



Volume 1
Financial Statements

Public Accounts

for the fiscal year ended 31 March

1999

Printed by
Authority of the Legislature
Fredericton, N.B.

New  Nouveau
Brunswick

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To Her Honour,

The Honourable Marilyn Trenholme Counsell
Lieutenant-Governor of the Province of New Brunswick

The undersigned has the honour to submit the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 1999.

I am, Your Honour,

Original signed by

NORMAN BETTS
Minister of Finance

Fredericton, New Brunswick
29 December 1999

The Honourable Norman Betts
Minister of Finance

Sir:

The undersigned has the honour to present to you the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 1999.

Respectfully submitted,

Original signed by

Edward Mehan, C.M.A.
Comptroller

Fredericton, New Brunswick
29 December 1999

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INTRODUCTION VOLUME I

The Public Accounts of the Province of New Brunswick are presented in four volumes.

This volume contains the audited financial statements of the Provincial Reporting Entity as described in note 1 to the financial statements. They include a Statement of Financial Position, a Statement of Revenue and Expenditure, a Statement of Cash Flow and a Statement of Net Debt. This volume also contains the Auditor's Report, Statement of Responsibility and a variance analysis.

Volume II contains unaudited supplementary information to the Financial Statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. Volume II also contains detailed information on Supplementary Appropriations, Funded Debt and Capital Loans, statements of the General Sinking Fund, Securities Held, and revenue and expenditure by government department (this includes salary, travel, vendor, grant and contribution, and loan disbursement listings).

Volume III contains the financial statements of those corporations, boards and commissions which are accountable for the administration of their financial affairs and resources to the Government or the Legislature of the Province. The Government or Legislature also has the power to control these organizations either through ownership or through legislative provisions.

Volume IV contains the financial statements of various trust funds which the Province administers as Trustee.



STATEMENT OF RESPONSIBILITY

The financial statements of the Province of New Brunswick are prepared each year by the Comptroller as required under section 12 of the Financial Administration Act. The financial statements include a Statement of Financial Position, a Statement of Revenue and Expenditure, a Statement of Cash Flow and a Statement of Net Debt.

Financial statement integrity and objectivity are the responsibility of the Government. To help fulfil this responsibility, systems of internal control have been established to provide reasonable assurance that transactions are properly authorized, executed and reported. The statements are prepared in accordance with the accounting policies described in Note 1 to the Financial Statements.

On behalf of the Government:

Original signed by

Honourable Norman Betts.
Minister of Finance

15 December 1999

1998-99 MAJOR VARIANCE ANALYSIS

DEFICIT

The 1998-99 budget estimated a surplus of \$18.5 million. The Statement of Revenue and Expenditure reports an actual deficit of \$164.3 million, a difference of \$182.8 million.

Explanations of major variances are described below, first for revenue, then for expenditure. This analysis compares the actual results for 1998-99 with either the 1998-99 budget or actual results for 1997-98.

REVENUE

Provincial Sources

Taxes on Consumption

Taxes on consumption were \$33.8 million below budget. This was mainly because Harmonized Sales Tax (HST) credits were higher than originally forecast, and because revenue from the Private Vehicles Tax was less than anticipated.

Taxes on Property

Provincial taxes on property were \$26.6 million below budget. This was mainly a result of four reasons; owner-occupied tax credits were higher than anticipated; property value reassessments resulted in lower tax revenue than anticipated; the reserve that recognizes the difference between taxes assessed on federal properties and the grants paid by the federal government in lieu of taxes on those properties was higher than anticipated; and, revenues from taxes on properties in local service districts were lower than anticipated.

Provincial taxes on property were \$7.2 million lower than in 1997-98. Although provincial property tax assessments are growing, the tax revenue declined in 1998-99. The main reason for this is that assessments with the highest growth rates are for residential properties, of which owner-occupied properties receive a full provincial property tax credit. Provincial property tax credits are increasing at a faster pace than assessments. Also, the reserve that recognizes the difference between taxes assessed on federal properties and the grants paid by the federal government in lieu of taxes on those properties was higher than in 1997-98.

Taxes on Income

Taxes on income were \$63.4 million below budget mainly because of lower than expected personal income tax revenue. The federal estimate of New Brunswick's share of basic federal tax was overestimated when the budget was prepared. A re-estimate resulted in a lower than anticipated payment stream. The 1998-99 actual personal income tax revenue also reflected a negative prior year adjustment of \$29 million in respect of the 1997 tax year.

Taxes on income were \$121.5 million lower than in 1997-98. Personal income tax revenue was lower by \$30.9 million, mainly because the personal income tax rate was reduced from 63% of basic federal tax to 61% on 1 January 1998, and further reduced to 60% of basic federal tax on 1 January 1999. Corporate income tax revenue was lower than in 1997-98, by \$89.4 million, because the federal estimate of New Brunswick's share of corporate taxable income for 1998 was reduced from 1997 levels. The 1998-99 actual corporate income tax revenue also reflected a large negative prior year adjustment of \$44 million in respect of the 1997 tax year.

Investment Income

Investment income was \$454.4 million below budget and \$382.2 million lower than in 1997-98, mainly because N.B. Power reported a deficit for the year of \$423.0 million. This deficit was caused by the write down of the corporation's assets.

Sinking Fund Earnings

Sinking Fund Earnings were \$34.0 million above budget because of gains made on the sale of securities.

Federal Sources

Fiscal Equalization Payments

Equalization revenues were \$301.7 million above budget primarily due to the widening of fiscal disparities being measured by the equalization formula, between New Brunswick and the five province standard. The main factors contributing to this increase in equalization revenues are revised provincial shares of basic federal income tax and corporate taxable income, and increases in revenues subject to equalization.

Equalization revenues were \$218.7 million higher than 1997-98, primarily due to the widening of fiscal disparities being measured by the equalization formula, between New Brunswick and the five province standard. Revised basic federal tax and corporate taxable income data, in addition to increases in revenues subject to equalization, resulted in increases in in-year and prior year (\$194 million) equalization payments.

Harmonization Transitional Payments

Harmonization Transitional Payments were \$160.2 million above budget and \$242.0 million higher than in 1997-98. During the year ended 31 March 1999, the Province changed its method of accounting for the Harmonization Transitional Payments. The transitional funding is now recognized as revenue when the Province has fully satisfied the conditions attached to the funding and there is no possibility that revenue recognized could become repayable to the Federal Government. Using this method, \$132.0 million should have been recognized in 1997-98 and a further \$132.0 million in 1998-99, for a total of \$264.0 million to 31 March 1999. The previous method of accounting recognized only \$11.0 million in 1997-98, therefore, the shortfall of \$253.0 million has been recognized in 1998-99.

EXPENDITURE

EDUCATION

The Teachers' Pension plan expense was \$58.1 million below budget, primarily because pension interest expense was less than anticipated, and amortization of experience gains was higher than anticipated.

Education expenditures were \$8.8 million higher than 1997-98 because of general increases of \$40.6 million which were offset by pension savings, reduced expenditures on capital projects and reduced ordinary expenditures of the Maritime Provinces Higher Education Commission.

Health

Health expenditures were \$88.7 million higher than budget and \$103.2 million higher than 1997-98 because of Region Hospital Corporation deficits being recorded, and increased costs in programs such as, long term care, ambulance services, medicare, child protection and prescription drugs.

Income Assistance

Income assistance expenditures were \$14.0 million lower than budget and \$4.8 million lower than 1997-98 mainly because of reduced caseloads in Transitional Assistance and Interim Assistance programs.

Justice

Justice expenditures were \$4.2 million higher than budget and \$5.6 million higher than 1997-98. This was primarily because of an accrual for additional compensation for victims of sexual abuse at provincial institutions, and the change in the method of accounting for concessionary loans.

Economic Development

Economic Development expenditures were \$114.5 million higher than budget and \$117.6 million higher than 1997-98. \$62.5 million of this increase was because of a capital expenditure for the purchase of 156,000 hectares of forestland previously owned by Georgia Pacific Corporation. A review of outstanding loans indicated that the provision for losses needed to be increased by \$29.7 million. An additional \$5.5 million expense for the province's commitment to assist with the closure and remediation of local dumps and landfills in the Province was recorded. A change in accounting for concessionary loans resulted in an extra expenditure of \$8.1 million.

Economic development expenditures include \$7.9 million of expenditures for Algonquin Properties Ltd. which was offset by \$6.8 million in revenue.

Transportation

Transportation expenditures were \$27.8 million higher than budget. Winter maintenance expenditures were \$9.8 million higher than budget because of the length and severity of the winter. Also, the expenditures include \$13.4 million for the New Brunswick Highway Corporation that were offset by \$13.4 million in revenue.

Transportation expenditures were \$22.5 million less than 1997-98 primarily because of extra road construction in 1997-98.

Central Government

Central Government expenditures were \$45.5 million less than 1997-98. Lower pension expense accounts for \$12.2 million of this reduction. The PSSA (Public Service Superannuation Act) pension expense was \$5.0 million less than in 1997-98 primarily due to lower pension interest costs. The cost of early retirement programs was \$6.5 million less.

\$21.4 million of the difference in Central Government expenditures was because of lower allowances for losses. This was primarily because of an allowance for the aquaculture stock replacement program that was recorded in 1997-98.

Service of the Public Debt

Service of the Public Debt was \$13.4 million higher than budget. The factors that contributed to this were; foreign exchange expense was higher than anticipated because of the weaker Canadian dollar, this outweighed lower than anticipated interest expense for both short and long term debt; interest expense was recognized for two long term capital leases that were previously treated as operating leases, and; additional interest was recognized because of the change in accounting for concessionary loans.

Service of the Public Debt expenditures were \$42.2 million higher than 1997-98. This was because of two factors, first, the level of borrowing requirements for both 1997-98 and 1998-99, and second, higher foreign exchange expense as a result of the weaker Canadian dollar.



AUDITOR'S REPORT

To the Legislative Assembly
Province of New Brunswick

I have audited the statement of financial position of the Province of New Brunswick as at 31 March 1999 and the statements of revenue and expenditure, cash flow and net debt for the year then ended. These financial statements are the responsibility of government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at 31 March 1999 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements. As required by section 10 of the Auditor General Act, I report that, in my opinion, these policies have been applied, after giving retroactive effect to the changes in accounting for hospital corporations, Service New Brunswick and real property leases, and except for the change in accounting for low interest loans, as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Original signed by

Daryl C. Wilson, FCA
Auditor General

15 December 1999

STATEMENT OF FINANCIAL POSITION
as at 31 March 1999

Schedule	(millions)	
	1999	1998
ASSETS		
1	\$ 331.3	\$ 218.3
2	348.8	355.2
3	26.2	26.9
4	65.1	74.8
	189.9	84.6
5	123.7	174.5
6	55.9	460.7
	216.5	532.5
Excess of Pension Assets Over Accrued Benefits (Note 14)		
Total Assets	\$ 1,357.4	\$ 1,927.5
 LIABILITIES		
7	\$ 281.1	\$ 294.4
8	429.4	272.6
9	653.2	614.2
10	16.3	11.0
11	340.7	586.4
12	29.5	26.6
	29.2	29.7
Obligations under Capital Leases (Note 9)		
Unamortized Pension Adjustments and Valuation		
Allowance (Note 14)	989.2	1,595.2
	2,768.6	3,430.1
 Funded Debt (Note 12)	 10,211.1	 9,706.2
Borrowing for NB Power Corporation	(3,017.1)	(3,021.1)
Funded Debt for Provincial Purposes	7,194.0	6,685.1
 Sinking Fund Investments	 (2,693.2)	 (2,440.0)
	4,500.8	4,245.1
Total Liabilities	7,269.4	7,675.2
 NET DEBT	(5,912.0)	(5,747.7)
	\$ 1,357.4	\$ 1,927.5

Contingent Liabilities - See Note 15

Commitments - See Note 16

The accompanying notes are an integral part of these Financial Statements.

Original signed by

Edward L. Mehan, C.M.A.
Comptroller

STATEMENT OF REVENUE AND EXPENDITURE
for the fiscal year ended 31 March 1999

Schedule	(millions)			
	1999 Budget (Note 3)	1999 Actual	1998 Actual	
REVENUE				
Provincial Sources				
13	Taxes on Consumption	\$ 847.8	\$ 814.0	\$ 792.5
	Taxes on Property	263.4	236.8	244.0
14	Taxes on Income	963.0	899.6	1,021.1
15	Other Taxes	68.0	59.3	61.5
16	Licenses and Permits	95.1	94.6	89.5
17	Royalties	52.8	61.5	57.7
18	Investment Income	252.1	(202.3)	179.9
19	Other Provincial Revenue	128.0	174.6	175.0
	Sinking Fund Earnings	192.6	226.6	200.3
		2,862.8	2,364.7	2,821.5
Federal Sources				
	Canada Health and Social Transfer	331.0	340.6	327.9
	Fiscal Equalization Payments	969.7	1,271.4	1,052.7
	Harmonization Transitional Payment	92.8	253.0	11.0
	Other Unconditional Grants - Canada	1.9	1.7	7.7
20	Conditional Grants - Canada	228.1	255.0	253.3
		1,623.5	2,121.7	1,652.6
	Total Revenue (Note 4)	4,486.3	4,486.4	4,474.1
EXPENDITURE				
Social Services				
21	Education	931.5	879.1	870.3
22	Health	1,330.0	1,418.7	1,315.5
23	Income Assistance	311.1	297.1	301.9
24	Justice	106.1	110.3	104.7
		2,678.7	2,705.2	2,592.4
25	Economic Development	444.9	559.4	441.8
26	Municipal Affairs	195.0	202.6	195.7
27	Transportation	329.5	357.3	379.8
28	Central Government	216.7	209.8	255.3
	Service of the Public Debt (Note 13)	603.0	616.4	574.2
	Total Expenditure (Notes 4 and 18)	4,467.8	4,650.7	4,439.2
	SURPLUS (DEFICIT)	\$ 18.5	\$ (164.3)	\$ 34.9

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF CASH FLOW
for the fiscal year ended 31 March 1999

	(millions)	
	1999	1998
OPERATING ACTIVITIES		
Surplus (Deficit)	\$ (164.3)	\$ 34.9
Non Cash Items		
Amortization of Premiums, Discounts and Issue Expenses	6.7	8.4
Foreign Exchange Expense	47.0	19.7
Increase in Allowance for Doubtful Accounts	87.0	43.7
Sinking Fund Earnings	(226.6)	(200.3)
Actual Losses Due to Foreign Exchange	(22.6)	(24.8)
Decrease in Pension Liability (Note 14)	(289.9)	(189.1)
Decrease in Deferred Revenue	(245.7)	(20.9)
Capital Asset Acquisitions Charged to Operations	286.2	232.0
Proceeds from Disposal of Capital Assets	(4.0)	(4.2)
Decrease in Working Capital (Note 20)	60.9	88.7
Net Cash From Operating Activities	(465.3)	(11.9)
INVESTING ACTIVITIES		
Purchase of Capital Assets	(286.2)	(232.0)
Proceeds from Disposal of Capital Assets	4.0	4.2
(Increase) Decrease in Investments, Loans and Advances	413.9	(15.8)
Net Cash From (Used in) Investing Activities	131.7	(243.6)
FINANCING ACTIVITIES		
Proceeds from Issuance of Funded Debt	794.8	931.5
Received from Sinking Fund for Redemption of Debentures and Payment of Exchange	77.5	164.5
Increase (Decrease) in Obligations under Capital Leases	(0.5)	19.7
Sinking Fund Instalments	(104.2)	(99.3)
Serial Redemptions and Capital Loan Repayments	(2.4)	(2.2)
Funded Debt Matured	(418.3)	(739.5)
Net Cash From Financing Activities	346.9	274.7
INCREASE IN CASH POSITION DURING YEAR	13.3	19.2
CASH POSITION - BEGINNING OF YEAR	(294.4)	(313.6)
CASH POSITION - END OF YEAR	\$ (281.1)	\$ (294.4)
CASH REPRESENTED BY		
Bank Advances and Short Term Borrowing	\$ (281.1)	\$ (294.4)

The accompanying notes are an integral part of these Financial Statements.

STATEMENT OF NET DEBT
for the fiscal year ended 31 March 1999

	(millions)	
	1999	1998
NET DEBT - BEGINNING OF YEAR		
As Previously Published	\$ (5,672.2)	\$ (5,733.8)
Prior Years' Adjustments (Note 2)		
Consolidation of Service New Brunswick	2.2	0.3
Deficits of Hospital Corporations	(48.1)	(39.1)
Recognition of Capital Leases	(29.6)	(10.0)
As Restated	(5,747.7)	(5,782.6)
SURPLUS (DEFICIT)	(164.3)	34.9
NET DEBT - END OF YEAR	\$ (5,912.0)	\$ (5,747.7)

The accompanying notes are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Provincial Reporting Entity

In these financial statements, the Province is defined as the Provincial Reporting Entity. The Provincial Reporting Entity is comprised of certain organizations that are accountable to the Legislature. These accountable organizations are the Consolidated Fund, the General Sinking Fund and certain agencies, commissions and corporations. The agencies, commissions and corporations included in this definition are identified below.

Transactions and balances of organizations are included in these financial statements through one of the following accounting methods:

Consolidation method - This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization.

Modified equity method - This method is used for government enterprises. Government enterprises are defined in note 10 to these financial statements. The modified equity method reports a government enterprise's net assets as an investment in the Province's Statement of Financial Position. The net income of the government enterprise is reported as investment income in the Province's Statement of Revenue and Expenditure. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between government enterprises and other government organizations are eliminated. The accounting policies of government enterprises are not adjusted to conform with those of other government organizations.

Equity method - This method of accounting is used for Hospital Corporations. The accounting policies of the Hospital Corporations are adjusted to comply with the policies of the Province. The annual deficits or surpluses of the Hospital Corporations are recorded as an expenditure or revenue. The total net accumulated deficits or surpluses of the Hospital Corporations are recorded as a liability or asset. This method results in the same net position that would result from the consolidation method.

Transaction method - This method records only transactions between the Province and the other organizations.

Organizations that have been included in the Provincial Reporting Entity through consolidation are:

- Algonquin Properties Limited;
- Arts Development Trust Fund;
- Environmental Trust Fund;
- Group Insurance Trust Fund;
- Kingsbrae Horticultural Garden Inc.;
- N.B. Agriexport Inc.;
- New Brunswick Credit Union Deposit Insurance Corporation;
- New Brunswick Highway Corporation;
- New Brunswick Housing Corporation;
- New Brunswick Investment Management Corporation;
- Regional Development Corporation;
- Service New Brunswick;
- Sport Development Trust Fund.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

Government enterprises that have been included in these financial statements through modified equity accounting are:

Algonquin Golf Limited;
Lotteries Commission of New Brunswick;
New Brunswick Liquor Corporation;
New Brunswick Municipal Finance Corporation;
New Brunswick Power Corporation;
Workplace Health, Safety and Compensation Commission.

New Brunswick Hospital Corporations have been included in these financial statements using the equity method of accounting.

Certain organizations that are accountable to the Legislature have been included through the transaction method. The transaction method was used because the appropriate methods would not produce a materially different result. The determination of which entities could be excluded because of materiality was made by Board of Management. The organizations included through the transaction method are:

Advisory Council on the Status of Women;
Board of Commissioners of Public Utilities of New Brunswick;
Forest Protection Limited;
Kings Landing Corporation;
New Brunswick Crop Insurance Commission;
New Brunswick Museum;
New Brunswick Research and Productivity Council;
Premier's Council on the Status of Disabled Persons;
Provincial Holdings Ltd.;
Strait Crossing Finance Inc.;
Youth Council of New Brunswick.

b) Significant Accounting Policies

Accrual Accounting

Expenditures are recorded for all goods and services received during the fiscal year.

Revenue from Canada under the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977, and the Canada-New Brunswick Tax Collection Agreement is accrued based on estimates provided by Canada. These estimates are subject to adjustment in future years. Such adjustments are included in revenue when Canada informs the Province of the revisions. The most recent revision included in these financial statements is dated 10 November 1999.

All other revenues and recoveries are recorded on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

Debt Charges

Interest and other debt service charges are reported in the Statement of Revenue and Expenditure as Service of the Public Debt except as described below:

Because government enterprises are included in the Provincial Reporting Entity through modified equity accounting, the cost of servicing their debt is not included in the Service of the Public Debt expenditure. The cost of servicing the debt of government enterprises is an expenditure included in the calculation of their net profit or loss for the year.

Interest costs imputed on the Province's Accrued Pension Liability are recorded as part of pension expense, which is included in various expenditure functions.

Interest earned on the assets of the General Sinking Fund and on other provincial assets is reported as revenue.

Note 13 to these financial statements reports the components of the Service of the Public Debt Expenditure function and total debt charges.

Government Transfers

Government transfers are transfers of money, such as grants, from a government to an individual, an organization or another government for which the government making the transfer does not receive any goods or services directly in return.

Government transfers are recognized in the Province's financial statements as expenditures or revenues in the period that the events underlying the transfer occurred. Liabilities have been established for any transfers due at 31 March 1999 for which the intended recipients have met the eligibility criteria. Receivables have been established for transfers to which the Province is entitled under governing legislation, regulation or agreement.

Physical Assets

The cost of acquiring physical assets is expensed in the year of acquisition. The Statement of Financial Position does not report an amount for these assets.

Short Term Investments

Short term investments are recorded at cost.

Allowances

Allowances have been established for accounts receivable, loan guarantees and other possible losses. These allowances are disclosed in the schedules to the financial statements. The increase in these allowances charged to operations for the fiscal year ended 31 March 1999 was \$87.0 million (\$43.7 million 1998).

NOTES TO THE FINANCIAL STATEMENTS

31 March 1999

Concessionary Loans

There are two situations where the Province charges loan disbursements entirely as expenditures. These are:

Loan agreements which commit the Province to provide future grants to the debtor to be used to repay the loan.

Loan agreements which include forgiveness provisions if the forgiveness is considered likely.

In both these situations, the loan is charged to expenditure when it is disbursed.

Loans that are significantly concessionary because they earn a low rate of return are originally recorded as assets at the net present value of the expected future cash flows. The net present value is calculated using the Province's borrowing rate at the time the loan was issued. The difference between the nominal value of the loan and its net present value is recorded as an expenditure.

Inventories

Inventories are recorded at the lower of cost or net realizable value. Inventories include supplies for use, and goods and properties held for resale. Properties held for resale include land and fixtures acquired or constructed for the purpose of sale. Properties held for resale also include properties acquired through foreclosure. Properties acquired through foreclosure which have not been disposed of within two fiscal year ends of repossession are removed from inventory and are recorded as expenditure.

Deferred Revenue

Amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Deposits Held in Trust

Any funds remitted to the Province and held in trust for specified persons are included in both the financial assets and liabilities of the Province. Legally established trust funds which the Province administers but does not control are not included as Provincial assets or liabilities. Note 19 to these financial statements discloses the equity balances of the trust funds administered by the Province.

Borrowing on Behalf of New Brunswick Power Corporation

The Province, as represented by the Consolidated Fund, has issued long term debt securities on behalf of New Brunswick Power Corporation in exchange for debentures with like terms and conditions.

The New Brunswick Power Corporation debentures received by the Province are reported in the Statement of Financial Position as a reduction of Funded Debt. This financing arrangement was used to obtain more favourable debt servicing costs. The transactions involving these securities, including the debt servicing costs, are not part of the budget plan of the Province's Consolidated Fund.

Foreign Currency Translation

The Province's assets, liabilities and contingent liabilities denominated in foreign currencies are translated to Canadian dollars at the year end rates of exchange, except where such items have been hedged or are subject to interest rate and currency swap agreements. In such cases, the rates established by the hedge or the agreements are used in the translation. Revenue and expenditure items are translated at the rates of exchange in effect at the respective transaction dates.

NOTES TO THE FINANCIAL STATEMENTS

31 March 1999

Exchange gains and losses are included in the Statement of Revenue and Expenditure except for the unrealized exchange gains and losses arising on the translation of long term items, which are deferred and amortized on a straight line basis over the remaining life of the related assets or liabilities.

Leases

Long term leases, under which the Province, as lessee, assumes substantially all the benefits and risks of ownership of leased property, are classified as capital leases although certain minimum dollar thresholds are in place for practical reasons. The present value of a capital lease is accounted for as an expenditure and an obligation at the inception of the lease.

All leases under which the Province does not assume substantially all the benefits and risks of ownership related to the leased property are classified as operating leases. Each rental payment required by an operating lease is recorded as an expenditure when it is due.

Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in financial statements. This uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount. Many items in these financial statements have been measured using estimates. Those estimates have been based on assumptions that reflect economic conditions.

Some examples of where measurement uncertainty exists are the establishment of allowances for doubtful accounts and the determination of pension expense.

NOTE 2 CHANGE IN ACCOUNTING POLICY

During the fiscal year ended 31 March 1999, the Province adopted the following accounting policies.

Harmonization Transitional Payment

During the fiscal year ended 31 March 1997, the Province received \$364.0 million from Canada as a Harmonization Transitional Payment. The Province was recognizing this payment as revenue based on internal estimates of the annual fiscal impact caused by tax harmonization. The Province recognized \$11.0 million during the fiscal year ended 31 March 1998. The Province is now recognizing this revenue according to the federal government's funding formula. The formula allocated the revenue as follows; 1998 - \$132.0 million; 1999-\$132.0 million; 2000 - \$66.0 million; 2001 - \$34.0 million.

Because the previous accounting treatment resulted in an audit qualification, the unrecorded amount of \$121.0 million for the fiscal year ended 31 March 1998 and the entire \$132.0 million allocation for the fiscal year ended 31 March 1999 have been recorded as revenue in the fiscal year ended 31 March 1999. The amount of Harmonization Transitional Payment recognized as revenue in the fiscal year ended 31 March 1999 was therefore \$253.0 million, which is \$164.0 million higher than would have been recognized under the previous method of accounting.

Low Interest Loans

Loans made by the Province that are significantly concessionary because they earn a low rate of return are carried as an asset at their net present value. The net present value is calculated by discounting the expected cash recoveries using the Province's borrowing rate at the time the loan was issued. The difference between the face value of the loan and its net present value is expensed as a grant. Previously these loans were carried as assets at their face value.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

As at 31 March 1999, the estimated value of the concessionary component of outstanding low interest loans was \$18.0 million. Because no estimate was made of the value of the concessionary component at previous year ends, the entire \$18.0 million was recorded as an expense in the fiscal year ended 31 March 1999.

Real Property Leases

The Province records all long term leases of real property under which the Province is lessee as capital leases in a manner that is consistent with its treatment of leases of other property. Previously real property leases were only considered capital if ownership of the real property transferred to the Province during the lease term or if the lease term was extremely long. This change, which was applied retroactively, increased the Province's Net Debt as at 1 April 1998 by \$29.6 million. It also decreased the Province's deficit for the year ended 31 March 1999 by \$0.5 million.

Service New Brunswick

Service New Brunswick's financial position and results of operations are included in the Province's financial statements using the consolidation method. In prior years, this organization was included using the transaction method. This decreased the Province's opening net debt as at 1 April 1998 by \$2.2 million. It also decreased the Province's deficit for the year ended 31 March 1999 by \$2.2 million.

Hospital Corporations

Hospital Corporations' financial position and results of operations are included in these financial statements using the equity method. In prior years, these corporations were included using the transaction method. This increased the Province's opening Net Debt at 1 April 1998 by \$48.1 million. It also increased the Province's deficit for the year ended 31 March 1999 by \$28.0 million.

NOTE 3 BUDGET

The budget amounts included in these financial statements are the amounts published in the Main Estimates, adjusted for transfers from the Supplementary Funding Provision Program and elimination of inter-account transactions. The Supplementary Funding Provision Program is an appropriation which provides funding to other programs for costs associated with contract settlements, retirement allowances, and other requirements not budgeted in a specific program.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 4 BUDGET AND ACTUAL RESULTS BY BUDGETARY ACCOUNT

The Province budgets revenue and expenditure in five budgetary accounts: Ordinary, Capital, Special Purpose, Sinking Fund Earnings and Special Operating Agencies. Descriptions of each budgetary account as well as budget and actual results for each account are reported below.

a) Ordinary Account

Ordinary revenue includes most revenue raised through taxation, fees, fines, licenses, permits and payments from the federal government under various arrangements.

Ordinary expenditure includes the operating costs of government programs. These costs are considered to be consumed in the year of occurrence and are costs which are not funded from Special Purpose revenue or by Special Operating Agency authority.

<u>Ordinary Revenue by Department</u>	(millions)		
	<u>1999 Budget</u>	<u>1999 Actual</u>	<u>1998 Actual</u>
Agriculture and Rural Development	\$ 3.3	\$ 3.1	\$ 3.1
Economic Development, Tourism and Culture	5.1	5.9	6.2
Education	16.1	19.6	21.9
Environment	1.3	1.3	1.3
Finance	3,616.1	3,945.1	3,595.1
Fisheries and Aquaculture	5.5	17.5	5.4
Health and Community Services	27.2	31.3	34.0
Human Resources Development - NB	9.3	13.5	5.6
Justice	36.6	35.4	33.7
Labour	89.5	86.4	56.7
Maritime Provinces Higher Education Commission	1.9	1.3	2.4
Municipalities and Housing	53.8	61.0	51.1
Natural Resources and Energy	71.2	77.9	77.4
Office of the Comptroller	---	0.1	0.1
Other Agencies	134.3	(311.1)	70.9
Regional Development Corporation	17.8	13.6	15.5
Solicitor General	10.6	9.6	11.2
Supply and Services	1.2	1.6	1.6
Transportation	<u>75.1</u>	<u>77.3</u>	<u>74.1</u>
Total Ordinary Revenue	<u>4,175.9</u>	<u>4,090.4</u>	<u>4,067.3</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

<u>Ordinary Expenditure by Department</u>	(millions)		
	1999 Budget	1999 Actual	1998 Actual
Agriculture and Rural Development	\$ 23.4	\$ 23.3	\$ 22.9
Economic Development , Tourism and Culture	47.5	53.0	43.9
Education	729.6	728.4	707.1
Environment	10.2	10.1	11.5
Executive Council	3.3	3.9	3.0
Finance	18.5	17.6	18.2
Fisheries and Aquaculture	10.9	11.4	12.4
General Government	120.1	100.5	93.7
Health and Community Services	1,315.9	1,387.8	1,299.6
Human Resources Development – NB	307.5	295.9	306.2
Intergovernmental and Aboriginal Affairs	2.1	2.0	1.4
Justice	29.6	30.1	26.9
Labour	126.5	120.7	86.6
Legislative Assembly	11.7	12.5	11.0
Maritime Provinces Higher Education Commission	158.9	159.4	165.7
Municipalities and Housing	192.9	200.2	193.1
Natural Resources and Energy	75.6	77.5	76.4
Office of the Comptroller	5.1	5.0	4.9
Office of the Premier	1.2	1.2	1.3
Regional Development Corporation	63.1	59.1	53.8
Service of the Public Debt	603.0	616.4	574.1
Solicitor General	71.2	75.5	71.2
Supply and Services	80.0	80.3	76.5
Transportation	<u>131.4</u>	<u>143.0</u>	<u>141.8</u>
Total Ordinary Expenditure	<u>4,139.2</u>	<u>4,214.8</u>	<u>4,003.2</u>
Surplus (Deficit) on Ordinary Account	<u>\$ 36.7</u>	<u>\$ (124.4)</u>	<u>\$ 64.1</u>

b) Capital Account

Capital recoveries include entitlements and contributions from Canada for the construction, acquisition or major renovation of physical assets and proceeds received on disposal of government properties.

Expenditures are incurred to acquire or construct physical assets with expected lives of greater than one year. Physical assets include land, buildings, highways, bridges, wharves, ferries, vehicles and equipment. Certain minimum dollar thresholds have been established for practical reasons.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)		
	1999	1999	1998
<u>Capital Recoveries by Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Agriculture and Rural Development	\$ 1.0	\$ 2.1	\$ 2.7
Economic Development, Tourism and Culture	---	0.4	0.1
Health and Community Services	1.0	0.9	---
Municipalities and Housing	0.2	1.2	0.1
Natural Resources and Energy	---	---	0.1
Regional Development Corporation	4.8	7.1	6.1
Transportation	<u>31.2</u>	<u>30.2</u>	<u>71.6</u>
Total Capital Recoveries	<u>38.2</u>	<u>41.9</u>	<u>80.7</u>
<u>Capital Expenditure by Department</u>			
Agriculture and Rural Development	0.3	0.3	0.1
Economic Development, Tourism and Culture	2.6	2.5	1.5
Education	1.0	1.0	0.9
Environment	6.0	11.5	7.6
Health and Community Services	3.8	5.2	5.7
Municipalities and Housing	1.0	1.0	8.1
Natural Resources and Energy	---	62.5	---
Regional Development Corporation	10.7	10.9	13.8
Supply and Services	30.7	31.0	62.1
Transportation	<u>196.2</u>	<u>199.3</u>	<u>237.1</u>
Total Capital Expenditure	<u>252.3</u>	<u>325.2</u>	<u>336.9</u>
Net Capital Expenditure	<u>\$ 214.1</u>	<u>\$ 283.3</u>	<u>\$ 256.2</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

c) Special Purpose Account

Revenue is designated by donor request or legislation to be used for specific purposes. Expenditures are made for those designated purposes.

	1999	(millions)	
	<u>Budget</u>	1999	1998
		<u>Actual</u>	<u>Actual</u>
<u>Special Purpose Revenue by Department</u>			
Agriculture and Rural Development	\$ ---	\$ ---	\$ 0.2
Economic Development, Tourism and Culture	7.5	4.1	8.0
Education	4.8	8.5	5.0
Environment	14.5	14.9	14.6
Finance	0.5	1.1	2.6
Health and Community Services	3.5	2.1	1.1
Justice	0.5	0.5	0.3
Labour	---	3.1	1.0
Municipalities and Housing	3.2	5.8	14.5
Natural Resources and Energy	1.5	1.2	0.4
Solicitor General	1.9	2.0	1.8
Supply and Services	1.9	3.8	5.7
Transportation	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Total Special Purpose Revenue	<u>40.3</u>	<u>47.6</u>	<u>55.7</u>
<u>Special Purpose Expenditure by Department</u>			
Agriculture and Rural Development	---	---	0.2
Economic Development, Tourism and Culture	7.3	6.0	6.1
Education	4.9	6.0	4.3
Environment	14.5	14.5	14.8
Finance	0.1	0.1	0.1
Health and Community Services	3.1	2.6	1.3
Justice	0.5	0.4	0.3
Labour	---	2.4	1.0
Municipalities and Housing	0.4	0.7	0.6
Natural Resources and Energy	1.4	0.7	0.2
Solicitor General	1.9	2.0	1.6
Supply and Services	1.5	3.1	4.4
Transportation	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>
Total Special Purpose Expenditure	<u>36.2</u>	<u>39.0</u>	<u>35.4</u>
Surplus on Special Purpose Account	<u>\$ 4.1</u>	<u>\$ 8.6</u>	<u>\$ 20.3</u>

d) Sinking Fund Earnings

Sinking Fund Earnings are the earnings of the Province's General Sinking Fund, reduced by the amount recognized by the New Brunswick Power Corporation. During the fiscal year ended 31 March 1999, total earnings were \$246.7 million (\$215.6 million in 1998), of which \$20.1 million was recognized by the New Brunswick Power Corporation (\$15.3 million in 1998).

	1999	(millions)	
	<u>Budget</u>	1999	1998
		<u>Actual</u>	<u>Actual</u>
Sinking Fund Earnings	<u>\$ 192.6</u>	<u>\$ 226.6</u>	<u>\$ 200.3</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

e) Special Operating Agencies

Revenue may be generated by the Special Operating Agencies or from transfers from other budgetary accounts.

Expenditures are incurred by the agencies in delivering the programs they offer and may be of a capital or operating nature.

The New Brunswick Community College Special Operating Agency was created to administer the Province's community colleges.

The New Brunswick Integrated Justice Special Operating Agency was established to assist in managing the restructuring of justice administration.

The New Brunswick Safety Code Services Special Operating Agency is responsible for the enforcement of safety regulations affecting electrical, plumbing, elevating, boiler and pressure vessels, and gas installations.

The Regional Development Special Operating Agency exists to administer the projects under the Canada - New Brunswick Infrastructure Agreements, assist in administering the Rural Experience program and assist in administering several other grant programs of government.

The Vehicle Management Special Operating Agency exists to maintain the provincial fleet of vehicles and heavy equipment.

	(millions)		
	1999	1999	1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<u>Revenue by Special Operating Agency</u>			
New Brunswick Community College	\$ 75.7	\$ 89.3	\$ 85.3
New Brunswick Integrated Justice	---	---	1.1
New Brunswick Safety Code Services	3.0	4.0	3.6
Regional Development	20.4	29.8	60.0
Vehicle Management	<u>64.5</u>	<u>61.5</u>	<u>62.7</u>
Total Special Operating Agency Revenue	<u>163.6</u>	<u>184.6</u>	<u>212.7</u>
<u>Expenditure by Special Operating Agency</u>			
New Brunswick Community College	75.7	82.9	85.0
New Brunswick Integrated Justice	---	---	1.3
New Brunswick Safety Code Services	3.0	3.9	3.5
Regional Development	21.4	31.2	55.6
Vehicle Management	<u>64.4</u>	<u>61.3</u>	<u>62.1</u>
Total Special Operating Agency Expenditure	<u>164.5</u>	<u>179.3</u>	<u>207.5</u>
Surplus (Deficit) on Special Operating Agency Account	<u>\$ (0.9)</u>	<u>\$ 5.3</u>	<u>\$ 5.2</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

f) Adjustments on Consolidation

Some of the entities included in these financial statements were not included in the Province's budget on a consolidated basis. The previous tables report actual results, before consolidation adjustments, as compared to budget. Adjustments to the actual results reported in the previous tables are required to reflect these entities on a consolidated basis.

The adjustments required are as follow:

	(millions)	
	1999	1998
	<u>Actual</u>	<u>Actual</u>
<u>Revenue Consolidation Adjustments</u>		
Algonquin Properties Limited	\$ 6.8	\$ 6.0
Kingsbrae Horticultural Garden Inc.	0.8	0.9
N.B. Agriexport Inc.	0.3	0.5
New Brunswick Investment Management Corporation	3.6	2.7
New Brunswick Highway Corporation	13.4	---
Service New Brunswick	<u>38.6</u>	<u>33.0</u>
	<u>63.5</u>	<u>43.1</u>
<u>Expenditure Consolidation Adjustments</u>		
Algonquin Properties Limited	6.1	6.6
Kingsbrae Horticultural Garden Inc.	0.8	1.0
N.B. Agriexport Inc.	0.2	0.4
New Brunswick Investment Management Corporation	3.7	2.7
New Brunswick Highway Corporation	13.4	---
Service New Brunswick	<u>36.4</u>	<u>31.2</u>
	<u>60.6</u>	<u>41.9</u>
Net Revenue on Consolidation	<u>\$ 2.9</u>	<u>\$ 1.2</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

g) Reconciliation to Statement of Revenue and Expenditure

The following table reconciles the total actual results by budgetary account to the totals reported in the Statement of Revenue and Expenditure of the Province which is prepared on a consolidated basis. In combining the various budgetary accounts, inter-account transactions have been eliminated and the revenues approved as reductions from expenditure appropriations have been added back to expenditure and reflected as revenue.

	(millions)			
	1999		1998	
	<u>Revenue</u>	<u>Expenditure</u>	<u>Revenue</u>	<u>Expenditure</u>
Ordinary Account	\$ 4,090.4	\$ 4,214.8	\$ 4,067.3	\$ 4,003.2
Capital Account	41.9	325.2	80.7	336.9
Special Purpose Account	47.6	39.0	55.7	35.4
Sinking Fund Earnings	226.6	---	200.3	---
Special Operating Agencies	184.6	179.3	212.7	207.5
Revenues Netted Against Expenditure	13.2	13.2	9.1	9.1
Elimination of Inter-account Transactions	(181.4)	(181.4)	(194.8)	(194.8)
Adjustments on Consolidation	<u>63.5</u>	<u>60.6</u>	<u>43.1</u>	<u>41.9</u>
Total as Reported in Financial Statements	<u>\$ 4,486.4</u>	<u>\$ 4,650.7</u>	<u>\$ 4,474.1</u>	<u>\$ 4,439.2</u>

NOTE 5 BALANCING OF EXPENDITURE AND REVENUE

The Province's Balanced Budget Act requires that total expenditures not exceed total revenues for the period commencing 1 April 1996 and ending 31 March 2000.

That Act stipulates that any change made within the last fifteen months, or after completion of the period from 1 April 1996 to 31 March 2000 in relation to the official estimates by the Government of Canada for provincial entitlements under the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act or the Canada-New Brunswick Tax Collection Agreement, shall not be taken into account.

The cumulative difference as at 31 March 1999 between revenue and expenditure is as follows:

	(millions)	
	<u>1998 Actual</u>	<u>1999 Actual</u>
Cumulative Difference - Beginning of Year	\$ 125.4	\$ 187.1
Revenue	4,459.4	4,486.4
Less: Changes in Provincial Entitlements from Canada (Section 6(1)) after December 1998	---	(176.2)
Adjusted Revenue	4,459.4	4,310.2
Expenditure	4,397.7	4,650.7
Adjusted Surplus (Deficit) for the Year	<u>61.7</u>	<u>(340.5)</u>
Cumulative Difference - End of Year	<u>\$ 187.1</u>	<u>\$ (153.4)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

The financial statements for the fiscal year ended 31 March 1998 reported a surplus of \$61.7 million. In these financial statements, the 31 March 1998 surplus has been restated to \$34.9 million to reflect the adjustments disclosed in note 2. The Balanced Budget Act stipulates changes in accounting policy are not applied retroactively for the purpose of balancing revenue and expenditure. Therefore, the above table reports a surplus of \$61.7 million for the year ended 31 March 1998.

NOTE 6 LOANS AND ADVANCES

In addition to establishing budgets for the classifications referred to in note 4 to these financial statements, the Province budgets disbursements and recoveries for loans and advances. The budgeted amounts and actual results for the year ended 31 March 1999, and the actual results for the year ended 31 March 1998 are as follows:

	1999	(millions)	
	<u>Budget</u>	<u>1999</u>	<u>1998</u>
		<u>Actual</u>	<u>Actual</u>
<u>Disbursements</u>			
Agricultural Development Act	\$ 7.3	\$ 4.4	\$ 2.9
Algonquin Properties Limited	1.2	1.2	1.0
Economic Development Act	45.0	22.2	44.7
Fisheries Development Act	8.0	4.5	3.8
Housing	6.2	6.3	1.9
Other	---	4.2	<u>0.1</u>
Total Disbursements	<u>67.7</u>	<u>42.8</u>	<u>54.4</u>
<u>Recoveries</u>			
Agricultural Development Act	0.7	0.9	0.5
Algonquin Properties Limited	---	0.5	---
Economic Development Act	5.8	23.6	15.0
Finance	0.7	0.7	0.7
Fisheries Development Act	4.4	3.3	5.4
Health	0.6	0.6	0.5
Housing	2.4	2.6	2.8
Other	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Total Recoveries	<u>14.7</u>	<u>32.3</u>	<u>25.0</u>
Net Loans and Advances	<u>\$ 53.0</u>	<u>\$ 10.5</u>	<u>\$ 29.4</u>

NOTE 7 SPECIAL PURPOSE ACCOUNTS

Special Purpose Account revenue earned but not spent accumulates as a surplus in that account and may be spent in future years for the purposes specified. At 31 March 1999, the accumulated surplus in all Special Purpose Accounts totaled \$42.4 million (\$33.8 million 1998). This total is recorded as a reduction in net debt.

The following table summarizes the change in the accumulated Special Purpose Account surplus.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

	1998 Accumulated Surplus	(millions) 1999		Accumulated Surplus
		Revenue	Expenditure	
Economic Development, Tourism and Culture				
Redevelopment of the Miramichi Region	\$ 2.7	\$ 3.3	\$ 5.5	\$ 0.5
Arts Development Trust Fund	0.8	0.7	0.4	1.1
Education				
Fred Magee Account	0.3	---	---	0.3
Self Sustaining Accounts	1.2	4.6	4.1	1.7
International Projects	0.6	3.8	1.9	2.5
Johann Wordel Account	0.1	---	---	0.1
New Brunswick Community College Scholarship Account	0.2	---	---	0.2
Environment				
Environmental Trust Fund	1.4	15.0	14.6	1.8
Finance				
Group Insurance Trust Fund	4.9	1.1	---	6.0
Strait Crossing Finance Inc.	---	0.1	0.1	---
Health and Community Services				
Hospital Liability Protection Account	0.9	1.4	1.9	0.4
Medical Research Assistance Account	3.2	0.2	0.2	3.2
Third Party Contributions	---	0.1	0.1	---
WHSCC Compensation	---	0.4	0.4	---
Justice				
Family Support	---	0.5	0.4	0.1
Labour				
International Projects	1.1	3.1	2.4	1.8
Municipalities and Housing				
CMHC Funding	13.8	5.2	0.2	18.8
Library Account	0.1	0.2	0.2	0.1
Sport Development Trust Fund	0.1	0.4	0.4	0.1
Natural Resources and Energy				
Wildlife Conservation	0.2	1.2	0.8	0.6
Solicitor General				
Municipal Police Assistance Account	0.1	0.7	0.7	0.1
Victim Services Account	0.4	1.3	1.3	0.4
Supply and Services				
Land Management Account	1.4	1.6	1.4	1.6
Public/Private Partnership Projects	0.1	0.1	---	0.2
Renovation of Old Government House	---	2.1	1.6	0.5
Transportation				
Suspended Driver - Alcohol Re-education Program	---	0.3	0.3	---
National Safety Code Agreement	0.2	0.2	0.1	0.3
	<u>\$ 33.8</u>	<u>\$ 47.6</u>	<u>\$ 39.0</u>	<u>\$ 42.4</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 8 SPECIAL OPERATING AGENCIES

Special Operating Agency account revenue earned but not spent in any year, accumulates as a surplus in that account and may be spent in future years. As at 31 March 1999, the accumulated surplus in all Special Operating Agency accounts totaled \$16.6 million (\$11.3 million 1998). This total is recorded as a reduction in net debt. The following table summarizes the change in the accumulated Special Operating Agency surplus.

	1998 Accumulated <u>Surplus</u>	(millions)		Accumulated <u>Surplus</u>
		<u>Revenue</u>	<u>Expenditure</u>	
Education				
New Brunswick Community College	\$ 2.5	\$ 89.3	\$ 82.9	\$ 8.9
Labour				
New Brunswick Safety Code Services	0.1	4.0	3.9	0.2
Regional Development Corporation				
Regional Development	7.0	29.8	31.2	5.6
Transportation				
Vehicle Management	<u>1.7</u>	<u>61.5</u>	<u>61.3</u>	<u>1.9</u>
	<u>\$ 11.3</u>	<u>\$ 184.6</u>	<u>\$ 179.3</u>	<u>\$ 16.6</u>

NOTE 9 OBLIGATIONS UNDER CAPITAL LEASES

The total future principal and interest payments for capital leases amount to \$71.5 million (\$74.6 million 1998). That amount includes \$29.2 million (\$29.7 million 1998) in principal and \$42.3 million (\$44.9 million 1998) in interest.

Minimum annual principal and interest payments in each of the next five years are as follows:

<u>Fiscal Year</u>	(millions)
1999-2000	\$ 3.0
2000-2001	3.0
2001-2002	3.3
2002-2003	2.9
2003-2004	2.9

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 10 GOVERNMENT ENTERPRISES

A Government Enterprise is an organization accountable to the Legislative Assembly that has the power to contract in its own name, has the financial and operating authority to carry on a business, sells goods and services to customers outside the Provincial Reporting Entity as its principal activity, and that can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside the Provincial Reporting Entity.

The following is a list of Government Enterprises, and their fiscal year ends, which are included in the Provincial Reporting Entity as described in note 1 a) to these financial statements.

Algonquin Golf Limited	31-12-98
Lotteries Commission of New Brunswick (Lotteries)	31-03-99
New Brunswick Liquor Corporation (Liquor)	31-03-99
New Brunswick Municipal Finance Corporation (Municipal Finance)	31-12-98
New Brunswick Power Corporation (Power)	31-03-99
Workplace Health, Safety and Compensation Commission (WHSCC)	31-12-98

The following table presents condensed financial information of these Government Enterprises.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)						
	Algonquin Golf Limited	Lotteries	Liquor	Municipal Finance	Power	WHSCC	Total
Assets							
Cash and Equivalents	\$ ---	\$ ---	\$ 0.2	\$ 0.8	\$ 7.0	\$ 482.9	\$ 490.9
Receivables	---	6.6	1.2	4.0	191.0	67.8	270.6
Prepays	---	---	0.4	---	3.0	---	3.4
Inventories	---	---	10.3	---	74.0	---	84.3
Deferred Charges	---	---	3.9	---	205.0	---	208.9
Fixed Assets	3.3	---	11.3	---	3,130.0	8.3	3,152.9
Other Assets	---	---	---	334.5	56.3	0.4	391.2
Total Assets	<u>\$ 3.3</u>	<u>\$ 6.6</u>	<u>\$ 27.3</u>	<u>\$ 339.3</u>	<u>\$ 3,666.3</u>	<u>\$ 559.4</u>	<u>\$ 4,602.2</u>
Liabilities							
Short Term Loans	\$ ---	\$ ---	\$ 2.5	\$ ---	\$ 289.0	\$ ---	\$ 291.5
Payables	0.2	---	6.2	4.1	212.0	10.8	233.3
Reserves	2.1	---	---	---	218.0	---	220.1
Long Term Debt	1.0	---	6.8	334.5	179.1	516.9	1,038.3
Debt Funded by the Province	---	---	---	---	<u>2,765.9</u>	---	<u>2,765.9</u>
Total Liabilities	<u>3.3</u>	<u>---</u>	<u>15.5</u>	<u>338.6</u>	<u>3,664.0</u>	<u>527.7</u>	<u>4,549.1</u>
Equity							
Retained Earnings	---	<u>6.6</u>	<u>11.8</u>	<u>0.7</u>	<u>2.3</u>	<u>31.7</u>	<u>53.1</u>
Total Equity	---	<u>6.6</u>	<u>11.8</u>	<u>0.7</u>	<u>2.3</u>	<u>31.7</u>	<u>53.1</u>
Total Liabilities and Equity	<u>\$ 3.3</u>	<u>\$ 6.6</u>	<u>\$ 27.3</u>	<u>\$ 339.3</u>	<u>\$ 3,666.3</u>	<u>\$ 559.4</u>	<u>\$ 4,602.2</u>
Net Income							
Revenue	\$ ---	\$ 86.9	\$ 251.8	\$ 25.2	\$ 1,213.0	\$ 143.0	\$ 1,719.9
Expenses	---	(1.7)	(159.1)	(0.1)	(840.0)	(124.2)	(1,125.1)
Interest Expense	---	---	---	(25.1)	(346.0)	---	(371.1)
Extraordinary Item	---	---	---	---	<u>(450.0)</u>	---	<u>(450.0)</u>
Net Income	<u>\$ ---</u>	<u>\$ 85.2</u>	<u>\$ 92.7</u>	<u>\$ ---</u>	<u>\$ (423.0)</u>	<u>\$ 18.8</u>	<u>\$ (226.3)</u>

During the year, NB Power recorded an extraordinary item of \$450.0 million due to a decrease in the valuation of their assets.

The financial information of Government Enterprises is prepared according to generally accepted accounting principles, using accounting policies that are appropriate for the industry segment in which they operate. These accounting policies may not be consistent with accounting policies used by other member organizations of the Provincial Reporting Entity.

Because minor adjustments are required for timing differences, the net income amounts reported in the financial statements of government enterprises may vary slightly from the investment income reported in the Province's Statement of Revenue and Expenditure

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Algonquin Golf Limited

Algonquin Golf Limited was incorporated on 29 May 1998 under the New Brunswick Business Corporation Act. Its purpose is to re-develop and operate the golf course currently owned by Algonquin Properties Limited. The company is still in the development phase, and so it did not have any revenue or expenditure for the year ended 31 December 1998.

Lotteries Commission of New Brunswick

The Lotteries Commission of New Brunswick is a shareholder in Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation. Atlantic Lottery Corporation Inc. is jointly owned by the four Atlantic Provinces and is responsible to develop, organize, undertake, conduct and manage lotteries in Atlantic Canada. Atlantic Lottery Corporation Inc. also markets and handles the products of the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is a corporation jointly owned by the ten Canadian provinces.

New Brunswick Liquor Corporation

The New Brunswick Liquor Corporation was established under the New Brunswick Liquor Corporation Act. Its business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick.

New Brunswick Municipal Finance Corporation

The Municipal Finance Corporation was established under the New Brunswick Municipal Finance Corporation Act. Its purpose is to provide financing for municipalities and municipal enterprises through a central borrowing authority.

New Brunswick Power Corporation

The New Brunswick Power Corporation was established in 1920 under the Electric Power Act and is an agent of the Crown in right of the Province. The Corporation provides for the continuous supply of energy adequate for the needs and future development of the Province and promotes economy and efficiency in the distribution, supply, sale and use of power.

Workplace Health, Safety and Compensation Commission

The Workplace Health, Safety and Compensation Commission was established under the Workplace Health, Safety and Compensation Commission Act on 1 January 1995. It is responsible for administration of both the Occupational Health and Safety Act and the Worker's Compensation Act. The Workplace Health, Safety and Compensation Commission is dedicated to the promotion of a safe and healthy work environment and the provision of services to workplaces, employers and the injured workers of New Brunswick.

The Commission administers the payment of benefits to injured workers, levies and collects assessment revenues and invests funds. The net assets of the Commission and all assessments collected from employers can only be used for the purposes of the Commission.

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11 BORROWING AUTHORITY

a) Balance of Borrowing Authority under the Provincial Loans Act

The balance of borrowing authority granted under the Provincial Loans Act is as follows:

	(millions)			
	Balance	Authority	Borrowing	Balance
	<u>1998</u>	<u>Granted</u>	<u>During the</u>	<u>1999</u>
		<u>During the</u>	<u>Year</u>	
		<u>Year</u>	<u>Year</u>	
Loan Act 1991	\$ 5.5	\$ ---	\$ ---	\$ 5.5
Loan Act 1996	233.4	---	233.4	---
Loan Act 1997	450.0	---	227.5	222.5
Loan Act 1998	<u>---</u>	<u>520.0</u>	<u>---</u>	<u>520.0</u>
	<u>\$688.9</u>	<u>\$ 520.0</u>	<u>\$ 460.9</u>	<u>\$ 748.0</u>

Under the authority of section 2 of the Provincial Loans Act, the maximum temporary indebtedness of the Province is \$1,400.0 million. At 31 March 1999, bank advances and short term borrowing amounted to \$281.1 million.

Under the authority of subsection 3(1) of the Provincial Loans Act, the Province may borrow sums required for the repayment, refinancing or renewal of securities issued or for the payment of any loan or liability, repayment of which is guaranteed by the Province. This authority is in addition to the authorities listed above.

b) Borrowing by the Municipal Finance Corporation

The New Brunswick Municipal Finance Corporation has authority under the New Brunswick Municipal Finance Corporation Act to provide financing for municipalities and municipal enterprises. As at 31 December 1998, long term debt owed by the corporation was \$334.5 million.

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NOTE 12 FUNDED DEBT OUTSTANDING

The following is a maturity schedule for the total amount of the Province's Funded Debt.

(millions)					
<u>Fiscal Year of Maturity</u>	<u>Interest Rate (%) Range</u>	<u>Currency Amount</u>	<u>Total Funded Debt</u>	<u>Borrowing for NB Power Corporation</u>	<u>Funded Debt for Provincial Purposes</u>
1999-2000	7.2-12.7	CAN \$ 415.0	<u>\$ 415.0</u>	<u>(100.0)</u>	\$ 315.0
2000-2001	5.0	Yen 1,128.0	14.4	---	
	7.4	Sfr 130.0	132.9	---	
	7.6-13.4	CAN \$ 626.8	<u>626.8</u>	<u>(251.0)</u>	
			<u>774.1</u>	<u>(251.0)</u>	523.1
2001-2002	5.0	Yen 1,128.0	14.4	---	
	9.3-17.5	CAN \$ 575.6	<u>575.6</u>	<u>(250.0)</u>	
			<u>590.0</u>	<u>(250.0)</u>	340.0
2002-2003	7.1	US \$ 257.0	387.9	(181.1)	
	5.0	Yen 1,128.0	14.4	---	
	8.0-16.5	CAN \$ 823.8	<u>823.8</u>	<u>(500.0)</u>	
			<u>1,226.1</u>	<u>(681.1)</u>	545.0
2003-2004	5.0	Yen 1,128.0	14.4	---	
	7.4-12.1	CAN \$ 330.9	<u>330.9</u>	<u>(100.0)</u>	
			<u>345.3</u>	<u>(100.0)</u>	245.3
2004-2005 & After	6.5-9.8	US \$ 1,336.5	2,017.1	(815.0)	
	5.0	Yen 7,488.0	95.4	---	
	5.6	Sfr 100.0	102.2	---	
	5.4-14.1	CAN \$4,645.9	<u>4,645.9</u>	<u>(820.0)</u>	
			<u>6,860.6</u>	<u>(1,635.0)</u>	<u>5,225.6</u>
Funded Debt before Sinking Fund Investments			10,211.1	(3,017.1)	7,194.0
Less: Sinking Fund Investments			<u>2,944.4</u>	<u>(251.2)</u>	<u>2,693.2</u>
Funded Debt Outstanding			<u>\$7,266.7</u>	<u>\$(2,765.9)</u>	<u>\$4,500.8</u>

Pursuant to section 12 of the Provincial Loans Act, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt either at maturity or upon redemption in advance of maturity. At 31 March 1999, the equity of the General Sinking Fund accumulated for the repayment of Provincial Debt was \$2,693.2 million (\$2,440.0 million 1998). Some of the assets of this Fund are bonds and debentures issued or guaranteed by the Province of New Brunswick. The net book value of these investments at 31 March 1999 was \$1,513.1 million (\$1,375.3 million 1998).

NOTES TO THE FINANCIAL STATEMENTS
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Because government enterprises are included in the reporting entity through modified equity accounting, long term debt issued directly by those enterprises is not included in the amount of Funded Debt Outstanding. Note 10 to these financial statements discloses the long term debt obligations of government enterprises.

The following amounts, which are payable swap agreements, have been included in the preceding funded debt maturity schedule. They have been reflected in that schedule in the currency payable per each financial swap agreement.

<u>Fiscal Year of Maturity</u>	(millions) 1999		
	<u>Amount Payable in Original Currency</u>	<u>Amount Payable Per Financial Swap Agreement</u>	<u>Canadian Dollar Equivalent</u>
2000-2001	US \$ 15.6	CAN \$ 23.8	\$ 23.8
2002-2003	Yen 3,000.0	CAN \$ 30.6	30.6
2003-2004	Yen 5,000.0	CAN \$ 59.8	59.8
2004-2005	Yen 5,000.0	US \$ 47.5	71.7
2004-2005	Yen 5,000.0	CAN \$ 71.2	71.2
2004-2005	Yen 4,000.0	CAN \$ 55.1	55.1
2004-2005	Yen 3,000.0	CAN \$ 41.1	41.1
2006-2007	CAN \$ 95.1	Sfr 100.0	<u>92.9</u>
			<u>\$446.2</u>

All of the swap agreements are interest rate and currency swap agreements except the Sfr 100.0 issue due 2006-2007 which is a currency swap agreement only.

The following estimated payments are required in each of the next five years to meet the sinking fund provisions of existing debt.

<u>Fiscal Year</u>	(millions)
1999-2000	\$107.1
2000-2001	102.4
2001-2002	94.9
2002-2003	88.7
2003-2004	79.2

NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13 DEBT CHARGES

The total provincial cost of interest, exchange, amortization and related expenses is \$343.5 million (\$363.8 million 1998), which consists of:

	(millions)	
	<u>1999</u>	<u>1998</u>
Interest	\$ 827.4	\$815.4
Interest on Capital Leases	2.6	1.3
Foreign Exchange Expense	47.0	19.7
Other Expenses	<u>7.6</u>	<u>9.6</u>
	884.6	846.0
Interest Recovery for Debt Incurred for the New Brunswick Power Corporation	(268.2)	(264.0)
Capitalization of Interest	<u>---</u>	<u>(7.8)</u>
Service of the Public Debt	616.4	574.2
Pension Interest Charged to Various Expenditure Functions	(46.3)	(10.1)
Sinking Fund Earnings	<u>(226.6)</u>	<u>(200.3)</u>
	<u>\$ 343.5</u>	<u>\$ 363.8</u>

NOTE 14 PENSION PLANS

a) Description

Employees of the Province and certain other entities, as well as members of the Legislative Assembly, are entitled to receive pension benefits. Pension funds distinct from the Consolidated Fund exist for each of these pension plans, except for the Members' Superannuation Plan, Members' Pension Plan and the Ombudsman Plan.

The following is a summary of contribution levels and basic member benefits for each pension plan.

Public Service Superannuation Plan (Public Service)

Employees are required to contribute 5.8% of their earnings, up to the year's maximum pensionable earnings under the Canada Pension Plan Act (YMPE), plus 7.5% on earnings above the YMPE. The Employer is required to contribute an amount necessary in the opinion of an actuary, which when combined with employee contributions will fund current service costs.

The basic pension benefit is 2.0% of the average annual salary during the highest paid continuous 5 year period integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually to a maximum of 5%.

Normal retirement age is 65. Unreduced pension benefits are available upon reaching age 60 with 5 years pensionable service. Reduced benefits are available at age 55 with 5 years of pensionable service.

NOTES TO THE FINANCIAL STATEMENTS
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Teachers' Pension Plan (Teachers')

Employees are required to contribute 7.3% of their earnings up to YMPE plus 9% of earnings above the YMPE. The Employer makes contributions equal to the employee contributions.

The basic pension benefit is 2.0% of the average annual salary during the highest paid continuous 5 year period integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually to a maximum of 4.75%.

Employees are eligible for unreduced pension benefits when the sum of their age and completed years pensionable service is 87 or more, they have a minimum of 35 years pensionable service or at age 65 with 5 years of pensionable service. Reduced benefits are available when the age and service total is 85, or at age 60 with 5 years of pensionable service.

Judges' Superannuation Plan (Judges')

Judges are required to contribute 5.8% of their earnings up to the YMPE plus 7.5% on earnings above the YMPE. The Employer contributes an amount necessary in the opinion of an actuary, which when combined with employee contributions will fund current service costs.

Pension benefits are equal to 60% of the final salary integrated with the Canada Pension Plan. Pension benefits are indexed annually to a maximum of 6%.

Mandatory retirement is at age 75. Unreduced benefits are available at age 60 with 25 years service or at age 65 with 10 years service.

Members' Superannuation Plan and Members' Pension Plan (Members')

a) The Members' Superannuation Plan applies to Members of the Legislative Assembly (MLA's) who were MLA's prior to the enactment of the Members' Pension Act.

MLA's are required to contribute 9% of the MLA's indemnity plus 6% of the Minister's salary (if a Minister). These contributions are credited to the Members' Superannuation Account within the Provincial Consolidated Fund. The Province contributes an amount equal to the excess of pension payments over member contributions, plus interest.

Basic pension equals 4.5% of the average indemnity during the last three years as a MLA multiplied by the number of pensionable sessions served. This cannot exceed the amount of the final year's sessional indemnity. There is an additional benefit for Ministers equal to 3% of the average Ministers' salary during the last three years multiplied by the years service as a Minister.

Members are eligible for benefits upon ceasing to be a MLA with at least 10 sessions of pensionable service.

b) Members of the Members' Pension Plan are required to contribute the lesser of the amount described under the Members' Superannuation Plan and the maximum deductible registered pension contributions under the Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS
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Basic pension equals 2% of the average indemnity received in the highest paid 3 continuous sessions of the Legislature multiplied by the number of pensionable sessions while a member. Ministers are eligible for an additional basic pension amount equal to 2% of the average Minister's salary multiplied by the years of service as a Minister. MLA's are eligible for a supplementary allowance of 125% of the basic pension amount. Ministers are eligible for an additional supplementary allowance equal to 50% of the basic Minister's pension amount.

Members are eligible for basic pension benefits at age 60 upon ceasing to be a MLA with at least 8 sessions of pensionable service. Eligibility for supplementary allowances commences at age 55 with at least 8 sessions of service upon ceasing to be a member.

Pension Plan for Canadian Union of Public Employees of New Brunswick Hospitals
(Hospitals - C.U.P.E.)

Employees are required to contribute 4.5% of their earnings up to the YMPE and 6% on the earnings above the YMPE. Employer contributes an amount necessary in the opinion of an actuary, which when combined with employee contributions will fund current service costs. The employer is currently on a contribution holiday.

Basic pension is 2.0% of the average annual salary during the highest paid continuous 5 year period integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 2%.

Normal retirement age is 65. Unreduced pension benefits are available at age 63 with 5 years continuous employment. Effective 1 April 1996 to 30 June 1999, members can retire at age 60 with 5 years continuous employment and receive an unreduced pension. Reduced benefits are available at age 55 with 5 years continuous employment.

Pension Plan for Management Employees of New Brunswick School Districts
(Schools - Management)

This plan is being curtailed. All former members have been given the option to transfer their benefits to the Public Service plan or to take a deferred pension from this plan.

There are no current contributors to the plan.

Basic pension equals 2.0% of average annual salary during the highest paid continuous 5 years integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 3%.

Normal retirement age is 65. Unreduced pension is available at age 60 with 5 years of pensionable service. Reduced benefits are available at age 55 with 5 years of pensionable service.

Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts
(Schools - G.L.T.& S.)

Employees are required to contribute 4.5% of their earnings up to the YMPE, plus 6% of earnings above the YMPE. Employer is required to contribute an amount that is not less than 95% of the employee contributions.

Basic pension equals 2.0% of average annual salary during the highest paid continuous 5 years integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 2%.

NOTES TO THE FINANCIAL STATEMENTS
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Normal retirement age is 65. Unreduced pension benefits are available at age 60 with 5 years continuous employment. Reduced benefits are available on retirement at age 55 with 5 years continuous employment. Bridging benefits are available for early retirement.

Pension Plan for Secretarial and Clerical Employees of New Brunswick School Districts
(Schools - S. & C.)

Employees are required to contribute 4.5% of their earnings up to the YMPE, plus 6% of earnings above the YMPE. Employer currently contributes an amount equal to 95% of the employee contributions as recommended by an actuary.

Basic pension equals 2.0% of average annual salary during the highest paid continuous 5 years integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 2%.

Normal retirement is at age 65. Unreduced pension benefits are available at age 60 with 5 years continuous employment. Reduced benefits are available on retirement at age 55 with 5 years continuous employment.

Ombudsman Plan (Ombudsman)

The Province contributes the amount required to make annual pension payments. There are no current active members in this plan. All contributions are made to fund pension payments to retired Ombudsmen or their beneficiaries.

Basic pension to current recipients is the same as that for Federal Court judges.

Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals
(Hospitals - Certain)

Employees are required to contribute 5.185% of their earnings up to the YMPE, plus 6.61% of earnings above the YMPE. Employer makes contributions equal to the employee contributions.

Basic pension equals 2.0% of average annual salary during the highest paid continuous 5 years integrated with the Canada Pension Plan, multiplied by the number of years pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 4%.

Normal retirement is at age 65. Unreduced pension is available at age 60 with 5 years continuous employment. Reduced pension is available at age 55 with 5 years continuous employment.

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Pension Plan for Part-time and Seasonal Employees (Part Time)

This is a defined contribution plan. Eligible employees include part-time or seasonal employees of the Province, Hospital Corporations, and various government agencies. Participation in the plan is voluntary. Employees can contribute 2%, 3.25% or 4.5% of their earnings. The Employer makes contributions equal to the employee contributions. The employee can make additional contributions up to the overall contribution maximums under the Income Tax Act but these are not matched by the employer. Normal retirement age is 65.

Early Retirement / Workforce Adjustment Program (Early Retirement)

The Province has obligations under various early retirement initiatives. Under the most recent program offered, which expired at 31 March 1999, certain employees were eligible for special retirement provisions if their jobs were lost due to budget reductions or restructuring. Employees could retire as early as age 55 with an unreduced pension. In addition, they were eligible to purchase up to 3 years of pension credits at a cost of 5 weeks pay for every year purchased. If an employee retired before age 55, options to use retiring allowance or severance benefits to bridge to age 55 were also available.

b) Pension Liability

With the exception of the Hospitals - Certain plan which is a defined benefit plan with a fixed employer contribution, and the Part-Time plan, which is a defined contribution plan, the Province is liable for any excess of accrued pension benefits over pension fund assets. The Provincial share of the estimated pension liability for all pension plans is \$772.6 million (\$1,062.6 million 1998). This estimate is based on actuarial valuations using the projected unit credit method, calculated as at the dates listed below. This method estimates the present value of retirement benefits associated with the period of employee service to the valuation date. The actuarial valuations were based on a number of assumptions about future events, such as rates of return on assets, wage and salary increases and employee turnover and mortality. Section i) of this note lists some of the actuarial assumptions used. Section j) lists selected information about plan members.

The latest actuarial valuations for the Province's pension plans are dated as listed in the following table:

<u>Plan</u>	<u>Date</u>
Public Service	01/04/99
Teachers'	01/04/99
Judges'	31/03/92
Members'	01/04/96
Hospitals - C.U.P.E.	01/01/97
Schools - Management	01/01/93
Schools - G.L.T.&S.	01/01/97
Schools S.&C.	01/01/97
Ombudsman	---
Hospitals - Certain	---
Early Retirement	31/03/96

NOTES TO THE FINANCIAL STATEMENTS
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Details of the pension liability are outlined in the following table. The estimated accrued benefits and the value of plan assets reported have been updated to the most recent year end of the applicable pension plan. This was based on a projection of the actuarial assumptions and on actual contribution levels. The plans for hospital and school district employees have 31 December year ends. All other plans have 31 March year ends.

Details of the unamortized adjustments and valuation allowances are disclosed in sections e), f), g) and h) of this note.

Plan	(millions)					
	1999			Unamortized Pension Adjustments and Valuation Allowance		1998
	Estimated Accrued Benefits	Value of Assets	Actuarial Pension Liability (Surplus)		Pension Liability (Surplus)	Pension Liability (Surplus)
Public Service	\$ 2,499.3	\$ 2,614.8	\$ (115.5)	\$ 329.9	\$ 214.4	\$ 321.2
Teachers'	2,481.6	2,525.3	(43.7)	533.0	489.3	630.6
Judges'	29.4	16.9	12.5	0.3	12.8	13.2
Members'	31.3	---	31.3	---	31.3	30.1
Hospitals – C.U.P.E.	175.4	333.3	(157.9)	104.5	(53.4)	---
Schools – Management	10.3	17.6	(7.3)	1.5	(5.8)	(5.8)
Schools - G.L.T.& S.	112.3	134.7	(22.4)	21.7	(0.7)	---
Schools - S.& C.	19.5	23.9	(4.4)	0.8	(3.6)	---
Early Retirement	<u>63.8</u>	<u>---</u>	<u>63.8</u>	<u>---</u>	<u>63.8</u>	<u>62.3</u>
	5,422.9	5,666.5	(243.6)	991.7	748.1	1,051.6
Allocated to NB Power	<u>504.0</u>	<u>531.1</u>	<u>(27.1)</u>	<u>2.5</u>	<u>(24.6)</u>	<u>(11.0)</u>
	<u>\$ 4,918.9</u>	<u>\$ 5,135.4</u>	<u>\$ (216.5)</u>	<u>\$989.2</u>	<u>\$ 772.7</u>	<u>\$1,062.6</u>

The value of assets in all plans exceeds the value of accrued benefits by \$216.5 million at 31 March 1999. However, because the calculation of this excess includes estimates of future events and market values of assets, the Statement of Financial Position reports a liability of \$772.7 million for accounting purposes. The difference of \$989.2 million is being amortized over future years. This ensures that past improvements to the financial position of the plans are only recognized as evidence of their existence becomes reliable.

c) Funding

Pursuant to the Public Service Superannuation Act, the Consolidated Fund and certain government agencies will, in each fiscal year until the benefits under that Act are fully funded as determined by an actuarial valuation, pay an amount into the Public Service Superannuation Fund that is in addition to the employer contribution for current service costs. The additional amount paid during the fiscal year ended 31 March 1999 was \$39.2 million as follows:

Consolidated Fund	\$ 30.8
New Brunswick Liquor Corporation	0.5
New Brunswick Power Corporation	7.7
Workplace Health, Safety and Compensation Commission	0.2

In each subsequent fiscal year the additional amount to be paid will be the amount paid in the previous fiscal year increased (or decreased) by the aggregate of 2% plus the average percentage change in the Consumer Price Index.

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Pursuant to the Teachers' Pension Act, the Province will, in each fiscal year until the benefits under that Act are fully funded as determined by an actuarial valuation, pay an amount into the Teachers' Pension Fund that is in addition to the employer contribution for current service costs. The additional amount paid during the fiscal year ended 31 March 1999 was \$57.0 million. In each subsequent fiscal year the additional amount to be paid will be the amount paid in the previous fiscal year increased (or decreased) by the aggregate of 2% plus the average percentage change in the Consumer Price Index.

As at 31 March 1999 the Public Service plan was 104.6% funded and the Teachers' plan was 101.7% funded on an actuarial basis using the assumptions disclosed in this note. These are not the same assumptions used to determine funding contribution requirements. As of the most recent funding valuations, neither plan was fully funded on a funding basis.

d) Change in Pension Liability

The components of the change in pension liability are disclosed in the following table:

<u>Plan</u>	(millions)						
	<u>Employers' Share of Pension Benefits Earned</u>	<u>Pension Interest</u>	<u>Amortization of Adjustments</u>	<u>Valuation Adjustment</u>	<u>Total Pension Expense</u>	<u>Employer Pension Contribution</u>	<u>Increase (Decrease) in Pension Liability</u>
Public Service	\$ 35.4	\$ (29.0)	\$ (41.7)	\$ ---	\$ (35.3)	\$ 71.5	\$ (106.8)
Teachers'	28.1	(18.0)	(66.6)	---	(56.5)	84.8	(141.3)
Judges'	0.6	0.9	(0.1)	---	1.4	1.8	(0.4)
Members'	0.6	2.5	---	---	3.1	1.9	1.2
Hospitals - C.U.P.E.	2.6	(7.3)	(1.4)	16.4	10.3	63.7	(53.4)
Schools - Management	---	(0.4)	0.7	(0.3)	---	---	---
Schools - G.L.T.&S.	1.9	(4.2)	(3.1)	6.5	1.1	1.8	(0.7)
Schools - S. & C.	0.3	(0.8)	(0.4)	(2.3)	(3.2)	0.4	(3.6)
Ombudsman	0.2	---	---	---	0.2	0.2	---
Hospitals - Certain	8.8	---	---	---	8.8	8.8	---
Part Time	2.3	---	---	---	2.3	2.3	---
Early Retirement	<u>0.3</u>	<u>5.2</u>	<u>---</u>	<u>---</u>	<u>5.5</u>	<u>4.0</u>	<u>1.5</u>
	81.1	(51.1)	(112.6)	20.3	(62.3)	241.2	(303.5)
Allocated to NB Power	<u>6.6</u>	<u>(4.8)</u>	<u>(0.4)</u>	<u>---</u>	<u>1.4</u>	<u>15.0</u>	<u>(13.6)</u>
	<u>\$ 74.5</u>	<u>\$ (46.3)</u>	<u>\$ (112.2)</u>	<u>\$ 20.3</u>	<u>\$ (63.7)</u>	<u>\$ 226.2</u>	<u>\$ (289.9)</u>

Total pension benefits of \$165.5 million were earned by employees during the fiscal year. Employees contributed \$79.5 million toward these benefits. The value of pension benefits charged to agencies was \$11.5 million. The employers' share of pension benefits earned was \$74.5 million.

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e) Experience Gains and Losses

Experience gains or losses are generally amortized to pension expense over the estimated average remaining service life of active contributors. The balance of experience gains on assets that arose prior to 1994 in the Public Service and Teachers' plans are being amortized over 5 years commencing in 1999. In addition, accelerated amortization has been taken on the experience gains and losses in the Schools – G.L.T.& S. and Schools – S.&C. plans, which when combined with accelerated amortization on the actuarial assumptions in those plans, offsets the amortization of plan amendments in 1999. The following table summarizes the experience gains or losses for each plan:

Plan	Estimated Average Remaining Service Life of Active Contributors (years)	(millions)			
		31 March 1998 Unamortized Experience Gains	New Experience Gains (Losses)	Amortization of Experience Gains	31 March 1999 Unamortized Experience Gains (Losses)
Public Service	16	\$406.6	\$(268.1)	\$(24.7)	\$113.8
Teachers'	14	504.1	(215.5)	(40.1)	248.5
Judges'	11	2.0	(1.6)	(0.1)	0.3
Hospitals - C.U.P.E.	15	56.2	1.5	(4.9)	52.8
Schools - G.L.T.&S.	13	26.3	(8.2)	(12.4)	5.7
Schools - S.&C.	16	2.6	(1.8)	(1.6)	(0.8)
Schools – Management	1	---	(0.7)	0.7	---
		997.8	(494.4)	(83.1)	420.3
Allocated to NB Power		59.1	(49.0)	(0.8)	9.3
		<u>\$938.7</u>	<u>\$(445.4)</u>	<u>\$(82.3)</u>	<u>\$411.0</u>

f) Changes to Actuarial Assumptions

Changes to actuarial assumptions are generally amortized to pension expense over the estimated average remaining service life of active contributors. Amortization of actuarial assumptions on the Schools – G.L.T.&S. and Schools – S.&C. plans have been accelerated so that when combined with accelerated amortization of experience gains and losses, it offsets plan amendments. The following table summarizes the value of estimation adjustments arising from changes to actuarial assumptions for each plan:

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

<u>Plan</u>	Estimated Average Remaining Service Life of Active Contributors (years)	(millions)			
		31 March 1998 Unamortized Value of Changes to Assumptions	Value of New Changes to Assumptions	Amortization of Changes to Assumptions	31 March 1999 Unamortized Value of Changes to Assumptions
Public Service	16	\$233.1	\$---	\$(17.0)	\$216.1
Teachers'	14	311.0	---	(26.5)	284.5
Hospitals - C.U.P.E.	15	29.9	---	(2.4)	27.5
Schools - G.L.T.& S.	13	13.5	---	(13.5)	---
Schools - S. & C.	16	<u>3.5</u>	---	<u>(3.5)</u>	---
		591.0	---	(62.9)	528.1
Allocated to NB Power		---	<u>(7.2)</u>	<u>0.4</u>	<u>(6.8)</u>
		<u>\$591.0</u>	<u>\$7.2</u>	<u>\$(63.3)</u>	<u>\$534.9</u>

g) Amendments to Pension Plan Provisions

Amendments made to the various pension plans are being amortized to pension expense in the year the amendment is made. In the case of Hospitals – C.U.P.E., amendments are being amortized over the term of the collective agreement.

<u>Plan</u>	Amortization Period (years)	(millions)			
		31 March 1998 Unamortized Plan Amendments	Value of New Plan Amendments	Amortization of Plan Amendments	31 March 1999 Unamortized Plan Amendments
Hospitals - C.U.P.E.	3.5	\$(7.3)	\$ ---	\$5.9	\$ (1.4)
Schools - G.L.T.&S.	1	---	(22.8)	22.8	---
Schools – S&C	1	---	<u>(4.7)</u>	<u>4.7</u>	---
		<u>\$(7.3)</u>	<u>\$(27.5)</u>	<u>\$33.4</u>	<u>\$(1.4)</u>

h) Valuation Allowance

Pension surpluses for individual plans that exceed certain limits, have been reduced by valuation allowances. Details of the allowances are provided in the following table:

<u>Plan</u>	(millions)
	31 March 1999 Valuation Allowance
Hospitals – C.U.P.E.	\$25.6
Schools – Management	1.5
Schools - G.L.T.&S.	16.0
Schools - S. & C.	<u>1.6</u>
	<u>\$44.7</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

i) Actuarial Assumptions

Calculation of the Province's employee pension obligations and related pension expenditure is based on long and short term actuarial assumptions except the Judges' Plan where only long term assumptions are used. The short term period spans the years 1997 to 2001 and the long term covers the years thereafter.

The tables below disclose the long term assumptions and the range of short term assumptions used in the actuarial valuations.

Long Term Assumptions

<u>Plan</u>	<u>Rate of Return on Assets (%)</u>	<u>Annual Wage and Salary Increase (%)</u>	<u>Inflation (%)</u>	<u>Rate of Pension Escalation after Retirement (%)</u>
Public Service	8.42	4.50 plus promotional increase between 0.20 and 1.00	4.00	3.70
Teachers'	8.42	4.50 plus promotional increase between 0.25 and 1.50	4.00	3.60
Judges'	8.16	5.25	4.50	4.00
Hospitals - C.U.P.E.	8.42	4.50	4.00	2.00
Schools - Management	8.16	4.75	4.00	2.00
Schools - G.L.T.&S.	8.42	4.50	4.00	2.00
Schools - S.&C.	8.42	4.50	4.00	2.00
Members'	8.16	4.75	4.00	4.00

Short Term Assumptions

<u>Plan</u>	<u>Rate of Return on Assets (%)</u>	<u>Annual Wage and Salary Increase (%)</u>	<u>Inflation (%)</u>	<u>Rate of Pension Escalation after Retirement (%)</u>
Public Service	8.42	2.0 to 4.5	2.0 to 3.0	2.0 to 3.7
Teachers'	8.42	2.0 to 4.5	2.0 to 3.0	2.0 to 3.6
Judges'	8.16	5.25	4.5	4.0
Hospitals - C.U.P.E.	8.42	2.0 to 4.5	2.0 to 3.0	2.0
Schools - Management	6.08 to 7.64	1.5 to 4.0	2.0 to 3.5	2.0
Schools - G.L.T.&S.	8.42	2.0 to 4.5	2.0 to 3.0	2.0
Schools - S.&C.	8.42	2.0 to 4.5	2.0 to 3.0	2.0
Members'	6.08 to 7.64	0.0 to 4.0	2.0 to 3.5	2.0 to 3.5

These assumptions have been used to determine the amount of the Province's obligation for pension benefits outstanding and the value of benefits earned by employees during the fiscal year. Different assumptions have been used to determine the appropriate level of employee and employer contributions needed to fund the estimated cost of the pension plans.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

j) Member Data

The following table lists data about the members of each plan.

Plan	Number of Active Contributors	Number of Pensioners	Average Annual Salary of Contributors	Average Annual Pension
Public Service	16,416	7,810	\$ 39,749	\$ 13,832
Teachers'	8,488	5,029	46,999	25,856
Judges'	25	30	125,382	39,480
Hospitals - C.U.P.E.	3,983	1,458	24,033	5,964
Schools - Management	---	57	---	11,673
Schools - G.L.T.& S.	1,923	850	22,757	6,466
Schools - S.&C.	487	96	22,774	3,883
Members'	55	80	37,624	29,794

Ministers earn an additional average salary of \$33,595.

NOTE 15 CONTINGENT LIABILITIES

a) Legal Action

Blue Cross of Atlantic Canada, Healthcorp Systems Inc. and Medicorp Inc. have filed suit against the Province claiming damages for breach of contract, breach of fiduciary duty, negligence and misrepresentation resulting from the termination of a project to develop, deliver and operate a new, state-of-the-art computerized information system for the Province's medicare program. Blue Cross alleges that it has already suffered losses of \$35.3 million and is claiming these losses plus other unquantified general, aggravated, punitive and exemplary damages, interest and costs.

The Province has denied the claims and counterclaimed for damages for breach of contract alleging that Blue Cross failed to deliver the system contracted for and that, as a result of this failure, the Province has suffered substantial losses and will continue to suffer such losses in the future. The Province alleges that as at 30 April 1998 it had already suffered losses of at least \$9.4 million and claimed those losses plus general damages for unquantified losses of healthcare cost savings, interest and costs.

In the view of the Province, a view that its legal counsel consider to be reasonable, neither the likelihood of success nor the amount of any potential recovery of liability is at this point reasonably determinable. Therefore no amount has been accrued in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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b) Guaranteed Loans

The Province has guaranteed certain debt of entities external to the Provincial Reporting Entity under the authority of various statutes. At 31 March 1999, the total contingent liability in respect of these guarantees was \$80.8 million (\$56.4 million 1998), of which the Province has recognized \$16.3 million as a liability in the Statement of Financial Position (\$11.0 million 1998).

	(millions)	
	Authorized <u>Limit</u>	Contingent <u>Liability</u>
Adult Education and Training Act	\$ 0.3	\$ 0.3
Agricultural Development Act	1.6	0.8
Economic Development Act	62.2	57.4
Employment Development Act	3.6	3.3
Fisheries Development Act	5.9	2.9
Livestock Incentives Act	0.6	0.6
Nursing Homes Act	11.3	11.3
Regional Development Corporation Act	4.2	<u>4.2</u>
		80.8
Less: Allowance for Losses on Guaranteed Loans		<u>16.3</u>
		<u>\$ 64.5</u>

c) Environmental Responsibility

The Province of New Brunswick has an agreement with a mining company to limit the liability of the company to \$3.0 million for environmental damages that occurred prior to the company commencing mining at a specified site. The cost to clean up the major problem area of this site has been estimated at \$3.0 million. The Province currently holds a performance bond for \$1.3 million from this company relating to this clean up and additional security by way of insurance bonds and cash of \$1.1 million for other environmental damage at the site.

N.B. Coal (a wholly owned subsidiary of New Brunswick Power Corporation) has an environmental responsibility to treat acidic water drainage from an inactive mine. Cost of treatment for the fiscal year ended 31 March 1999 was \$0.5 million (\$0.5 million 1998).

d) Insurance

The Province does not carry general liability insurance or property insurance on its assets except in a few limited instances. Any successful liability claims against the Province and any replacement of lost or damaged property are charged to expenditure in the year of settlement or replacement.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 16 COMMITMENTS**a) Operating Leases**Space and Equipment Rental

The total future minimum payments under various operating lease agreements, including those of government enterprises, for the rental of space and equipment amounts to \$233.1 million (\$193.1 million 1998). Minimum annual lease payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
1999-2000	\$ 36.5
2000-2001	29.7
2001-2002	24.9
2002-2003	21.4
2003-2004	17.6

Fredericton-Moncton Highway

In January 1998, the Province, through the New Brunswick Highway Corporation (NBHC) entered into agreements with a private sector consortium and the New Brunswick (F-M) Project Company Inc., a not-for-profit company, to develop, design, build, operate, manage, maintain and rehabilitate a four lane toll highway between Longs Creek and Moncton. Total capital costs of the project including construction financing are estimated to be \$863.8 million.

NBHC will lease land it owns to the New Brunswick (F-M) Project Company Inc. which will own all improvements to these lands, in particular the four lane toll highway, and sublease the improvements back to NBHC. NBHC is responsible for making the sublease payments to the New Brunswick (F-M) Project Company Inc. Under these agreements NBHC will be required to make total lease payments of approximately \$1,512.7 million, including principal and interest. This amount will be paid through 49 equal semi-annual payments estimated to be \$30.9 million, starting in the fiscal year 2003-2004. However, accrual for the annual lease cost will begin once the highway is completed to the stage of full traffic availability.

Fredericton North High School

On 22 July 1998 the Province entered into a Development Agreement with Diamond Construction (1961) Limited, to construct and finance the Fredericton North High School in Fredericton.

The facility will be owned, operated and maintained by Diamond Construction (1961) Limited. The Province executed a Lease and Operations Agreement on 1 September 1999 for a term of twenty-five years commencing on 1 September 1999. The total cost for the Lease and Operations Agreement will be approximately \$46.5 million. The Province will have the option, at the end of twenty years, to either purchase the facility at a cost of \$14.8 million or to continue to lease for the remaining five years of the Lease term. These amounts have not been included in the future minimum lease payments under operating leases described in Note 16(a).

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

b) Nursing Homes

The Department of Health and Community Services includes in its annual operating budget funding for the repayment of approved long term debt of certain nursing homes. The Department funds the nursing homes through grants which pay the difference between operating expenses and revenue from other sources. On average, revenue from other sources covers approximately 35% of operating costs.

Total long term debt of these nursing homes at 31 March 1999 amounted to approximately \$74.0 million (\$75.3 million 1998). Of the \$74.0 million nursing home debt, the Province has issued guarantees totalling approximately \$11.3 million (\$11.6 million 1998) which is included as a contingent liability.

c) Authorized Capital Projects

The 31 March 1999 estimated amount required to complete authorized major construction projects of schools, hospitals, other buildings, roads and bridges, and to meet capital grant obligations is \$55.2 million (\$77.8 million 1998). This includes projects that will be cost shared with the Government of Canada. Most of these projects are expected to be completed within three years.

d) Other Commitments

Human Resources Development - New Brunswick

The Province, through the Department of Human Resources Development - New Brunswick, has entered into a public-private partnership with Andersen Consulting to develop and implement business processes which make use of information technology. This arrangement is expected to result in cost savings for the Province. Andersen Consulting will be repaid for their investment in this project only if adequate savings are realized. The total repayable project investment by Andersen Consulting is estimated to be \$15.5 million plus financing charges.

During the fiscal year ended 31 March 1999 benefits of \$8.3 million were identified and accrued. The total accumulated benefits accrued to date are \$12.5 million. Sufficient benefits needed to repay Andersen Consulting are expected to accrue over the next two years. Operation and maintenance of the technology used in this project have been contracted separately.

NOTE 17 UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Province's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Province, including those related to the efforts of suppliers or other third parties, will be fully resolved.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 18 EXPENDITURE BY PRIMARY CLASSIFICATION

The expenditures by primary classification are as follows:

	(millions)	
	<u>1999</u>	<u>1998</u>
Personal Services	\$ 985.2	\$ 1,000.0
Other Services	403.5	371.0
Materials and Supplies	114.0	129.6
Property and Equipment	286.5	263.3
Contributions, Grants and Subsidies to or on behalf of:		
Hospitals	664.0	638.8
Municipalities and Local Service Districts	150.8	151.0
Individuals	800.3	761.3
Nursing Homes	106.4	104.2
Other	417.6	354.5
Debt and Other Charges	<u>722.4</u>	<u>665.5</u>
	<u>\$4,650.7</u>	<u>\$4,439.2</u>

Personal Services includes salaries and benefits of employees, and allowances paid to the members of the Legislative Assembly. Personal Services does not include salaries and benefits of employees of hospitals and other agencies, which are paid by those organizations. Funding provided to those organizations is recorded as Contributions, Grants and Subsidies.

Other Services includes the purchase of various services including rental of space, postage, advertising, professional services, Royal Canadian Mounted Police services and travel expenses.

Materials and Supplies includes the purchase of textbooks, office supplies, heating fuel, vehicle and equipment supplies and parts, and structural materials and supplies.

Property and Equipment includes the purchase and construction of buildings, roads, bridges, equipment, and office furniture.

Contributions, Grants and Subsidies includes payments to government corporations, agencies and boards, and to business entities and non-profit organizations. Contributions, Grants and Subsidies to or on behalf of individuals includes income assistance payments and medical service payments on behalf of individuals. Contributions, Grants and Subsidies to Hospitals includes both grants provided to Hospitals, and the unfunded deficits of Hospitals.

Debt and Other Charges includes the cost of servicing the public debt and bad debt expenses.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 19 TRUST FUNDS

The Province is trustee for various trust funds outside the Provincial Reporting Entity.

The following is a summary of the trust fund equities calculated using the method indicated below to value investment assets:

	(millions)	
	<u>1999</u>	<u>1998</u>
<u>Cost Method:</u>		
Margaret R. Lynds Bequest	\$ 0.1	\$ 0.1
Mental Health Trust Fund	0.6	0.6
New Brunswick Power Corporation Sinking Fund	110.1	152.6
Viscount Bennett Bequest	<u>0.2</u>	<u>0.2</u>
	<u>\$111.0</u>	<u>\$ 153.5</u>
 <u>Market Value Method:</u>		
Judges' Superannuation Trust Fund	\$ 16.9	\$ 16.4
Pension Plan for the Management Employees Of New Brunswick School Boards	13.4	17.2
Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Boards	134.7	126.6
Pension Plan for Secretarial and Clerical Employees Of New Brunswick School Boards	23.9	21.4
Pension Plan for C.U.P.E. Employees of New Brunswick Hospitals	270.1	251.2
Public Service Superannuation Fund	2,614.8	2,634.4
Teachers' Pension Trust Fund	<u>2,525.3</u>	<u>2,533.9</u>
	<u>\$5,599.1</u>	<u>\$5,601.1</u>

The Margaret R. Lynds Bequest is used to award three annual scholarships of equal value to students pursuing the study of communications at specified universities. The Mental Health Trust Fund is used to pay for psychoanalysis treatment of deserving New Brunswick residents. The income from the Viscount Bennett Bequest is used to develop the Province's historic resources.

The New Brunswick Power Corporation Sinking Fund is held in trust under the authority of the Electric Power Act. New Brunswick Power Corporation makes payments to this sinking fund as required by the terms of any bond or debenture issues. These are retained and invested. The purpose of the fund is to repay the bonds or debentures when they mature.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1999

NOTE 20 CHANGE IN PROVINCIAL BORROWING

The Province's funded debt issued for Provincial purposes increased \$255.7 million during the year (increased \$77.5 million in 1998), after deducting the value of the sinking fund. Bank Advances and Short Term Borrowing decreased by \$13.3 million (\$19.1 million in 1998). Total borrowing was therefore \$242.4 million higher at 31 March 1999 than it was at 31 March 1998.

The following table shows how total borrowing increased \$242.4 million.

	(millions)	
	<u>1999</u>	<u>1998</u>
Surplus (Deficit)	\$ (164.3)	\$ 34.9
Decrease in Pension Liability	(289.9)	(189.1)
Increase (Decrease) in Deferred Revenue	(245.7)	(20.9)
(Increase) Decrease in Investments, Loans and Advances	413.9	(15.8)
Increase (Decrease) in Obligations under Capital Leases	(0.5)	19.7
Decrease (Increase) in Other Current Assets and Liabilities	<u>149.5</u>	<u>122.3</u>
Decrease (Increase) in Borrowing Before Foreign Exchange Adjustments	(137.0)	(48.9)
Foreign Exchange Adjustments	<u>(105.4)</u>	<u>(9.3)</u>
(Increase) Decrease in Borrowing	<u><u>\$ (242.4)</u></u>	<u><u>\$ (58.2)</u></u>

The following changes in Other Current Assets and Liabilities had an affect on the Province's Working Capital position. In the table below, bracketed figures indicate an increase in Working Capital.

	(millions)	
	<u>1999</u>	<u>1998</u>
Accounts and Interest Receivable	\$ (121.1)	\$ (8.4)
Taxes Receivable	(25.5)	4.1
Inventories	0.6	45.1
Prepaid and Deferred Charges	8.2	(12.5)
Accounts Payable	156.9	(22.5)
Accrued Expenditures	38.9	77.3
Deposits Held in Trust	<u>2.9</u>	<u>5.6</u>
Decrease (Increase) in Working Capital	60.9	88.7
Increase in Allowance for Doubtful Accounts	87.0	43.7
Decrease (Increase) in Premiums and Discounts on Issue of Debt	<u>1.6</u>	<u>(10.1)</u>
Decrease (Increase) in Other Current Assets and Liabilities	<u><u>\$ 149.5</u></u>	<u><u>\$ 122.3</u></u>

NOTE 21 COMPARATIVE FIGURES

Prior year figures have been restated because of the changes in accounting policy disclosed in note 2. Certain other figures for the prior year have also been restated to conform with the 1999 presentation of the financial statements.

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)	
	1999	1998
SCHEDULE 1		
ACCOUNTS AND INTEREST RECEIVABLE		
Accounts Receivable		
Canada - Conditional Grants		
Atlantic Freight Transition Program	\$ 0.8	\$ 4.5
Canada Assistance Plan	---	0.7
Canada Mortgage and Housing Corporation	29.9	28.9
Canada/New Brunswick Highway Improvement Program	15.0	0.8
Disaster Financial Assistance Program	21.7	2.8
Regional Economic Development Agreement	5.5	3.4
Infrastructure Program	0.7	1.4
Official Languages in Education Program	9.4	5.1
Refund of Harmonized Sales Tax Paid	13.0	10.5
Vocational Rehabilitation of Disabled Persons	0.9	4.7
Young Offenders Act	1.1	0.4
Other Agreements	4.7	2.8
Canada - Unconditional Grants		
Fiscal Equalization	95.3	---
Receivables of Government Departments		
Economic Development, Tourism and Culture	3.7	2.6
Education	12.7	14.2
Finance	11.8	13.8
Health and Community Services	19.3	20.1
Human Resources Development - NB	23.4	19.7
Justice	8.3	7.9
Labour	1.7	6.0
Municipalities and Housing	40.9	42.7
Natural Resources and Energy	3.1	8.8
Supply and Services	3.9	3.7
Transportation	7.0	10.7
Other Departments	4.6	4.3
Guarantee Payouts	32.0	29.8
Working Capital Advances	7.8	8.2
Other	4.2	4.3
Interest Receivable		
Agricultural Development Act	0.9	0.5
Economic Development Act	3.5	4.3
Fisheries Development Act	20.3	18.8
Other	2.0	1.6
	<u>409.1</u>	<u>288.0</u>
Less: Allowance for Doubtful Accounts	77.8	69.7
	<u>\$ 331.3</u>	<u>\$ 218.3</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)	
	1999	1998
SCHEDULE 2		
TAXES RECEIVABLE		
Gasoline and Motive Fuels Tax	\$ 15.1	\$ 13.9
Real Property Tax	307.9	294.8
Royalties and Stumpage on Timber	21.3	11.5
Sales Tax	83.7	83.3
Tobacco Tax	5.3	4.4
Other	0.3	0.2
	433.6	408.1
Less: Allowance for Doubtful Accounts	84.8	52.9
	\$ 348.8	\$ 355.2
 SCHEDULE 3		
INVENTORIES		
Construction and Maintenance Materials	\$ 9.2	\$ 9.4
Educational Textbooks	2.1	2.2
Machine Repair Parts	5.3	5.3
Properties Held for Sale	4.6	5.2
Stationery and Supplies	1.2	1.1
Veterinary Supplies	0.6	0.7
Other Supplies	3.2	3.0
	\$ 26.2	\$ 26.9
 SCHEDULE 4		
PREPAID AND DEFERRED CHARGES		
Unamortized Premiums, Discounts, and Issue Expenses on Debentures	\$ 50.8	\$ 52.3
Other	14.3	22.5
	\$ 65.1	\$ 74.8

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)					
	1999			1998		
	Amount	Allowance for Doubtful Accounts	Net	Amount	Allowance for Doubtful Accounts	Net
SCHEDULE 5						
LOANS AND ADVANCES						
Agriculture and Rural Development						
Agricultural Development Act	\$ 14.6	\$ 5.7	\$ 8.9	\$ 11.2	\$ 5.3	\$ 5.9
Economic Development, Tourism and Culture						
Economic Development Act	103.1	38.2	64.9	115.9	19.8	96.1
Provincial Holdings Ltd.	22.1	10.2	11.9	21.9	10.3	11.6
Miramichi Redevelopment	0.5	---	0.5	---	---	---
Education						
Loans to Students	0.2	0.2	---	0.2	0.2	---
Environment						
Water and Sewerage Systems	0.4	---	0.4	0.4	---	0.4
Executive Council						
La Fondation du quotidien francophone	4.0	4.0	---	4.0	---	4.0
Finance						
Municipalities - Department of Regional Industrial Expansion Agreements	3.1	0.6	2.5	3.8	0.6	3.2
Fisheries and Aquaculture						
Fisheries Development Act	71.8	61.7	10.1	71.5	42.6	28.9
Health and Community Services						
Saint John Regional Laundry	0.6	---	0.6	1.1	---	1.1
Municipalities and Housing						
Loans to Municipalities	0.1	---	0.1	0.2	---	0.2
New Brunswick Housing Act	20.8	2.9	17.9	21.0	3.0	18.0
Other Loans	0.2	0.2	---	0.2	0.2	---
Regional Development Corporation						
Fundy Trail Trust	2.8	---	2.8	5.0	---	5.0
Solicitor General						
City of Moncton	3.0	---	3.0	---	---	---
Supply and Services						
Other Loans	0.1	---	0.1	0.1	---	0.1
Transportation						
Unsatisfied Judgements	9.5	9.5	---	9.5	9.5	---
	<u>\$ 256.9</u>	<u>\$ 133.2</u>	<u>\$ 123.7</u>	<u>\$ 266.0</u>	<u>\$ 91.5</u>	<u>\$ 174.5</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)	
	1999	1998
SCHEDULE 6		
INVESTMENTS		
Investment in Government Enterprises		
Lotteries Commission of New Brunswick	\$ 6.6	\$ 7.7
New Brunswick Liquor Corporation	11.1	10.9
New Brunswick Municipal Finance Corporation	0.7	0.7
New Brunswick Power Corporation	2.3	425.3
Workplace Health, Safety and Compensation Commission	31.7	12.8
	52.4	457.4
Other Long Term Investments	3.5	3.3
	\$ 55.9	\$ 460.7
 SCHEDULE 7		
BANK ADVANCES AND SHORT TERM BORROWING		
Bank Overdrafts	\$ 132.1	\$ 75.7
Treasury Bill 0% Maturing 10 March 2000	1.0	1.0
Treasury Bills 4.78% - 5.75% Maturing 6 April 1999 - 1 November 1999	581.0	849.6
	714.1	926.3
Less:		
Cash	30.3	54.8
Short Term Investments	402.7	577.1
	433.0	631.9
	\$ 281.1	\$ 294.4

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)	
	1999	1998
SCHEDULE 8		
ACCOUNTS PAYABLE		
Accounts Payable for Goods and Services		
Agriculture and Rural Development	\$ 3.5	\$ 3.9
Economic Development, Tourism and Culture	11.4	8.7
Education	37.0	21.8
Environment	2.9	1.2
Finance	9.5	13.7
Fisheries and Aquaculture	2.5	3.2
General Government	63.3	1.8
Health and Community Services	51.2	57.8
Human Resources Development - NB	9.7	5.7
Labour	7.4	11.6
Maritime Provinces Higher Education Commission	10.7	---
Municipalities and Housing	14.5	13.0
Natural Resources and Energy	66.6	3.4
Office of the Comptroller	7.2	11.1
Regional Development Corporation	1.7	2.8
Solicitor General	20.9	13.3
Supply and Services	12.8	10.5
Transportation	26.1	24.3
Other Departments	4.3	2.7
Due to Canada		
Department of Regional Industrial Expansion	2.8	3.7
Other Agreements	7.7	1.9
New Brunswick Housing Corporation - Third Parties	47.5	48.7
Other	8.2	7.8
	\$ 429.4	\$ 272.6
SCHEDULE 9		
ACCRUED EXPENDITURES		
Accrued Interest		
Funded Debt	\$ 155.9	\$ 149.3
Outstanding Treasury Bills	3.4	6.0
Other	0.9	0.9
	160.2	156.2
Accrued Salaries Payable	93.1	93.3
Deficits of Hospital Corporations	76.1	48.1
Health and Community Services	30.1	27.5
Holdbacks on Contracts	4.5	7.0
Liability for Injured Workers	40.1	37.9
Retirement Allowances	211.3	201.9
Other	37.8	42.3
	\$ 653.2	\$ 614.2

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)	
	1999	1998
SCHEDULE 10		
ALLOWANCE FOR LOSSES		
Agriculture and Rural Development	\$ 0.1	\$ 0.1
Economic Development, Tourism and Culture	13.0	6.8
Education	1.3	1.2
Labour	1.9	2.9
	<u>\$ 16.3</u>	<u>\$ 11.0</u>
SCHEDULE 11		
DEFERRED REVENUE		
Harmonization Transitional Payment	\$ 100.0	\$ 353.0
Highway Improvement Recoveries	7.4	0.3
Motor Vehicle and Operators' Licenses	35.1	33.0
Real Property Taxes	188.3	185.8
Redevelopment of the Miramichi Region - Grant	6.0	8.6
Renovation of Old Government House - Grant	---	2.0
Other	3.9	3.7
	<u>\$ 340.7</u>	<u>\$ 586.4</u>
SCHEDULE 12		
DEPOSITS HELD IN TRUST		
Administrator of Estates of Patients in Psychiatric Facilities	\$ 0.4	\$ 0.5
Contractors' Deposits	0.8	1.0
Court of Queen's Bench	4.0	3.1
Employee Contributions for Early Retirement Benefits	5.8	6.2
Mining Licenses - Non-Performance Renewal Fees	2.0	1.9
New Brunswick Crop Reinsurance Fund	1.2	0.5
Sale of Property for Taxes	0.7	0.8
Scholarship Trusts	1.7	1.6
Tenants' Security Deposits	8.5	8.1
Other	4.4	2.9
	<u>\$ 29.5</u>	<u>\$ 26.6</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)		
	<u>1999</u> <u>Budget</u>	<u>1999</u> <u>Actual</u>	<u>1998</u> <u>Actual</u>
SCHEDULE 13			
TAXES ON CONSUMPTION			
Gasoline and Motive Fuels Tax	\$ 171.0	\$ 173.9	\$ 165.3
Harmonized Sales Tax	633.7	593.3	584.7
Tobacco Tax	43.0	46.7	42.4
Other	0.1	0.1	0.1
	<u>\$ 847.8</u>	<u>\$ 814.0</u>	<u>\$ 792.5</u>
SCHEDULE 14			
TAXES ON INCOME			
Corporate Income Tax	\$ 117.0	\$ 116.9	\$ 206.3
Mining Tax	4.0	3.2	4.4
Personal Income Tax	842.0	779.5	810.4
	<u>\$ 963.0</u>	<u>\$ 899.6</u>	<u>\$ 1,021.1</u>
SCHEDULE 15			
OTHER TAXES			
Financial Corporation Capital Tax	\$ 8.5	\$ 7.9	\$ 8.5
Insurance Premium Tax	26.8	24.8	24.4
Large Corporation Capital Tax	30.0	23.6	25.7
Other	2.7	3.0	2.9
	<u>\$ 68.0</u>	<u>\$ 59.3</u>	<u>\$ 61.5</u>
SCHEDULE 16			
LICENSES AND PERMITS			
Angling Licenses	\$ 1.8	\$ 1.6	\$ 1.8
Corporations - Annual Filing Fees	1.7	1.9	1.7
Corporations - Letters Patent	1.1	1.2	1.0
Hunting Licenses	2.2	2.3	2.3
Liquor Licensing Board	5.6	2.7	2.8
Motor Vehicle Licenses	71.5	73.5	70.6
Other	11.2	11.4	9.3
	<u>\$ 95.1</u>	<u>\$ 94.6</u>	<u>\$ 89.5</u>
SCHEDULE 17			
ROYALTIES			
Forest	\$ 47.2	\$ 53.4	\$ 46.9
Mines	5.6	8.1	10.8
	<u>\$ 52.8</u>	<u>\$ 61.5</u>	<u>\$ 57.7</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)		
	<u>1999</u> <u>Budget</u>	<u>1999</u> <u>Actual</u>	<u>1998</u> <u>Actual</u>
SCHEDULE 18			
INVESTMENT INCOME			
Lottery Revenues	\$ 97.1	\$ 86.0	\$ 85.7
New Brunswick Liquor Corporation	91.4	93.0	85.3
New Brunswick Power Corporation	40.0	(423.0)	(21.2)
Workplace Health, Safety and Compensation Commission	2.9	18.9	6.8
Other Investment Income	20.7	22.8	23.3
	<u>\$ 252.1</u>	<u>\$ (202.3)</u>	<u>\$ 179.9</u>
SCHEDULE 19			
OTHER PROVINCIAL REVENUE			
Sales of Goods and Services	\$ 101.7	\$ 133.4	\$ 133.6
Other Revenue	26.3	41.2	41.4
	<u>\$ 128.0</u>	<u>\$ 174.6</u>	<u>\$ 175.0</u>
SCHEDULE 20			
CONDITIONAL GRANTS - CANADA			
Aquaculture Compensation	\$ ---	\$ 13.0	\$ ---
Atlantic Freight Transition	11.3	10.1	46.6
Canada Mortgage and Housing Corporation	31.1	34.7	36.1
Economic Development	21.4	20.3	20.3
First Nation Students	5.1	6.5	5.6
Flood and Storm Damage	---	5.9	2.8
Highway Improvements	19.5	19.1	24.4
Infrastructure Program	8.2	6.2	8.7
Job Corps	8.4	8.0	8.1
Labour Development Agreements	86.5	84.9	45.0
New Brunswick Works	---	0.6	1.3
Official Languages in Education Agreement	13.3	12.4	14.2
Vocational Treatment and Rehabilitation of Disabled Persons	5.5	6.4	5.5
Young Offenders Act	4.3	4.3	4.9
Other	13.5	22.6	29.8
	<u>\$ 228.1</u>	<u>\$ 255.0</u>	<u>\$ 253.3</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)		
	<u>1999 Budget</u>	<u>1999 Actual</u>	<u>1998 Actual</u>
SCHEDULE 21			
EDUCATION			
Education	\$ 752.1	\$ 751.8	\$ 711.2
General Government	2.1	(51.4)	(31.4)
Maritime Provinces Higher Education Commission	158.9	159.4	165.7
Supply and Services	18.4	19.3	24.8
	<u>\$ 931.5</u>	<u>\$ 879.1</u>	<u>\$ 870.3</u>
SCHEDULE 22			
HEALTH			
General Government	\$ ---	\$ 16.4	\$ ---
Health and Community Services	1,323.5	1,396.2	1,307.0
Supply and Services	6.5	6.1	8.5
	<u>\$ 1,330.0</u>	<u>\$ 1,418.7</u>	<u>\$ 1,315.5</u>
SCHEDULE 23			
INCOME ASSISTANCE			
General Government	\$ 2.2	\$ 4.0	\$ 4.4
Human Resources Development - NB	308.9	293.1	297.5
	<u>\$ 311.1</u>	<u>\$ 297.1</u>	<u>\$ 301.9</u>
SCHEDULE 24			
JUSTICE			
General Government	\$ 2.1	\$ 1.4	\$ 1.6
Justice	30.1	30.5	28.6
Solicitor General	73.8	78.3	73.6
Supply and Services	0.1	0.1	0.9
	<u>\$ 106.1</u>	<u>\$ 110.3</u>	<u>\$ 104.7</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1999

	(millions)		
	<u>1999</u> <u>Budget</u>	<u>1999</u> <u>Actual</u>	<u>1998</u> <u>Actual</u>
SCHEDULE 25			
ECONOMIC DEVELOPMENT			
Agriculture and Rural Development	\$ 23.8	\$ 24.6	\$ 24.6
Economic Development, Tourism and Culture	59.4	64.4	53.7
Environment	31.7	37.1	34.0
Fisheries and Aquaculture	11.2	11.4	12.4
General Government	28.1	62.4	26.8
Labour	130.0	114.5	91.6
Natural Resources and Energy	77.2	142.6	74.2
Regional Development Corporation	61.6	62.8	59.6
Regional Development Corporation - Special Operating Agency	21.4	31.2	55.6
Supply and Services	0.5	8.4	9.3
	<u>\$ 444.9</u>	<u>\$ 559.4</u>	<u>\$ 441.8</u>
SCHEDULE 26			
MUNICIPAL AFFAIRS			
General Government	\$ 0.3	\$ 0.3	\$ 0.3
Municipalities and Housing	194.5	202.1	195.1
Supply and Services	0.2	0.2	0.3
	<u>\$ 195.0</u>	<u>\$ 202.6</u>	<u>\$ 195.7</u>
SCHEDULE 27			
TRANSPORTATION			
General Government	\$ 0.3	\$ 5.1	\$ ---
New Brunswick Highway Corporation	---	13.4	---
Transportation	329.2	338.8	379.8
	<u>\$ 329.5</u>	<u>\$ 357.3</u>	<u>\$ 379.8</u>
SCHEDULE 28			
CENTRAL GOVERNMENT			
Executive Council	\$ 3.3	\$ 3.9	\$ 2.9
Finance	21.8	20.3	20.6
General Government	85.0	36.8	71.6
Intergovernmental and Aboriginal Affairs	2.1	2.0	1.4
Legislative Assembly	11.7	12.5	11.0
New Brunswick Investment Management Corporation	---	3.6	2.7
Office of the Comptroller	5.1	5.0	4.9
Office of the Premier	1.2	1.2	1.3
Service New Brunswick	---	36.4	31.2
Supply and Services	86.5	88.1	107.7
	<u>\$ 216.7</u>	<u>\$ 209.8</u>	<u>\$ 255.3</u>