustments	2,819,839	(563,102)	(4,463,748)	(2,207,011)
Inter-Sector Eliminations	<u>(42,306)</u>	<u>(1,171)</u>	<u>43,477</u>	<u>-</u>
Annual Surplus (Deficit)	<u>2,777,533</u>	<u>(564,273)</u>	<u>(4,420,271)</u>	<u>(2,207,011)</u>

See accompanying notes.

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**NOTES TO THE SCHEDULE OF REVENUE AND EXPENSE BY SECTOR**  
**For the year ended 31 March 2016**

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**1. Sectors**

The sectors identified above are consistent with the presentation of the Consolidated Statement of Operations, the 2015-16 Estimates, as well as the reorganization of government departments which was effective 01 April 2015. Each sector includes the revenue and expenses of the applicable departments and the organizations in the Government reporting entity which report to their respective department. Certain amounts have been allocated on a systematic basis. Refer to Schedule 12 - Expenses by Department for a list of departments included within each sector.

**2. Sector Revenue**

Sector revenues include revenues generated from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to revenues amount to \$66.3 million resulting in total revenue of \$5,972.7 million as per the Consolidated Statement of Operations.

**3. Sector Expense**

Sector expenses include expenses incurred from within the Government reporting entity. These inter-sector transactions are eliminated upon consolidation. Total eliminations pertaining to expenses amount to \$66.3 million resulting in total expense of \$8,179.7 million as per the Consolidated Statement of Operations.



# PROVINCE OF NEWFOUNDLAND AND LABRADOR

## Government Reporting Entity For the year ended 31 March 2016

### GOVERNMENT ORGANIZATIONS

	Board of Commissioners of Public Utilities
	Business Investment Corporation
	C.A. Pippy Park Commission
	Central Regional Health Authority
D	Chicken Farmers of Newfoundland and Labrador
D - note 1	Churchill Falls (Labrador) Corporation Trust
	College of the North Atlantic
J	Conseil scolaire francophone provincial de Terre-Neuve et Labrador
	Consolidated Revenue Fund
D	Credit Union Deposit Guarantee Corporation
JU	Dairy Farmers of Newfoundland and Labrador
note 2	Eastern Regional Health Authority
D	Egg Farmers of Newfoundland and Labrador
	Heritage Foundation of Newfoundland and Labrador
	Labrador-Grenfell Regional Health Authority
	Livestock Owners Compensation Board
A	Marble Mountain Development Corporation
	Memorial University of Newfoundland
	Multi-Materials Stewardship Board
	Municipal Assessment Agency Inc.
N	Newfoundland and Labrador 911 Bureau Inc.
	Newfoundland and Labrador Arts Council
	Newfoundland and Labrador Centre for Health Information
	Newfoundland and Labrador Crop Insurance Agency
J - note 3	Newfoundland and Labrador English School District
	Newfoundland and Labrador Farm Products Corporation
	Newfoundland and Labrador Film Development Corporation
	Newfoundland and Labrador Housing Corporation
	Newfoundland and Labrador Immigrant Investor Fund Limited
	Newfoundland and Labrador Industrial Development Corporation
	Newfoundland and Labrador Legal Aid Commission
	Newfoundland and Labrador Municipal Financing Corporation
	Newfoundland and Labrador Sports Centre Inc.
	Newfoundland Hardwoods Limited
	Newfoundland Ocean Enterprises Limited
	Provincial Advisory Council on the Status of Women - Newfoundland and Labrador
	Provincial Information and Library Resources Board
	Research and Development Corporation of Newfoundland and Labrador

## GOVERNMENT REPORTING ENTITY (continued)

GOVERNMENT ORGANIZATIONS

Student Loan Corporation of Newfoundland and Labrador  
 The Rooms Corporation of Newfoundland and Labrador  
 Western Regional Health Authority

GOVERNMENT BUSINESS ENTERPRISES

D - note 4      Nalcor Energy  
 F                Newfoundland and Labrador Liquor Corporation

GOVERNMENT BUSINESS PARTNERSHIP

Atlantic Lottery Corporation Inc. (25% ownership)

LEGEND

A                This entity has a year end of 30 April.  
 D                These entities have a year end of 31 December.  
 J                These entities have a year end of 30 June.  
 JU               This entity has a year end of 31 July.  
 F                This entity has a floating year end to align with its four 13 week reporting periods. The fiscal year end of the entity will end on the first Saturday of April each year.  
 N                This entity is new to the reporting entity for 31 March 2015.

NOTES

- 1                Churchill Falls (Labrador) Corporation Trust is included in the Government reporting entity for consolidation since, in substance, it is closely held and controlled by the Province and is administered by senior Government officials.
- 2                Eastern Regional Health Authority controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these organizations have been included within the Province's 2015-16 Consolidated Summary Financial Statements. These entities are as follows: 1) Health Care Foundation of St. John's Inc; 2) Janeway Children's Hospital Foundation; 3) Dr. H. Bliss Murphy Cancer Care Foundation; 4) Discovery Health Care Foundation Inc.; 5) Trinity-Conception-Placentia Health Foundation Inc.; 6) The Burin Peninsula Health Care Foundation Inc.
- 3                Newfoundland and Labrador English School District controls a number of foundations/associations which have not been consolidated within their financial statements. In accordance with Public Sector Accounting Standards, these associations have been included within the Province's 2015-16 Consolidated Summary Financial Statements. These entities are as follows: 1) Newfoundland and Labrador Education Foundation Inc.; and 2) Newfoundland International Student Education Program Inc.
- 4                Nalcor Energy is Newfoundland and Labrador's energy company focused on sustainable development of the province's energy resources.

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