



Volume 3  
Financial Statements of  
Crown Corporations,  
Boards, Commissions

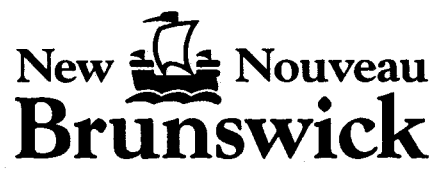
# Public Accounts

for the fiscal year ended March 31

# 1999

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





Volume 3  
Financial Statements of  
Crown Corporations,  
Boards, Commissions

# Public Accounts

for the fiscal year ended 31 March

# 1999

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Authority of the Legislature  
Fredericton, N.B.

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## INTRODUCTION VOLUME III

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

Volume I contains the audited financial statements of the reporting entity of the Province 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. Volume I 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).

**This volume 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 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.

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**FINANCIAL STATEMENTS**  
**ADVISORY COUNCIL ON THE STATUS**  
**OF WOMEN**  
**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Members  
Advisory Council on the Status of Women

I have audited the balance sheet of the Advisory Council on the Status of Women as at 31 March 1999 and the statement of revenue, expenses and surplus for the year then ended. These financial statements are the responsibility of the Council's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
31 May 1999

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ADVISORY COUNCIL ON THE STATUS OF WOMEN  
BALANCE SHEET  
31 MARCH 1999

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	1999	1998
<b>ASSETS</b>		
Cash	\$ 1,164	\$1,726
Accounts receivable	3,900	-
	<u>\$ 5,064</u>	<u>\$ 1,726</u>

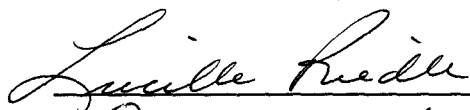
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**LIABILITIES AND SURPLUS**

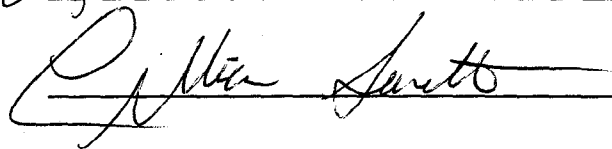
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Accounts payable - Due to Province of New Brunswick	\$ 5,064	\$ 1,639
- Federal Government	-	87
	<u>\$ 5,064</u>	<u>\$ 1,726</u>

Approved by the Council



Chairperson



Member

**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
STATEMENT OF REVENUE, EXPENSES AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1999**

	<b>1999 Budget</b>	<b>1999</b>	<b>1998</b>
<b>REVENUE</b>			
Grants			
Province of New Brunswick	\$431,500	\$431,500	\$445,900
HRD Canada	-	9,628	-
Other	-	797	6,016
	<u>431,500</u>	<u>441,925</u>	<u>451,916</u>
<b>EXPENSES</b>			
Personal services	216,900	214,939	346,533
Other services	174,600	175,581	146,015
Materials and supplies	15,000	10,624	14,292
Property and equipment	5,000	32,213	14,401
Contributions and grants	20,000	900	7,700
Debt and other charges	-	189	-
	<u>431,500</u>	<u>434,446</u>	<u>528,941</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ Nil</u>	7,479	(77,025)
Surplus, beginning of year		-	84,504
Surplus, transferred to consolidated fund		(7,479)	(7,479)
<b>SURPLUS, end of year</b>		<u>\$ Nil</u>	<u>\$ Nil</u>

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**ADVISORY COUNCIL ON THE STATUS OF WOMEN  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Purpose of the organization**

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The Advisory Council of the Status of Women advises the New Brunswick government on matters relating to the status of women and brings before the public issues of concern to women.

**2. Significant accounting policies**

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It is the policy of the Council to charge all fixed asset purchases to expense in the year in which the expenditure is incurred.

**3. Expenses not included in these financial statements**

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The rental of the Council's office and the majority of translation costs are paid for by the Province of New Brunswick and have not been included in the Council's expenses.

The Department of Finance has assumed responsibility for most of the costs of the financial administration of the Council.

**4. Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Council, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

**5. Comparative figures**

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The 1998 figures have been restated to conform with 1999 presentation.



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**FINANCIAL STATEMENTS**  
**ALGONQUIN GOLF LIMITED**

**31 DECEMBER 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholder of  
Algonquin Golf Limited

I have audited the balance sheet of Algonquin Golf Limited as at 31 December 1998. This financial statement is the responsibility of the Corporation's management. My responsibility is to express an opinion on this financial statement 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the financial position of the Corporation as at 31 December 1998 in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N.B.  
26 March 1999

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**ALGONQUIN GOLF LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 1998**

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**ASSETS****1998**

## Capital Assets (Note 3)

Land	\$209,631
Golf Course Buildings	97,134
Golf Course Improvements	<u>3,036,155</u>

\$3,342,920**LIABILITIES AND SHAREHOLDER'S EQUITY**

## Liabilities

Accounts Payable	\$230,213
Deferred Contributions Related to Capital Assets (Note 5)	2,135,936
Due to Province of New Brunswick (Note 4)	<u>976,770</u>
	<u>3,342,919</u>

## Shareholder's Equity

Capital Stock (Issued and Fully Paid, 1 Common Share)	<u>1</u>
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\$3,342,920

Approved by the Board

  
\_\_\_\_\_  
Director  
\_\_\_\_\_  
Director

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## ALGONQUIN GOLF LIMITED

### NOTES TO FINANCIAL STATEMENTS

#### 31 DECEMBER 1998

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#### 1. Description of Operations

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Algonquin Golf Limited was incorporated on 29 May 1998 under the New Brunswick Business Corporations Act. Its purpose is to re-develop and operate the golf course currently owned by Algonquin Properties Limited.

Algonquin Golf Limited is currently in the pre-operating stage which includes design, re-development and the early phases of construction. While in the pre-operating stage, all transactions are capitalized. Accordingly, a statement of revenue and expenses has not been prepared. A statement of cash flows has not been prepared as it would not provide any additional information.

The first year of operations is scheduled for the year 2000. At that time, the golf course assets, owned by Algonquin Properties Limited - building, equipment and land will be transferred from Algonquin Properties Limited to Algonquin Golf Limited. As a result of the transfer, revenues and expenses of the golf course will then be recorded in the Algonquin Golf Limited financial statements.

#### 2. Summary of Significant Accounting Policies

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##### Capital Assets

All costs incurred to date have been capitalized under "Capital Assets". Amortization will start in the first year of operations.

#### 3. Golf Course Construction

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Work on the redesign, construction and furnishings of the new signature golf course at the Algonquin golf course site began in January of 1998. The work is expected to be completed and the course opened for operation in the summer of 2000. As of 31 December 1998, the following costs had been incurred:

Land	\$209,631
Golf Course Buildings	97,134
Golf Course Improvements	<u>3,036,155</u>
Capital Assets	<u><u>3,342,920</u></u>

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**ALGONQUIN GOLF LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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**4. Due to Province of New Brunswick**

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The full amount of the loan from the Province totaling \$4,572,514 is to be received over a period of three years with the final amount to be received in the year 2000. This loan is repayable no later than 31 March 2013, through blended payments of principal plus interest each and every year with payments commencing March 31, 2002. The loan shall be for a term of fifteen years. The loan shall bear interest at the rate of 6% compounded semi-annually not in advance, beginning in the next fiscal year.

**5. Deferred Contribution**

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In 1998, the Algonquin Golf Course received a non-repayable contribution of \$2,135,936 from the Province of New Brunswick towards costs associated with the redesign, construction, furnishings and equipment for the new signature golf course at the Algonquin golf site. The full amount has been recorded as deferred revenue until the opening of the course. This amount will then be amortized over the same period as the assets which the contribution was used to fund.

Terms and conditions of the government assistance include:

- The Corporation must report to the Department of Economic Development and Tourism semi-annually on the progress of the project based on predetermined performance indicators.
- The Corporation agrees to fund any and all costs over and above the estimated construction budget of \$6,708,450.
- The Corporation shall not change the project scope without the prior written approval of the Department.
- The Corporation shall provide quarterly cash flow reports of project expenditures as well as a final report on the total project expenditures within 90 days of the completion of the project.



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**FINANCIAL STATEMENTS**

**ALGONQUIN PROPERTIES LIMITED**

**31 DECEMBER 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholder of  
Algonquin Properties Limited

I have audited the balance sheet of Algonquin Properties Limited as at 31 December 1998 and the statements of revenue, expense and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at 31 December 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in dark ink, appearing to read 'Daryl C. Wilson', with a horizontal line underneath.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
8 March 1999

**ALGONQUIN PROPERTIES LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 1998**

	1998	1997
<b>ASSETS</b>		
Current assets		
Cash on hand and in bank	\$ -	\$ 125,595
Accounts receivable	349,958	238,388
Inventories, at cost	62,937	79,964
Prepaid expenses	41,177	49,646
	<u>454,072</u>	<u>493,593</u>
Deferred charges (Note 3)	-	15,669
Capital assets (Note 4)	16,785,785	17,476,273
	<u>\$ 17,239,857</u>	<u>\$ 17,985,535</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Outstanding cheques in excess of bank balance	\$ 125,137	\$ -
Accounts payable and accrued liabilities	371,825	197,091
Due to Canadian Pacific Hotels Corporation	100,694	32,888
Advance deposits	14,945	16,545
	<u>612,601</u>	<u>246,524</u>
Due to Province of New Brunswick (Note 5)	29,514,171	30,177,171
Interest on expansion loan (Note 5)	6,205,834	4,866,474
	<u>35,720,005</u>	<u>35,043,645</u>
Capital stock		
Authorized		
10,000 common shares aggregate value not to exceed \$100,000		
9,000 8% non-cumulative redeemable preferred shares with a par value of \$100 each		
Issued and fully paid		
5,000 common shares	50,000	50,000
2,500 preferred shares	250,000	250,000
	<u>300,000</u>	<u>300,000</u>
Deficit	( 19,392,749)	( 17,604,634)
	<u>( 19,092,749)</u>	<u>( 17,304,634)</u>
	<u>\$ 17,239,857</u>	<u>\$ 17,985,535</u>

Approved by the Board

Director

Director

**ALGONQUIN PROPERTIES LIMITED**  
**STATEMENT OF REVENUE, EXPENSE AND DEFICIT**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

	1998 (Budget)	1998	1997
<b>REVENUE</b>			
Room sales	\$ 3,269,845	\$ 3,569,284	\$ 2,983,965
Food sales	1,902,376	2,027,761	1,730,024
Beverage sales	626,850	599,630	523,787
Green fees and rentals	290,300	302,625	413,052
Other sport activities	93,225	69,085	76,619
Telephone	89,895	78,736	73,640
Rent from Community College	33,984	27,775	48,494
Miscellaneous	138,891	117,958	125,255
Interest	-	12,882	4,675
Recoveries	-	-	27,708
	<u>6,445,366</u>	<u>6,805,736</u>	<u>6,007,219</u>
<b>EXPENSE</b>			
Direct costs	3,231,045	3,409,764	2,980,555
Administrative and general	729,983	795,912	710,631
Advertising and promotion	592,483	526,104	574,850
Heat, light and power	329,700	328,494	351,587
Repairs and maintenance	479,057	511,634	424,270
Property taxes	342,000	337,298	337,298
Management fees	236,545	293,453	192,702
Interest on expansion loan (Note 5)	1,339,360	1,339,360	1,225,788
Amortization - capital assets	1,140,000	1,036,163	1,049,625
- deferred charges	15,669	15,669	37,608
	<u>8,435,842</u>	<u>8,593,851</u>	<u>7,884,914</u>
<b>NET LOSS</b>	<u>\$(1,990,476)</u>	<u>( 1,788,115)</u>	<u>( 1,877,695)</u>
Deficit, beginning of year		( 17,604,634)	( 15,726,939)
<b>DEFICIT, end of year</b>		<u>\$(19,392,749)</u>	<u>\$(17,604,634)</u>

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**ALGONQUIN PROPERTIES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

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	1998	1997
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations:		
Net loss for the year	\$(1,788,115)	\$(1,877,695)
Add item not involving cash:		
Amortization	1,051,832	1,087,233
Decrease in non-cash components of working capital	154,866	(430,129)
	<u>(581,417)</u>	<u>(1,220,591)</u>
Financing activities:		
Interest to the Province on the loan for expansion	1,339,360	1,225,788
Advances from the Province	(663,000)	1,750,000
	<u>676,360</u>	<u>2,975,788</u>
Investing activities:		
Sale of capital assets	10,000	-
Purchases of capital assets - renovations	(355,675)	(1,753,187)
	<u>(345,675)</u>	<u>(1,753,187)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>(250,732)</b>	<b>2,010</b>
Cash position, beginning of year	125,595	123,585
<b>CASH POSITION, end of year</b>	<b>\$ (125,137)</b>	<b>\$ 125,595</b>

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**ALGONQUIN PROPERTIES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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**1. Description of operations**

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The Company is wholly-owned by the Province of New Brunswick and administers the operations of the Algonquin Hotel. By means of a management agreement, the Company has contracted the day-to-day management of the hotel operations to Canadian Pacific Hotels Corporation.

**2. Summary of significant accounting policies**

---

(a) A reserve for replacement of equipment has been established pursuant to the management agreement with Canadian Pacific Hotels Corporation to represent limits on the replacement of equipment chargeable to the operation of the hotel. The agreement states that each year an amount not to exceed a maximum of one and one half percent (1.5%) of gross revenue may be added to this reserve. Purchases of furniture, fixtures and equipment are charged against this reserve up to the balance in the account.

(b) Replacement costs of china, glassware, silverware, utensils, linen, and similar equipment are charged to expense in year of purchase pursuant to the management agreement with Canadian Pacific Hotels Corporation.

(c) Amortization of capital assets and deferred charges has been approved by management on a straight-line basis at the rates shown in Notes 3 and 4.

**3. Deferred charges**

---

The following is a schedule of deferred charges relating to the hotel expansion:

	Rate	Cost	Accumulated Amortization	Unamortized Balance
Incremental marketing program	20%	\$ 125,237	\$ 125,237	\$ -
Other start-up costs	20%	62,802	62,802	-
		<u>\$ 188,039</u>	<u>\$ 188,039</u>	<u>\$ -</u>

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**ALGONQUIN PROPERTIES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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**4. Capital assets**

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	Rate	Cost	Accumulated Amortization	Unamortized Balance
Land	-	\$ 130,282	\$ -	\$ 130,282
Buildings, improvements and equipment	2.5 - 10%	23,014,187	7,111,456	15,902,731
Operating equipment	8 - 20%	3,373,172	2,620,400	752,772
		<u>\$ 26,517,641</u>	<u>\$ 9,731,856</u>	<u>\$ 16,785,785</u>

Assets are charged for a full year's amortization in the year of purchase.

**5. Due to Province of New Brunswick**

---

	1998	1997
Shareholder's loan	\$ 492,000	\$ 492,000
Loan for expansion	9,714,585	9,714,585
Advances	19,307,586	19,970,586
	<u>\$ 29,514,171</u>	<u>\$ 30,177,171</u>

The shareholder's loan and the advances are non-interest bearing with no specific terms of repayment.

The loan for expansion due to the Province is interest bearing. The interest rate on this loan is 9.06% compounded semi-annually. This rate is the twenty-year provincial borrowing rate at 15 May 1993 as determined by the Department of Finance. Interest began to accrue on 15 May 1993 when the expansion was substantially completed. Interest accrued on this loan relating to 1998 was \$1,339,360. Repayment of this loan will commence when the hotel generates sufficient funds.

**6. Related party transactions**

---

(a) Employees of the Province and Canadian Pacific Hotels Corporation, who are on business in connection with the management and operation of the Algonquin Hotel, are provided reasonable room accommodations, meals, laundry and valet services without charge. Due to limitations inherent to existing records, it is not possible to determine the exact dollar value of these goods and services.

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**ALGONQUIN PROPERTIES LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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**6. Related party transactions – continued**

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All other goods and services provided by the Hotel to provincial employees are charged to those employees at fair market value.

- (b) Under the Management Agreement, Canadian Pacific Hotels Corporation (the Operator) may:
- purchase goods identified as goods of the Operator through the purchasing department of the Operator and the Operator shall charge a purchasing fee in the amount of 5% of the cost;
  - contract for advertising and promotional programs for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator;
  - contract for public relations programs and conduct public relations activities for the Algonquin as a member of the Operator's hotel chain, the cost of which shall be paid to the Operator;
  - obtain the services of the Operator's reservation facility known as the Global Reservation Centre, at rates mutually agreed to by the parties from time to time; and,
  - obtain technical and specialized operational expertise (personnel of the Operator), at rates to be negotiated between both parties. This type of expertise would generally be related to a capital renovation program.

During 1998, Canadian Pacific Hotels Corporation headquarters invoiced the Algonquin Hotel for a total of \$645,853 for such services. The Algonquin also paid for \$72,556 of goods and services from other Canadian Pacific Hotels during 1998. These amounts have been allocated to the appropriate expense items on the Statement of Revenue, Expense and Deficit.

- (c) During 1998, Algonquin Properties Limited purchased land and incurred development costs on behalf of Algonquin Golf Limited. The land was transferred to Algonquin Golf Limited during the year in exchange for reimbursement of all costs incurred on their behalf by the Company.

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**7. 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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International

Grant Thornton 

**Board of Commissioners of  
Public Utilities  
of the Province of New Brunswick  
Financial Statements  
March 31, 1999**

Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International

Grant Thornton 

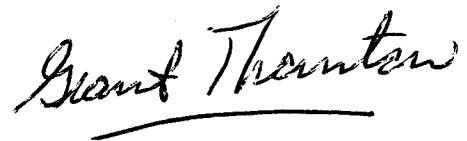
## Auditors' Report

To the Board of Commissioners of Public Utilities  
of the Province of New Brunswick

We have audited the balance sheets of the Board of Commissioners of Public Utilities of the Province of New Brunswick as at March 31, 1999 and the statements of revenue and expenditures and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in the notes to the financial statements.



Saint John, New Brunswick  
June 4, 1999

Chartered Accountants

Suite 600  
55 Union Street  
Saint John  
New Brunswick  
E2L 5B7  
Tel: (506) 634-2900  
Fax: (506) 634-4569

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Statements of Revenue and Expenditures and Surplus**

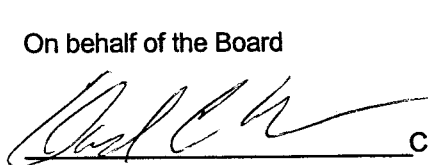
Year Ended March 31	1999	1998
<b>Revenue</b>		
Assessment on public utilities (Note 7)	\$ 268,994	\$ 225,432
Interest	<u>10,306</u>	<u>4,628</u>
	<u>279,300</u>	<u>230,060</u>
<b>Expenditures</b>		
Depreciation	7,419	5,879
Direct expenses	6,539	6,322
Library and publications	7,400	4,840
Miscellaneous	5,768	6,638
Office and administration	16,795	17,418
Professional fees	4,700	4,500
Salaries and benefits	210,351	192,806
Training	<u>29,842</u>	<u>30,218</u>
	<u>288,814</u>	<u>268,621</u>
Excess of expenditures over revenue	\$ <u>(9,514)</u>	\$ <u>(38,561)</u>
<b>Surplus, beginning of year</b>	\$ 132,007	\$ 170,568
Excess of expenditures over revenue	<u>(9,514)</u>	<u>(38,561)</u>
<b>Surplus, end of year</b>	\$ <u>122,493</u>	\$ <u>132,007</u>

See accompanying notes to the financial statements.

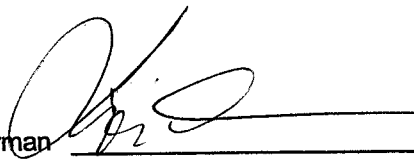
**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Balance Sheet**

March 31	1999	1998
<b>Assets</b>		
Current		
Cash	\$ 51,515	\$ 107,132
Receivables (Note 3)	13,085	12,507
Prepaid expenses	<u>348</u>	<u>348</u>
	64,948	119,987
Cash held in trust (Note 4)	5,831	14,230
Deferred costs (Note 5)	50,239	-
Equipment (Note 6)	<u>19,265</u>	<u>16,520</u>
	<u>\$ 140,283</u>	<u>\$ 150,737</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 11,959	\$ 4,500
Cash held in trust (Note 4)	<u>5,831</u>	<u>14,230</u>
	17,790	18,730
Surplus	<u>122,493</u>	<u>132,007</u>
	<u>\$ 140,283</u>	<u>\$ 150,737</u>

On behalf of the Board



Chairman



Secretary

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Public Utilities  
Statement of Changes in Financial Position**

Year Ended March 31	1999	1998
<b>Cash derived from</b>		
<b>Operating</b>		
Excess of expenditures over revenue	\$ (9,514)	\$ (38,561)
Depreciation	<u>7,419</u>	<u>5,879</u>
	(2,095)	(32,682)
Changes in		
Receivables	(578)	(9,570)
Payables and accruals	<u>7,459</u>	<u>-</u>
	4,786	(42,252)
Deferred costs	<u>(50,239)</u>	<u>-</u>
	<u>(45,453)</u>	<u>(42,252)</u>
<b>Investing</b>		
Purchase of computer equipment	(10,164)	(18,022)
Proceeds on disposal of computer equipment	<u>-</u>	<u>2,000</u>
	<u>(10,164)</u>	<u>(16,022)</u>
Net decrease in cash	(55,617)	(58,274)
<b>Cash</b>		
Beginning of year	<u>107,132</u>	<u>165,406</u>
End of year	\$ <u>51,515</u>	\$ <u>107,132</u>

See accompanying notes to the financial statements.

## Board of Commissioners of Public Utilities of the Province of New Brunswick - Regulation of Public Utilities Notes to the Financial Statements

March 31, 1999

### 1. Nature of operations

The Board of Commissioners of Public Utilities was created under the Public Utilities Act of New Brunswick to regulate rates charged by public utilities and automobile insurers in New Brunswick.

On March 12, 1999, the Gas Distribution Act, 1999 was assented to by the Legislature of the Province of New Brunswick. The Act charged the Board with the responsibility for regulation of the local distribution for natural gas in the province as well as other duties concerning marketers, local producers, etc.

The Board is exempt from income tax under Section 149(1)(d) of the Income Tax Act of Canada.

### 2. Summary of significant accounting policies

#### Furniture and fixtures

Furniture and fixtures are expensed in the year of acquisition.

#### Equipment

Depreciation of computer equipment is recorded using the straight line method at a rate of 33 1/3%.

#### Direct expenses

Direct expenses include hearing costs, travel, training and other out of pocket expenses directly attributable to a specific public utility.

3. Receivables	1999	1998
Accounts receivable	\$ 8,823	\$ 6,921
HST receivable	4,262	4,336
Travel advances	-	1,250
	<u>\$ 13,085</u>	<u>\$ 12,507</u>

### 4. Cash held in trust

Cash of \$5,831 (1998 - \$14,230) relating to the regulation of the public motor bus industry in New Brunswick is being held in trust by the Board on behalf of the New Brunswick Department of Transportation.

During the year, the Board conducted hearings, pursuant to the provisions of the Motor Carrier Act. Direct expenses associated with these hearings were paid by the Board of Transportation, out of fees collected from licensed motor carriers with the approval of the Department of Transportation. No overhead expenses were paid from these fees.

# **Board of Commissioners of Public Utilities of the Province of New Brunswick- Regulation of Public Utilities Notes to the Financial Statements**

March 31, 1999

## **5. Deferred costs**

In accordance with the provisions of the Gas Distribution Act of New Brunswick, the Board is responsible for the regulation of the local distribution of natural gas (effective March 12, 1999).

During the year, the Board incurred start-up costs relating to the regulation of natural gas. These costs have been deferred and will be recognized when they are recovered through assessment of each gas distributor and marketer.

6. Equipment			<u>1999</u>	<u>1998</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ <u>28,186</u>	\$ <u>8,921</u>	\$ <u>19,265</u>	\$ <u>16,520</u>

## **7. Assessment on public utilities**

In accordance with Section 9 of the Public Utilities Act, public utilities are assessed each year for their individual direct expenses together with their share of common expenses. Each utility's share of common expenses is based on the proportion of its gross earnings to the aggregate of gross earnings for all utilities. The assessments are adjusted to recover or return any deficiency or excess of revenue over expenditures of prior years.

	<u>1999</u>	<u>1998</u>
Gross public utilities' earnings	\$ <u>1,143,892,549</u>	\$ <u>1,041,504,688</u>
Estimate of common expenses	\$ <u>271,000</u>	\$ <u>267,000</u>
Less: estimate of interest income	<u>(5,000)</u>	<u>(6,000)</u>
Estimate of net common expenses	<u>266,000</u>	<u>261,000</u>
Estimate of direct expenses	<u>135,001</u>	<u>135,000</u>
	<u>401,001</u>	<u>396,000</u>
Surplus from prior year	<u>(132,007)</u>	<u>(170,568)</u>
Assessment on public utilities	\$ <u>268,994</u>	\$ <u>225,432</u>

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**Board of Commissioners of Public Utilities  
of the Province of New Brunswick- Regulation of Public Utilities  
Notes to the Financial Statements**

March 31, 1999

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**8. Assessment for public intervenor**

Pursuant to Section 9(1.1) of the Public Utilities Act, the costs of the Agent for the Attorney General with respect to interventions made are to be collected by the Board from the public utilities regulated by the Board and paid to the Minister of Finance. No such amounts were collected and paid during the Board's fiscal years ended March 31, 1999 and March 31, 1998 as the Attorney General submitted no costs to the Board to be collected in its assessment.

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**9. 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 before, on, or after January 1, 2000 and, if not addressed, the effects on operations and financial reporting may range from minor errors to significant systems failure which could affect the company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers or third parties, will be fully resolved.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Statements of Revenue and Expenditures and Surplus**

Year Ended March 31 1999 1998

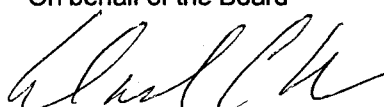

Revenue		
Assessment on automobile insurers (Note 2)	\$ 144,100	\$ 266,400
Interest	<u>3,619</u>	<u>2,821</u>
	<u>147,719</u>	<u>269,221</u>
Expenditures		
Actuarial consultant	113,712	62,606
Advertising	1,496	-
Commissioners' per diems	6,872	2,500
Commissioners' travel	2,686	926
Depreciation	1,901	1,901
Office and administration	22,861	21,510
Professional fees	2,200	2,200
Salaries	94,588	82,963
Training	<u>-</u>	<u>2,201</u>
	<u>246,316</u>	<u>176,807</u>
Excess of expenditures over revenue	\$ <u>(98,597)</u>	\$ <u>92,414</u>
Surplus (deficit), beginning of year	\$ 63,463	\$ (28,951)
Excess of expenditures over revenue	<u>(98,597)</u>	<u>92,414</u>
(Deficit) surplus, end of year	\$ <u>(35,134)</u>	\$ <u>63,463</u>

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Balance Sheet**

March 31	1999	1998
<b>Assets</b>		
Current		
Cash	\$ 24,406	\$ 163,614
Receivables (Note 3)	<u>4,693</u>	<u>1,130</u>
	29,099	164,744
Equipment (Note 4)	<u>-</u>	<u>1,901</u>
	<u>\$ 29,099</u>	<u>\$ 166,645</u>
<b>Liabilities</b>		
Current		
Payables and accruals	\$ 64,233	\$ 28,383
Deferred revenue	<u>-</u>	<u>74,799</u>
	64,233	103,182
(Deficit) surplus	<u>(35,134)</u>	<u>63,463</u>
	<u>\$ 29,099</u>	<u>\$ 166,645</u>

On behalf of the Board

 Chairman  Secretary

See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Statement of Changes in Financial Position**

Year Ended March 31

1999

1998

Cash derived from (applied to)

**Operating**

Excess of expenditures over revenue	\$ (98,597)	\$ 92,414
Depreciation	<u>1,901</u>	<u>1,901</u>

(96,696)	94,315
----------	--------

## Changes in

Receivables	(3,563)	(1,037)
Payables and accruals	35,850	13,102
Deferred revenue	<u>(74,799)</u>	<u>(105,399)</u>

Net (decrease) increase in cash

(139,208)	981
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## Cash

Beginning of year	<u>163,614</u>	<u>162,633</u>
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End of year	\$ <u>24,406</u>	\$ <u>163,614</u>
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See accompanying notes to the financial statements.

**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Notes to the Financial Statements**

March 31, 1999

**1. Summary of significant accounting policies**

**Furniture and fixtures**

Furniture, fixtures and equipment are expensed in the year of acquisition.

**Equipment**

Depreciation of computer equipment is recorded using the straight line method at a rate of 33 1/3%.

**2. Assessment on automobile insurers**

In accordance with Section 9.1(1) of the Public Utilities Act, automobile insurers of New Brunswick are assessed each year. The assessment for each insurer is the proportion that the insurer's net receipts are of total net receipts. That proportion is applied to the budget for the ensuing year, adjusted to recover or return the prior year's deficiency or excess of revenue over expenditures.

	<u>1999</u>	<u>1998</u>
Automobile insurers' net receipts	\$ <u>329,137,000</u>	\$ <u>314,472,000</u>
Assessment on receipts		
Assessment for current year	\$ 80,637	\$ 237,449
Adjustment for prior year deficit	<u>63,463</u>	<u>28,951</u>
	\$ <u>144,100</u>	\$ <u>266,400</u>

**3. Receivables**

	<u>1999</u>	<u>1998</u>
Accrued interest	\$ 119	\$ 274
HST receivable	<u>4,574</u>	<u>856</u>
	\$ <u>4,693</u>	\$ <u>1,130</u>

**4. Equipment**

		<u>1999</u>	<u>1998</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
		<u>Book Value</u>	<u>Net Book Value</u>
Computer	\$ <u>5,703</u>	\$ <u>5,703</u>	\$ <u>-</u>
			\$ <u>1,901</u>

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**Board of Commissioners of Public Utilities  
of the Province of New Brunswick - Regulation of Automobile Insurers  
Notes to the Financial Statements**

March 31, 1999

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**5. 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 before, on, or after January 1, 2000 and, if not addressed, the effects on operations and financial reporting may range from minor errors to significant systems failure which could affect the company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers or third parties, will be fully resolved.



*Financial Statements of*

**FOREST PROTECTION LIMITED**

*March 31, 1999*

**Deloitte & Touche LLP**

**Deloitte &  
Touche**

**Deloitte & Touche LLP**  
Brunswick House  
44 Chipman Hill  
P.O. Box 6549, Station A  
Saint John, New Brunswick  
E2L 4R9

Telephone: (506) 632-1080  
Facsimile: (506) 632-1210

## Auditors' Report

To the Shareholders,  
Forest Protection Limited

We have audited the balance sheet of Forest Protection Limited as at March 31, 1999 and the statements of operations and unrestricted net assets, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1999 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants

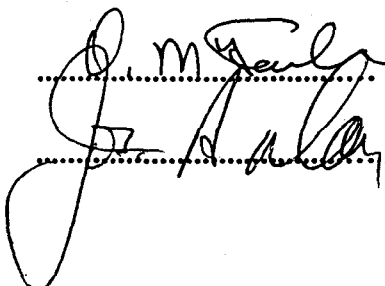
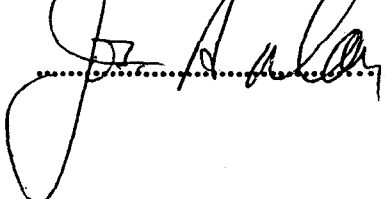
June 3, 1999

**FOREST PROTECTION LIMITED****Balance Sheet**

as at March 31, 1999

	1999	1998
<b>CURRENT ASSETS</b>		
Accounts receivable	\$ 85,872	\$ 159,696
Inventories - aircraft spare parts	638,338	644,022
- other	4,105	999
	728,315	804,717
<b>CAPITAL ASSETS</b>		
Property, plant and equipment (Note 2)	1,656,306	1,361,038
	\$ 2,384,621	\$ 2,165,755
<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$ 3,199,000	\$ 1,771,570
Accounts payable	1,012,620	763,780
Deferred revenue	151,866	131,213
Current portion of long-term debt (Note 3)	40,459	-
	4,403,945	2,666,563
<b>LONG-TERM DEBT (Note 3)</b>	136,973	-
<b>DEFICIT</b>		
Capital stock (Note 4)	2,000	2,000
Contributed surplus	715,888	715,888
Net investment in capital assets	1,478,874	1,361,038
Net assets internally restricted for equipment replacement	(4,353,059)	(2,579,734)
Unrestricted net assets	-	-
	(2,156,297)	(500,808)
	\$ 2,384,621	\$ 2,165,755

APPROVED BY THE BOARD

 Director  
 Director

**FOREST PROTECTION LIMITED**  
**Statement of Operations and Unrestricted Net Assets**  
**year ended March 31, 1999**

	1999	1998
<b>REVENUES</b>		
Contributions from participants		
Province of New Brunswick	\$ 2,008,321	\$ 2,029,418
Industry	335,917	341,020
Nova Scotia Tussock Moth Project	2,296,387	-
Other revenue	633,188	300,791
Interest earned	333	4,772
	<b>5,274,146</b>	<b>2,676,001</b>
<b>OPERATING EXPENSES (Note 5)</b>		
Overhead	646,767	602,644
Pest control	298,241	200,128
Fire suppression	1,334,220	1,349,061
Research and development	502,558	437,984
Other projects	2,028,217	175,962
	<b>4,810,003</b>	<b>2,765,779</b>
<b>OTHER EXPENSES</b>		
Litigation costs	2,086,493	1,831,567
Amortization of capital assets	90,341	128,799
Gain on disposal of capital assets	(57,202)	(4,000)
	<b>2,119,632</b>	<b>1,956,366</b>
<b>EXCESS OF EXPENSES OVER REVENUE</b>	<b>(1,655,489)</b>	<b>(2,046,144)</b>
Transfer from (to) net investment in capital assets	(87,836)	85,938
Transfer from net assets internally restricted for equipment replacement	1,743,325	1,960,206
<b>UNRESTRICTED NET ASSETS</b>		
<b>AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>

**FOREST PROTECTION LIMITED**  
**Statement of Changes in Net Assets**  
**year ended March 31, 1999**

	1999	1998
<b>NET INVESTMENT IN CAPITAL ASSETS</b>		
Balance at the beginning of the year	\$ 1,361,038	\$ 1,446,976
Transfers from (to) unrestricted operations:		
Acquisition of property, plant and equipment	556,940	42,861
Long-term debt on capital assets	(177,432)	-
Proceeds of assets disposed of or retired	(258,533)	(4,000)
Amortization of capital assets	(90,341)	(128,799)
Gain on disposal of capital assets	57,202	4,000
	87,836	(85,938)
Transfer from net assets internally restricted for equipment replacement:		
Acquisition of property, plant and equipment	30,000	-
Total transferred to (from) Net Investment in Capital Assets	117,836	(85,938)
Balance at end of year	\$ 1,478,874	\$ 1,361,038

**NET ASSETS INTERNALLY RESTRICTED FOR  
EQUIPMENT REPLACEMENT**

Balance at the beginning of the year	\$ (2,579,734)	\$ (619,528)
Transfers from (to) unrestricted operations:		
Litigation costs	(1,704,655)	(1,808,731)
Administration costs charged to litigation	(255,698)	(271,309)
Interest on internally restricted funds	(126,140)	(22,836)
Transfer from unrestricted assets	343,168	142,670
	(1,743,325)	(1,960,206)
Transfers to net investment in capital assets:	(30,000)	-
	(1,773,325)	(1,960,206)
Balance at end of year	\$ (4,353,059)	\$ (2,579,734)

# FOREST PROTECTION LIMITED

## Statement of Cash Flows

year ended March 31, 1999

	1999	1998
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING</b>		
Excess of expenses over revenues	\$ (1,655,489)	\$ (2,046,144)
Amortization of capital assets	90,341	128,799
Gain on disposal of capital assets	(57,202)	(4,000)
Changes in non-cash operating working capital items:		
Accounts receivable	73,824	(112,394)
Amounts due from participants	-	11,500
Inventories - aircraft spare parts	5,684	6,954
- other	(3,106)	11,306
Accounts payable	248,840	333,654
Deferred revenue	20,653	-
	<b>(1,276,455)</b>	<b>(1,670,325)</b>
<b>FINANCING</b>		
Proceeds from long-term debt	215,540	-
Repayment of long-term debt	(38,108)	-
	<b>177,432</b>	<b>-</b>
<b>INVESTING</b>		
Acquisition of property, plant and equipment	(586,940)	(42,861)
Proceeds on sale of property, plant and equipment	258,533	4,000
	<b>(328,407)</b>	<b>(38,861)</b>
<b>NET CASH OUTFLOW</b>	<b>(1,427,430)</b>	<b>(1,709,186)</b>
<b>CASH POSITION, BEGINNING OF YEAR</b>	<b>(1,771,570)</b>	<b>(62,384)</b>
<b>CASH POSITION, END OF YEAR</b>	<b>\$ (3,199,000)</b>	<b>\$ (1,771,570)</b>

# FOREST PROTECTION LIMITED

## Notes to the Financial Statements

year ended March 31, 1999

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### 1. ACCOUNTING POLICIES

#### *Operations and Net Investment in Capital Assets*

- a. The company is a non-profit organization and carries out an annual program, comprising pest control, fire suppression and research and development, of forest protection activities. The costs of the pest control program including all overhead expenditures are shared between various participating companies and the Province of New Brunswick on the basis of an approved cost sharing formula. Costs directly attributable to fire suppression activities are recovered from the Province of New Brunswick. The net cost of research and development activities, after deducting revenues received, is recovered from the participating companies and the Province of New Brunswick on the basis of a separate approved cost sharing formula.
- b. Program expenditures funded by participants include all costs incurred during the year, including the cost of property, plant and equipment and inventories consumed during the year. Costs funded are reduced by proceeds on disposal of property, plant and equipment, except for aircraft sales, which are transferred to Net Assets Internally Restricted for Equipment Replacement.
- c. Prior to 1999, the Company did not accrue for vacation pay earned by employees but not taken as at the year end. During the current year, the company began to accrue this liability. Vacation pay earned but not taken as at March 31, 1999 totalled \$10,345.
- d. Property, plant and equipment acquired during the year which remained on hand at the year end are recorded in the financial statements as Net Investment in Capital Assets.
- e. Inventories acquired up to October 31, 1975 are valued at historical cost, if determinable, or at an estimated replacement value at that date. Inventories acquired after October 31, 1975 are valued at current acquisition costs. Consumable supplies, except for pesticides, aviation fuel and lubricants, on hand at the end of each year are not included in the inventory balance.
- f. Land and buildings acquired before October 31, 1975, are recorded at estimated cost. All other property, plant and equipment, including buildings acquired subsequent to October 31, 1975 is valued at historical cost.
- g. Amortization of property, plant and equipment is calculated as follows:

Building and Mobile Homes	-	10% straight-line
Aircraft	-	4% straight-line
Equipment	-	20% straight-line

# FOREST PROTECTION LIMITED

## Notes to the Financial Statements

year ended March 31, 1999

### 1. ACCOUNTING POLICIES (Continued)

#### *Net Assets Internally Restricted for Equipment Replacement*

- h. By authority of the Board of Directors, the following sources of funds are to be transferred to this account for the purpose of replacing the Company's equipment:
- proceeds received from aircraft sales;
  - proceeds from legal actions, less the cost of pursuing these actions; and,
  - operating surpluses arising from unrestricted operations.

### 2. PROPERTY, PLANT AND EQUIPMENT

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			<u>1999</u>	<u>1998</u>
Land	\$ 75,000	\$ -	\$ 75,000	\$ 75,000
Building and mobile homes	536,027	316,981	219,046	7,087
Aircraft	1,855,447	738,521	1,116,926	1,038,485
Equipment	1,575,941	1,330,607	245,334	240,466
	<u>\$ 4,042,415</u>	<u>\$ 2,386,109</u>	<u>\$ 1,656,306</u>	<u>\$ 1,361,038</u>

### 3. LONG-TERM DEBT

Purchase of building to be paid in 60 equal installments of \$4,167 per month including principal and interest until March 2003. Principal repayments in each of the next 4 years are as follows:

	\$
2000	40,459
2001	42,954
2002	45,603
2003	48,416

**FOREST PROTECTION LIMITED****Notes to the Financial Statements**

year ended March 31, 1999

**4. CAPITAL STOCK**

	<u>1999</u>	<u>1998</u>
Authorized		
500 common shares \$10 par value each		
Issued and outstanding		
200 common shares	\$ 2,000	\$ 2,000

**5. OPERATING EXPENSES**

	<u>1999</u>	<u>1998</u>
<b>PROGRAM EXPENDITURES</b>		
Salaries and wages	\$ 1,218,123	\$ 1,019,514
Employer contributions	145,381	128,292
Transportation and communications	195,019	112,913
Consultants' fees, legal fees, audit, contractual, services, insurance, etc.	1,422,493	532,295
Maintenance and repairs (contractual)	644,933	563,773
Non-capitalized parts and equipment	93,668	25,200
Rentals (including aircraft)	761,221	155,682
Insecticides, materials and supplies	329,165	228,110
Expenses charged to operations	4,810,003	2,765,779
Capitalized - property, plant and equipment	409,508	42,861
Total program expenditures	\$ 5,219,511	\$ 2,808,640

**PROGRAM EXPENDITURES BY OPERATIONAL DIVISION**

Overhead expenditures	\$ 741,539	\$ 633,506
Pest control expenditures	298,241	200,128
Research and development expenditures	530,880	449,984
Fire suppression expenditures	1,585,085	1,349,060
Other projects	2,063,766	175,962
	\$ 5,219,511	\$ 2,808,640

## **FOREST PROTECTION LIMITED**

### **Notes to the Financial Statements**

**year ended March 31, 1999**

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#### **6. YEAR 2000**

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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

#### **7. SUBSEQUENT EVENT**

On June 30, 1999, the Company settled its legal action against certain parties. The final settlement includes a cash receipt of approximately \$18 million.

Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International

Grant Thornton 

**Kingsbrae Horticultural  
Garden Inc.  
Financial Statements**  
March 31, 1999

Chartered Accountants  
Canadian Member Firm of  
Grant Thornton International

Grant Thornton 

## Auditors' Report

To the Directors of  
Kingsbrae Horticultural Garden Inc.

We have audited the balance sheet of Kingsbrae Horticultural Garden Inc. as at March 31, 1999, and the statements of operations, changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many not-for-profit organizations, the organization derives revenue from private and public contributions the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenues over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. Stephen, New Brunswick  
June 14, 1999

*Grant Thornton*

Chartered Accountants

Suite 201  
Ganong Place  
73 Milltown Blvd.  
St. Stephen  
New Brunswick  
E3L 1G5  
Tel: (506) 466-3291  
Fax: (506) 466-6310

# Kingsbrae Horticultural Garden Inc.

## Statement of Operations

Year Ended March 31

1999

1998

	<u>General Fund</u>		Capital		
	<u>Operating</u>	<u>Special</u>	Construction	<u>Total</u>	<u>Total</u>
		<u>Design</u>	<u>Fund</u>		
<b>Revenues</b>					
Admissions and programs	\$ 78,352	\$ -	\$ -	\$ 78,352	\$ -
Private contributions	123,482	384,326	-	507,808	231,323
Public contributions	6,100	-	10,230	16,330	52,535
Town of St. Andrews	-	-	-	-	183,500
Provincial government	50,000	-	-	50,000	260,000
Trust fund	50,360	-	-	50,360	58,963
Employment programs	44,040	-	40,014	84,054	360,374
Investments	-	-	867	867	3,289
Other	<u>243</u>	<u>-</u>	<u>4,424</u>	<u>4,667</u>	<u>207</u>
	<u>352,577</u>	<u>384,326</u>	<u>55,535</u>	<u>792,438</u>	<u>1,150,191</u>
<b>Expenses</b>					
Advertising and promotion	5,211	-	-	5,211	1,553
Bank charges	1,684	-	-	1,684	807
Construction, design, and capital equipment	-	277,566	170,646	448,212	615,664
Heat, light and power	15,929	-	-	15,929	10,322
Insurance	3,564	-	-	3,564	5,089
Maintenance and repair	17,443	-	-	17,443	8,022
Office supplies and stationery	12,242	-	-	12,242	7,529
Professional fees	4,186	-	-	4,186	3,246
Property taxes	43,733	-	-	43,733	20,925
Salaries and benefits	245,714	-	69,253	314,967	526,925
Telephone and fax	6,690	-	-	6,690	5,479
Training	767	-	-	767	1,190
Travel	4,998	-	-	4,998	1,863
Vehicle	<u>2,856</u>	<u>-</u>	<u>-</u>	<u>2,856</u>	<u>5,165</u>
	<u>365,017</u>	<u>277,566</u>	<u>239,899</u>	<u>882,482</u>	<u>1,213,779</u>
<b>Excess of revenues over expenses</b>					
(expenses over revenues)	\$ (12,440)	\$ 106,760	\$(184,364)	\$ (90,044)	\$ (63,588)

See accompanying notes to the financial statements.

# **Kingsbrae Horticultural Garden Inc.** **Statement of Changes in Fund Balances**

Year Ended March 31

1999

1998

	<u>General Fund</u>		<u>Capital</u>		
	<u>Operating</u>	<u>Special</u>	<u>Construction</u>	<u>Total</u>	<u>Total</u>
		<u>Design</u>	<u>Fund</u>		
Fund balances, beginning of year	\$ (1,275)	\$(106,760)	\$ 248,162	<b>\$140,127</b>	\$ 203,715
Excess of revenues over expenses (expenses over revenues)	(12,440)	106,760	(184,364)	<b>(90,044)</b>	(63,588)
Interfund transfers (Note 7)	<u>13,715</u>	-	<u>(13,715)</u>	-	-
Fund balances, end of year	\$ -	\$ -	\$ <u>50,083</u>	<b>\$ 50,083</b>	\$ <u>140,127</u>

See accompanying notes to the financial statements.

# Kingsbrae Horticultural Garden Inc.

## Balance Sheet

March 31

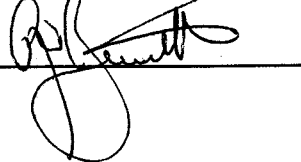
1999

1998

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>Total</u>	<u>Total</u>
<b>Current assets</b>				
Cash	\$ 36,695	\$ 50,083	\$ 86,778	\$ 110,790
Temporary investments, at cost	-	-	-	73,836
Receivables	17,461	-	17,461	23,820
Prepays	<u>1,858</u>	<u>-</u>	<u>1,858</u>	<u>53</u>
	<u>\$ 56,014</u>	<u>\$ 50,083</u>	<u>\$ 106,097</u>	<u>\$ 208,499</u>
<b>Current liabilities</b>				
Payables and accruals	\$ <u>8,566</u>	\$ <u>-</u>	\$ <u>8,566</u>	\$ <u>10,402</u>
<b>Deferred contributions</b>				
Deferred revenues (Note 3)	<u>47,448</u>	<u>-</u>	<u>47,448</u>	<u>57,970</u>
<b>Fund balances</b>				
Unrestricted	-	50,083	50,083	246,887
Unfunded special design requests	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,760)</u>
	<u>-</u>	<u>50,083</u>	<u>50,083</u>	<u>140,127</u>
	<u>\$ 56,014</u>	<u>\$ 50,083</u>	<u>\$ 106,097</u>	<u>\$ 208,499</u>

Commitments, contractual obligation and uncertainty (Notes 5 and 6)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

# Kingsbrae Horticultural Garden Inc.

## Statement of Cash Flows

Year Ended March 31

1999

1998

	<u>General Fund</u>	<u>Capital Construction Fund</u>	<u>Total</u>	<u>Total</u>
Increase (decrease) in cash and cash equivalents				
<b>Operating</b>				
Excess of revenues over expenses (expenses over revenues)	\$ 94,320	\$(184,364)	\$ (90,044)	\$ (63,588)
Change in non-cash operating working capital				
Receivables	(5,457)	11,816	6,359	4,995
Prepays	(1,805)	-	(1,805)	8,171
Payables and accruals	4,011	(5,847)	(1,836)	3,027
Deferred revenues recognized	<u>(18,677)</u>	<u>-</u>	<u>(18,677)</u>	<u>-</u>
	<u>72,392</u>	<u>(178,395)</u>	<u>(106,003)</u>	<u>(47,395)</u>
<b>Financing</b>				
Deferred revenues	<u>8,155</u>	<u>-</u>	<u>8,155</u>	<u>29,529</u>
Increase (decrease) in cash	80,547	(178,395)	(97,848)	(17,866)
Interfund transfers	13,715	(13,715)	-	-
Cash and cash equivalents, beginning of year	<u>(57,567)</u>	<u>242,193</u>	<u>184,626</u>	<u>202,492</u>
Cash and cash equivalents, end of year	<u>\$ 36,695</u>	<u>\$ 50,083</u>	<u>\$ 86,778</u>	<u>\$ 184,626</u>
Cash and cash equivalents consist of:				
Cash on hand and balances with banks			\$ 86,778	\$ 110,790
Treasury bill and balance with broker			<u>-</u>	<u>73,836</u>
			<u>\$ 86,778</u>	<u>\$ 184,626</u>

See accompanying notes to the financial statements.

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## **Kingsbrae Horticultural Garden Inc.**

### **Notes to the Financial Statements**

March 31, 1999

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#### **1. Nature of operations**

Kingsbrae Horticultural Garden Inc. is an organization constructing, managing and operating a horticultural garden for and on behalf of the Province of New Brunswick. Kingsbrae Horticultural Garden Inc. is incorporated under the *Companies Act* of New Brunswick as a not-for-profit organization.

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#### **2. Summary of significant accounting policies**

##### **Fund accounting**

Kingsbrae Horticultural Garden Inc. follows the restricted fund method of accounting for contributions.

The General Fund accounts for the organization's operational and administrative activities. This fund reports the unrestricted and restricted operating resources.

The Capital Construction Fund reports only restricted resources that are to be used for constructing the garden and acquiring related facilities and equipment for and on behalf of the Province of New Brunswick.

##### **Revenue recognition**

Restricted contributions relating to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Restricted contributions relating to capital construction are recognized as revenue of the Capital Construction Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### **Contributed services**

Volunteers on a local advisory committee contribute several hours per week to assist Kingsbrae Horticultural Garden Inc. and provide input on various matters pertaining to construction and operations. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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## **Kingsbrae Horticultural Garden Inc.**

### **Notes to the Financial Statements**

March 31, 1999

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#### **2. Summary of significant accounting policies (continued)**

##### **Statement of cash flows**

The organization has adopted new recommendations of the CICA and has presented a "Statement of Cash Flows" instead of a "Statement of Changes in Financial Position".

For the purposes of the statement of cash flows the organization considers cash on hand and balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash or cash equivalents.

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#### **3. Deferred revenues**

The deferred revenues reported in the General Fund represent restricted funding received in the current and prior years for a use to be established.

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#### **4. Financial instruments**

The carrying values of cash, receivables, and payables and accruals reflected on the balance sheet approximate their respective fair values.

The organization's revenues are dependent on a wide client base and bad debts have not been significant. Concentrations of credit risk are considered to be minimal.

---

#### **5. Commitments and contractual obligation**

Kingsbrae Horticultural Garden Inc. has entered into an agreement to construct and operate a horticultural garden on behalf of the Province of New Brunswick ("Province"). This agreement provides the following:

Income earned from a \$1,000,000 gift made to and deposited by the Province to a special purposes account ("Trust fund") be paid to the organization for operation costs;

A gift or gifts up to \$450,000 to be made to and deposited by the Province, to be paid to the organization for capital construction;

The Town of St. Andrews ("Town") to borrow up to \$450,000, to be paid to the organization for capital construction;

The province to pay up to \$900,000 on a matching basis, to the organization for capital construction;

An annual gift up to \$100,000 to be made to the Province, to be paid to the organization for annual operating deficiencies, if any;

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## **Kingsbrae Horticultural Garden Inc.**

### **Notes to the Financial Statements**

March 31, 1999

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#### **5. Commitments and contractual obligation (continued)**

The Town to pay water, sewer, garbage collection, snow removal and street maintenance services during the term of the loan for funds borrowed pursuant to this agreement;

The organization to pay the Town the loan payments less the amount of a grant by the Province to the Town in respect of municipal taxes assessed; and

The Province to pay the organization the lessor of \$25,000 and the above, except to the extent any excess revenue over expenses of the organization are to be paid to the Town.

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#### **6. 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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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#### **7. Interfund transfers**

In 1999, the Kingsbrae Horticultural Garden Inc. board of directors approved the transfer of funds from the Capital Construction Fund to the General Fund to eliminate the General Fund deficiency otherwise arising as at March 31, 1999.



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FINANCIAL STATEMENTS

**KINGS LANDING CORPORATION**

31 MARCH 1999

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Chairperson and Directors  
Kings Landing Corporation  
Prince William, New Brunswick

I have audited the statement of financial position of Kings Landing Corporation as at 31 March 1999 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

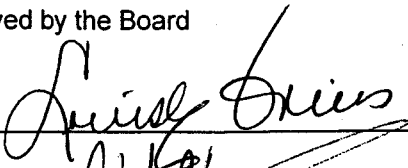
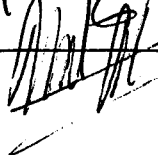
Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
24 August 1999

**KINGS LANDING CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**31 MARCH 1999**

	1999	1998
<b>ASSETS</b>		
Current assets		
Accounts receivable		
Province of New Brunswick	\$ 37,819	\$ 18,784
Other	23,730	24,300
Prepaid expenses	19,833	16,482
Inventories (Note 1(c))	82,855	118,650
	<u>164,237</u>	<u>178,216</u>
Publications fund assets (Note 3)	11,933	11,933
Kings Landing Collection (Note 1 (d))	1	1
Capital assets, net (Note 1 (e))	1,945,776	1,598,789
	<u>\$ 2,121,947</u>	<u>\$ 1,788,939</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Bank overdraft and outstanding cheques	\$ 34,449	\$ 4,893
Accounts payable and accrued liabilities	151,026	199,554
Deferred revenue	4,660	21,930
	<u>190,135</u>	<u>226,377</u>
Deferred contributions related to capital assets (Note 1 (g))	1,906,668	1,561,859
Net assets		
Net assets internally restricted for publications (Note 3)	11,933	11,933
Net assets invested in capital assets	39,108	36,931
Unrestricted net assets	(25,897)	(48,161)
	<u>25,144</u>	<u>703</u>
	<u>\$ 2,121,947</u>	<u>\$ 1,788,939</u>

Approved by the Board

Chairperson

Member

**KINGS LANDING CORPORATION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED 31 MARCH 1999**

	<b>Budget 1999</b>	<b>Actual 1999</b>	<b>Actual 1998</b>
<b>REVENUE</b>			
Admissions	\$ 304,000	\$ 299,011	\$ 260,395
Emporium	215,000	221,271	195,525
Food services	375,000	425,213	351,371
Education	72,700	70,162	71,026
Other operating revenue	33,100	105,005	80,783
	<u>999,800</u>	<u>1,120,662</u>	<u>959,100</u>
Grants			
Provincial Operating	1,343,300	1,476,051	1,472,071
Provincial Capital	-	19,855	96,400
Federal Operating	-	13,565	47,070
Amortization of deferred contributions (Note 1(g))	-	105,192	59,000
	<u>1,343,300</u>	<u>1,614,663</u>	<u>1,674,541</u>
	<u>2,343,100</u>	<u>2,735,325</u>	<u>2,633,641</u>
<b>EXPENSES</b>			
Interpretation			
Operations	535,300	605,270	539,798
Education	67,500	74,605	64,789
Fabrics	96,000	105,456	95,871
	<u>698,800</u>	<u>785,331</u>	<u>700,458</u>
Curatorial			
Maintenance (Note 1(d))	255,400	417,314	470,440
Security	144,600	145,743	151,384
Curatorial	188,500	179,831	205,388
	<u>588,500</u>	<u>742,888</u>	<u>827,212</u>
Emporium and visitor services	288,300	297,596	274,449
Public relations	225,100	210,860	222,428
Administration	262,800	276,165	252,753
Food services	344,900	398,044	329,787
	<u>1,121,100</u>	<u>1,182,665</u>	<u>1,079,417</u>
	<u>2,408,400</u>	<u>2,710,884</u>	<u>2,607,087</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ (65,300)</b>	<b>\$ 24,441</b>	<b>\$ 26,554</b>

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**KINGS LANDING CORPORATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED 31 MARCH 1999**

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	Net Assets Internally Restricted for Publications	Net assets invested in capital assets	Unrestricted Net Assets	Total 1999	Total 1998
Balance, beginning of year	\$ 11,933	\$ 36,931	\$ (48,161)	\$ 703	\$ (25,851)
Excess (deficiency) of revenue over expenses		(8,380)	32,821	24,441	26,554
Investment in Capital assets		10,557	(10,557)		
Balance, end of year	\$ 11,933	\$ 39,108	\$ (25,897)	\$25,144	\$ 703

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Summary of significant accounting policies**

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**(a) General comments on operations**

Kings Landing Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation serves the people of New Brunswick and visitors to the province by operating a living historical village as a dynamic, progressive outdoor museum.

**(b) Revenue recognition**

Kings Landing Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

**(c) Inventories**

Inventories are valued at the lower of cost and net realizable value, and comprise the following:

	1999	1998
Emporium	\$ 57,274	\$ 85,247
Less: Provision for obsolescence	(2,200)	(2,599)
	<hr/> 55,074	<hr/> 82,648
Fabrics	19,188	17,928
Food and liquor	7,598	9,113
Other	995	8,961
	<hr/> \$ 82,855	<hr/> \$118,650

**(d) The Kings Landing Collection**

The Kings Landing Collection is composed of some 70 major historical structures and thousands of individual artifacts from the period between 1780 and 1900. The structures and artifacts are not replaceable as each piece represents a unique aspect of New Brunswick history. In recognition of this, the collection is valued at \$1 and individual pieces purchased by the Corporation are expensed in the year of acquisition. Similarly, costs of maintaining the collection are expensed as incurred. During the year, \$ 7,500 (1998 - \$36,485) was spent on additions to the collection and artifacts worth an estimated \$ 321,194 (1998 - \$221,934) were donated.

Expenditures related to capital improvements of the historical structures are expensed as incurred. The current year historical capital expenditures amounted to \$ 63,213 (1998 - \$ 130,184).

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**KINGS LANDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**1. Summary of significant accounting policies - continued**

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**(e) Other capital assets**

Purchased or contributed capital assets, except those of an historical nature, are recorded at cost or appraised value where cost is not determinable. Amortization is taken using the fixed percentage on declining base method. The exception is computer equipment which is amortized on a straight line basis over five years, the estimated useful life of the assets.

Amortization charged for the current year amounted to \$ 107,438 (1997 -\$ 62,192). This amount has been allocated to the appropriate expense categories in the statement of operations.

Kings Landing Corporation has 91.5 acres of land spread on both sides of the St. John River. Approximately 40 acres are used for site purposes. Because its purpose is to serve as a site for the collection, the land has been recorded at a value of \$1.

Details of capital assets are as follows:

	<b>Amortization Rate</b>	<b>1999</b>	<b>1998</b>
Land		\$ 1	\$ 1
Buildings	5%	2,144,938	1,704,373
Computer hardware	20%	10,000	26,940
Equipment	10%	25,964	32,976
Automotive equipment	20%	61,486	51,868
		<hr/> 2,242,389	<hr/> 1,816,158
Less: Accumulated amortization		296,613	217,369
Total capital assets, net		<hr/> \$1,945,776	<hr/> \$1,598,789

**(f) Contributed services**

Volunteers contribute about 8,000 hours per year to assist Kings Landing Corporation in carrying out its activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

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**KINGS LANDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Summary of significant accounting policies – continued**

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**(g) Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent capital assets which are not part of the historical collection and were donated to Kings Landing Corporation. The changes in the deferred contributions balance of the period are as follows:

	1999	1998
Beginning balance	\$1,561,859	\$1,150,000
Add contributed assets	450,001	470,859
	<hr/> 2,011,860	<hr/> 1,620,859
Less amounts amortized to revenue	105,192	59,000
Ending balance	<hr/> \$1,906,668	<hr/> \$1,561,859

**2. Income tax status**

---

The Corporation is a registered charitable organization under the Income Tax Act and is able to issue donation receipts for income tax purposes. In order to maintain its status, the Corporation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

**3. Restrictions on net assets**

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The publications fund was established in 1977 and represents amounts set aside for purposes of publication of approved historical literature. The fund assets represent books held for sale to the public.

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**KINGS LANDING CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**4. Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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**5. Budget**

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The budget figures, as shown in the statement of operations, have been approved by the Board of Directors of the Corporation. They have not been audited.

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**6. Statement of cash flows**

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This statement was not prepared as the information it would contain was not considered significant.



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**FINANCIAL STATEMENTS**

**LOTTERIES COMMISSION OF NEW BRUNSWICK**

**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



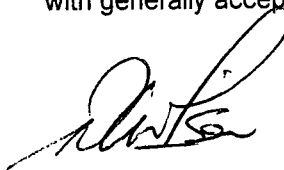
## AUDITOR'S REPORT

To the Members of the  
Lotteries Commission of New Brunswick

I have audited the balance sheet of the Lotteries Commission of New Brunswick as at 31 March 1999 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.



Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
16 July 1999

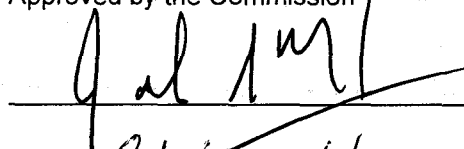
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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
BALANCE SHEET  
31 MARCH 1999**

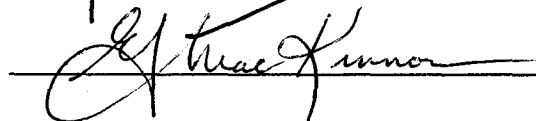
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	1999	1998
<b>ASSETS</b>		
Current assets		
Due from Atlantic Lottery Corporation Inc.	\$ 6,556,174	\$ 7,685,156
Other assets		
Investment in share capital of Atlantic Lottery Corporation Inc.	100	100
Investment in share capital of Interprovincial Lottery Corporation	1	1
	<u>101</u>	<u>101</u>
	<u>\$ 6,556,275</u>	<u>\$ 7,685,257</u>
<b>LIABILITIES AND CONTRIBUTED SURPLUS</b>		
Current liabilities		
Due to Province of New Brunswick (Note 4)	\$ 6,556,174	\$ 7,685,156
Contributed surplus (Note 2)	101	101
	<u>\$ 6,556,275</u>	<u>\$ 7,685,257</u>

Approved by the Commission



Member



Member

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1999**

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	<b>1999</b>		<b>1998</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUE</b>			
Share of net profit of Atlantic Lottery Corporation Inc. (Note 1)	\$ 97,162,000	\$ 86,879,001	\$ 85,841,879
Other revenue (Note 3)	-	33,115	28,720
	<u>97,162,000</u>	<u>86,912,116</u>	<u>85,870,599</u>
<b>EXPENDITURE</b>			
To the Province of New Brunswick (Note 1)			
Ordinary account revenue	84,000,000	73,289,584	73,499,011
Environmental Trust Fund	10,000,000	10,000,000	10,000,000
Sport Development Trust Fund	400,000	400,000	400,000
Arts Development Trust Fund	700,000	700,000	400,000
Agreements with First Nations	-	615,552	160,686
Expenses for video game inspection	1,129,700	976,111	863,376
Administrative costs	175,300	150,158	148,533
Department of Health and Community Services (Gambling addiction; education and treatment)	757,000	505,711	398,993
Contract dispute (Note 5)	-	275,000	-
	<u>97,162,000</u>	<u>86,912,116</u>	<u>85,870,599</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Summary of significant accounting policies**

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**New Brunswick's share of Atlantic Lottery Corporation Inc. profit**

Operational costs attributable to all provinces are subtracted from total revenues of Atlantic Lottery Corporation Inc. The remaining profits are allocated to the individual provinces on the basis of each province's portion of net sales. Net sales are defined as the province's gross sales less sales discounts and prizes for the province. Expenses separable and specific to the individual province are then subtracted and the balance is paid to the province.

**Payments to the Province of New Brunswick**

The Lotteries Commission of New Brunswick remits the profits it receives from Atlantic Lottery Corporation Inc. to the Province of New Brunswick. The profits from certain types of lotteries have been designated as revenue for specific trust funds operated by the Province of New Brunswick. Annual lottery profits designated for the Arts and Sport Development Trust Funds have each been set by the Province at a minimum of seven hundred thousand dollars and four hundred thousand dollars respectively. Video lottery profits paid annually to the Environmental Trust Fund have been capped by the Province at ten million dollars.

The Lotteries Act provides that the First Nations may be paid 95% of all profits received from the Atlantic Lottery Corporation Inc. for the operation of video lottery on reserves having agreements with the Province. Where these agreements are in place the Province also rebates all provincial earnings from the sale of breakopen tickets sold on reserves. As of 31 March 1999, five First Nations have signed agreements involving lottery revenues: Fort Folly, Oromocto, Woodstock, St. Mary's and Burnt Church. The Province has one other signed agreement which is with Madawaska-Maliseet. It does not, however, receive any lottery revenues by way of the agreement.

**Investments**

The New Brunswick government does not operate any lottery but the Province is a shareholder in Atlantic Lottery Corporation Inc. and in the Interprovincial Lottery Corporation. Atlantic Lottery Corporation Inc. is a jointly-owned corporation of 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 regionally the products of the Interprovincial Lottery Corporation. The Interprovincial Lottery Corporation is a corporation jointly owned by the ten Canadian provinces.

The investments in Atlantic Lottery Corporation Inc. and Interprovincial Lottery Corporation are carried at cost. Net profits of these corporations are distributed annually to the shareholders.

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**LOTTERIES COMMISSION OF NEW BRUNSWICK**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**2. Contributed surplus**

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This amount represents funds paid by the Province of New Brunswick on behalf of the Lotteries Commission of New Brunswick to Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation in exchange for share capital.

**3. Other revenue**

---

The Province of New Brunswick requires that charitable/non-profit groups pay a small fee for their licenses for gaming activities such as bingo, raffles etc. Fines issued under the Lotteries Act relating to the video lottery program are also included in this account.

**4. Statement of transactions with the Province of New Brunswick**

---

	1999	1998
Current liability		
Balance, beginning of year	\$ 7,685,156	\$ 7,023,844
Income for the year	86,879,001	85,841,879
	<hr/>	<hr/>
Funds available to Province of New Brunswick	94,564,157	92,865,723
Less remittances during the year	88,007,983	85,180,567
Balance, end of year	<hr/> \$ 6,556,174	<hr/> \$ 7,685,156

**5. Contract dispute**

---

The New Brunswick Court of Appeal overturned a Court of Queens Bench decision which had favoured the Lotteries Commission in a court action brought about by another party. The amount recorded is an estimate of the costs of the award, damages, interest and disbursements.

**6. Uncertainty due to the Year 2000 Issue**

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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 January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant

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**LOTTERIES COMMISSION OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**6. Uncertainty due to the Year 2000 Issue – continued**

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systems failure which could affect the Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

**7. Subsequent event**

---

In early 1999, the Nova Scotia Gaming Corporation served notice of their intention to withdraw from the Atlantic Lottery Corporation Inc. The three remaining shareholders have agreed to continue the Atlantic Lottery Corporation Inc. and operations will continue in the provinces of New Brunswick, Newfoundland and Prince Edward Island.

The terms of any possible withdrawal have not been finalized as at the date of the financial statements. As a result, the effect, if any, on the future allocation of the profits from the Atlantic Lottery Corporation Inc. to the Lotteries Commission of New Brunswick is not determinable at this time.



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**FINANCIAL STATEMENTS**

**NB AGRIEXPORT INC.**

**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholder of  
NB AGRIEXPORT INC.

I have audited the balance sheet of NB AGRIEXPORT INC. as at 31 March 1999 and the statement of income and surplus for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Daryl C. Wilson'.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
9 December 1999

**NB AGRIEXPORT INC.  
BALANCE SHEET  
31 MARCH 1999**

	1999	1998
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	\$ 613,606	\$ 786,439
Accounts receivable	860,668	436,296
Prepays	184,200	-
	<u>\$1,658,474</u>	<u>\$ 1,222,735</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Accounts payable	\$ 22,953	\$ 53,979
Due to Province of New Brunswick	1,588,000	1,300,000
	<u>1,610,953</u>	<u>1,353,979</u>
Capital stock		
Authorized and issued:		
One common share, no par value	-	-
Surplus (Deficit)	<u>47,521</u>	<u>(131,244)</u>
	<u>\$1,658,474</u>	<u>\$ 1,222,735</u>

Approved by the Board

*Claire LePage*

Director

*R. B. Hunter*

Director

**NB AGRIEXPORT INC.  
STATEMENT OF INCOME AND SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1999**

	1999	1998
Export sales	\$ 188,928	\$ 382,403
Cost of sales	172,354	379,534
Gross profit	16,574	2,869
Other income	15,000	15,000
Loan guarantee fees	79,449	40,052
Interest	22,170	-
Grant revenues	18,000	14,550
Administration fees	15,080	
Recovery	29,910	8,223
Other	179,609	77,825
Total Income	196,183	80,694
Expenses	17,264	2,206
Office	-	13,878
Travel	154	212
Interest	-	972
Penalty	17,418	17,268
NET INCOME FOR THE YEAR	178,765	63,426
Deficit, beginning of year	(131,244)	(194,670)
SURPLUS (DEFICIT), end of year	\$ 47,521	\$ (131,244)

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**NB AGRIEXPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Description of operations**

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NB AGRIEXPORT INC. was established on 23 May 1996 under the Business Corporations Act of the Province of New Brunswick.

The Corporation is wholly owned by the Province of New Brunswick and has as its mandate: to provide a focal point for the Department of Agriculture and Rural Development's international market development efforts; to facilitate exporters' access to international markets; and to help exporters manage the risks of international marketing.

The administration of the Corporation's affairs is carried out by employees of the Province of New Brunswick under the direction of the Corporation's Board of Directors. All costs associated with these employees are paid by the Province.

**2. Contingencies**

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a) Guaranteed loans

The Corporation has guaranteed loans of certain companies involved in the export of agricultural products. At 31 March 1999, the contingent liability in respect of these guarantees was \$1,000,000. Any resulting losses will be borne by the Province of New Brunswick.

b) Legal actions

The Corporation is taking legal action against Agriculture Canada to recover losses incurred when a sales contract with a third party was cancelled. The Corporation feels that the cancellation was as a direct result of negligence on the part of Agriculture Canada. The total loss being claimed by the Corporation is \$160,402.

As at the date of completion of these financial statements, management and counsel are unable to provide estimates on the outcome of this claim.

**3. Statement of cash flows**

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This statement was not prepared as the information it would contain was considered not significant.

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**NB AGRIEXPORT INC.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**4. Uncertainty due to the Year 2000 Issue**

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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 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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting NB AGRIEXPORT INC., including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION**

**31 DECEMBER 1998**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Directors of the  
New Brunswick Credit Union Deposit Insurance Corporation

I have audited the balance sheet of the New Brunswick Credit Union Deposit Insurance Corporation as at 31 December 1998 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N.B.  
27 January 1999

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NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
BALANCE SHEET  
31 DECEMBER 1998

---

	1998	1997
<b>ASSETS</b>		
Cash	\$15,168	\$10,097
Accounts receivable	33	33
	<u>\$15,201</u>	<u>\$10,130</u>

---

**LIABILITIES**

---

Accounts payable	\$ 90	\$ ---
Advances - stabilization boards (Note 2)	15,111	10,130
	<u>\$15,201</u>	<u>\$10,130</u>

Approved by the Board

*Renée LeBlanc* Chairperson

*mylchur* Director

NEW BRUNSWICK CREDIT UNION  
 DEPOSIT INSURANCE CORPORATION  
 STATEMENT OF REVENUE AND EXPENDITURE  
 FOR THE YEAR ENDED 31 DECEMBER 1998

	1998		1997
	Budget	Actual	
REVENUE (Note 2)			
Contributions - stabilization boards	\$14,000	\$15,023	\$1,580
EXPENDITURE (Note 2)			
Professional services and other	6,000	12,255	641
Board of Directors	8,000	2,768	939
	14,000	15,023	1,580
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	\$ ---	\$ ---	\$ ---

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NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1998

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1. Authority and objective

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The Corporation is an independent entity created under the provisions of the *Credit Unions Act* proclaimed on 31 January 1994. The mandate of the Corporation is to provide deposit insurance to members of credit unions in New Brunswick. The Corporation may also assist stabilization boards in providing financial assistance to credit unions.

The *Credit Unions Act* provides that the Corporation may levy credit unions for the funds required to carry out its mandate. The Act also provides that costs incurred in relation to the activities of the Corporation shall be assumed by the stabilization boards when they are requested to do so. Finally the Corporation may apply to the Province for loans or guarantees.

The affairs of the Corporation are administered by a Board of Directors of five persons. The Superintendent of credit unions is responsible for the administration of the *Credit Unions Act* and is the Chairperson of the Board. Each stabilization board appoints two representatives to the Board of Directors of the Corporation.

2. Significant accounting policies

---

The Corporation receives advances from the stabilization boards to cover its expenses. The Corporation records portions of the advances as revenue when expenses are incurred. An unspent balance of \$15,111 is recorded as a liability on the balance sheet.

The Corporation operates as a separate entity within the Credit Unions, Co-operatives and Trust Companies Branch of the Department of Justice. As such the Branch assumes the salary and some overhead costs which relate to the administration of the Corporation. Those costs are reflected in the expenditures of the Branch and are not recovered from the Corporation.

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NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1998

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3. Deposit protection for credit union members

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As described in Note 1 it is the mandate of the Corporation to provide deposit insurance coverage for members of credit unions in New Brunswick. Currently, a maximum basic coverage of \$60,000 is provided for insured deposits of each credit union member. Separate deposit coverage up to a maximum of \$60,000 each is also provided for joint deposits, trust deposits and deposits held in RRSPs and in RRIFs. The Corporation is in the process of deciding if a separate deposit insurance fund need be created by it to further protect the interests of individual investors.

The current legislation provides for the continued existence of the two stabilization boards which have operated in the province since 1978. Each stabilization board has established a stabilization fund which is available to provide financial assistance to its affiliated credit unions. As at 31 October 1998, l'Office de Stabilisation de la Fédération des Caisses Populaires Acadiennes Limitée reported unaudited net assets of \$35.3 million. Of this total, an amount of \$1.9 million represents investments in caisses populaires for the purpose of stabilization. As at 30 September 1998, the Brunswick Credit Union Federation Stabilization Board Limited reported unaudited net assets of \$7.8 million. Each stabilization board is responsible to carry out inspections and monitor the financial condition and business practices of its member credit unions on an ongoing basis.

Both the stabilization boards and the Corporation have responsibilities for the protection of deposits of credit union members.

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4. Uncertainty due to the Year 2000 Issue

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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.

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NEW BRUNSWICK CREDIT UNION  
DEPOSIT INSURANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 1998

---

---

4. Uncertainty due to the Year 2000 Issue

---

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 January 1, 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 Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



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**FINANCIAL STATEMENTS**  
**NEW BRUNSWICK CROP INSURANCE**  
**COMMISSION**  
**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairman and Members of the  
New Brunswick Crop Insurance Commission

I have audited the balance sheet of the New Brunswick Crop Insurance Commission as at 31 March 1999 and the statements of revenue and expense, surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
10 September 1999

**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**BALANCE SHEET**  
**31 MARCH 1999**

	1999	1998
<b>ASSETS</b>		
Accounts receivable		
Province of New Brunswick	\$ 5,659	\$ -
Canada	202,851	15,200
Insured producers - crop insurance component of GRIP	2,035	-
- revenue protection component of GRIP	7,112	-
Other	12,530	22,525
	<u>230,187</u>	<u>37,725</u>
Prepaid expenses - New Brunswick	-	15,822
- Canada	-	15,822
Crop Insurance Fund (Note 2)	2,424,422	1,442,722
	<u>\$2,654,609</u>	<u>\$1,512,091</u>

**LIABILITIES AND SURPLUS**

Accounts Payable		
Indemnities - crop insurance	\$ 493,328	\$ 642,024
Crop Reinsurance Fund of New Brunswick	3,409	3,286
Crop Reinsurance Fund of Canada for New Brunswick	114,045	125,503
	<u>610,782</u>	<u>770,813</u>
Advance from Province of New Brunswick	-	30,361
Deferred revenue (Note 5)	32,659	39,473
Surplus	2,011,168	671,444
	<u>\$2,654,609</u>	<u>\$1,512,091</u>

Approved by the Commission

*Leopold Bourgeois*

Chairman

*Benoit Michaud*

Member

**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF REVENUE AND EXPENSE  
FOR THE YEAR ENDED 31 MARCH 1999**

	1999	1998
<b>REVENUE</b>		
Premiums from producers - crop insurance (Schedule A)	\$ 801,607	\$1,795,451
Premium contributions		
- Province of New Brunswick	1,365,847	897,726
- Canada	1,365,847	897,726
Total Premiums	3,533,301	3,590,903
Contributions for administration		
- Province of New Brunswick	654,043	568,764
- Canada	654,043	568,764
Interest - from producers	6,992	14,014
Other	18,082	-
	4,866,461	4,742,445
<b>EXPENSE</b>		
Indemnities - crop insurance (Schedule B)	981,996	1,466,582
- crop insurance previous crop years	-	169,381
Administration (Schedule C)	1,308,085	1,137,528
Crop Reinsurance Fund of New Brunswick	618,328	628,408
Crop Reinsurance Fund of Canada for New Brunswick	618,328	628,408
Other	-	113,281
	3,526,737	4,143,588
Excess of revenue over expense before special contribution	1,339,724	598,857
Special contribution (Note 4)	-	384,048
<b>EXCESS OF REVENUE OVER EXPENSE FOR THE YEAR</b>	<b>\$1,339,724</b>	<b>\$ 982,905</b>

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1999**

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	1999	1998
Surplus (Deficit), beginning of year	\$ 671,444	\$ (311,461)
Excess of revenue over expense for the year	1,339,724	982,905
<b>SURPLUS, END OF YEAR</b>	<b>\$2,011,168</b>	<b>\$ 671,444</b>

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 1999**

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	1999	1998
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations		
Excess of revenue over expense for the year	\$ 1,339,724	\$ 982,905
Decrease (increase) in accounts receivable	(192,462)	1,666,998
Decrease in accounts payable	(160,031)	(1,262,619)
Decrease in deferred revenue	(6,814)	(39,654)
Increase in reserve fund	(981,700)	(962,299)
Decrease (increase) in prepaid expenses	31,644	(31,644)
Cash provided by operations	<u>30,361</u>	<u>353,687</u>
Financing activities		
Decrease in advance from the Province of New Brunswick	<u>(30,361)</u>	<u>(353,687)</u>
Cash used for financing activities	<u>(30,361)</u>	<u>(353,687)</u>
<b>CASH POSITION AT BEGINNING AND AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**1. Description of operations**

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The Crop Insurance Act, assented to on 10 June 1966, serves as the basis for the establishment of the Commission. Regulation 95-122 under the Act establishes the Commission and sets out its powers and duties.

The Commission is responsible for administering the delivery to producers of a crop insurance plan to provide insurance protection against losses of production. This plan is funded through producer premiums and through contributions from the Province of New Brunswick and the Government of Canada.

All accounting transactions are recorded through the Consolidated Fund of the Province of New Brunswick. Administrative expenses provided by the Province are allocated to the Commission.

**2. Crop Insurance Fund**

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Under the terms of the Federal-Provincial Agreement a Crop Insurance fund must be maintained for the crop insurance plan. All insurance premiums and interest received, including the premium contributions of both governments, are put in the reserve fund. These premiums are used first to pay premiums to the Crop Reinsurance Fund of Canada for New Brunswick and to the Crop Reinsurance Fund of New Brunswick and then to pay indemnities to producers. Assets corresponding to the fund balance are held by the Province of New Brunswick.

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**3. Revenue - Province of New Brunswick and Government of Canada**

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**(a) Premium contributions**

The contributions of the producer, the Province of New Brunswick and Canada towards the necessary premiums for the 1998 crop year are as follows:

Coverage Level	Producer Share	Province Share	Federal Share
50%	Free	50%	50%
65%	50% of buy up	25% of buy up	25% of buy up
80%	80% of incremental buy up	10% of incremental buy up	10% of incremental buy up

The contributions of the producer, the Province of New Brunswick and Canada towards the necessary premiums in respect of the policies of insurance sold for the 1997 crop year were as follows:

Producer	50%
New Brunswick	25%
Canada	25%
	<hr/>
	100%

**(b) Administrative expense contributions**

The Province of New Brunswick and Canada each pay 50% of all costs incurred in the administration of the crop insurance program.

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**3. Revenue - Province of New Brunswick and Government of Canada - continued**

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**(c) Crop Reinsurance Funds**

On an annual basis a reinsurance premium of 17.5% of total crop insurance premiums is submitted to each of the Crop Reinsurance Fund of Canada for New Brunswick and the Crop Reinsurance Fund of New Brunswick. Contributions are made by the Funds for a portion of any operating deficits incurred by the Commission on a crop year basis.

<b>Crop Reinsurance Fund of Canada for New Brunswick</b>	<b>1999</b>	<b>1998</b>
Excess of claims over premiums, 1 April	\$3,632,233	\$8,117,826
Adjustments relating to prior periods	-	(215,212)
Reconciled balance	3,632,233	7,902,614
Premiums submitted	(618,328)	(628,408)
Write off per Deficit Reduction Companion Agreement		(3,641,973)
Excess of claims over premiums, 31 March	\$3,013,905	\$3,632,233

**Crop Reinsurance Fund of New Brunswick**

	<b>1999</b>	<b>1998</b>
(Excess) deficiency of premiums over claims, 1 April	\$ (628,408)	\$4,449,773
Adjustments related to prior periods	-	215,212
Reconciled balance	(628,408)	4,664,985
Write off by the Province	-	(4,664,985)
Premiums submitted	(618,328)	(628,408)
Excess of premiums over claims, 31 March	\$(1,246,736)	\$(628,408)

In 1998, the Province of New Brunswick agreed to write off the deficit related to the Crop Reinsurance Fund of New Brunswick in the amount of \$4,664,985. As well, the Federal Government agreed to contribute \$3,641,973 to reduce the deficit in the Crop Reinsurance Fund of Canada for New Brunswick through the Deficit Reduction Companion Agreement.

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**4. Special contribution**

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The 1995 crop year was the last year of the Gross Revenue Insurance Program. During the 1997 fiscal year the Province of New Brunswick and the Government of Canada negotiated a settlement relating to the federal advances to fund this program. In 1998, the Province of New Brunswick forgave its balance relating to this program in the amount of \$384,048.

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**5. Deferred revenue**

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The deferred revenue represents premiums paid in advance by the producers.

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**6. Comparative figures**

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The prior year's figures have been restated where necessary to conform with the presentation adopted for the current fiscal year.

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**7. Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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SCHEDULE A

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**NEW BRUNSWICK CROP INSURANCE COMMISSION**  
**SCHEDULE OF PRODUCER PREMIUMS**  
**FOR THE YEAR ENDED 31 MARCH 1999**

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	1999	1998
Potatoes	\$710,458	\$1,629,449
Spring grain	37,438	60,414
Apples	15,093	33,982
Blueberries	16,396	44,531
Strawberries	22,222	27,075
	<hr/> \$801,607	<hr/> \$1,795,451

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**SCHEDULE B**

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF INDEMNITIES  
FOR THE YEAR ENDED 31 MARCH 1999**

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	1999	1998
Potatoes	\$699,758	\$1,186,109
Spring grain	73,781	56,848
Apples	63,094	24,116
Blueberries	121,670	80,323
Strawberries	23,693	119,186
	<hr/> \$981,996	<hr/> \$1,466,582

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**SCHEDULE C**

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**NEW BRUNSWICK CROP INSURANCE COMMISSION  
SCHEDULE OF ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED 31 MARCH 1999**

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	<b>1999</b>	<b>1998</b>
Personnel	\$ 758,305	\$ 671,922
Information costs	14,616	6,481
Transportation & communication	132,952	108,685
Utilities, material & supplies	11,573	13,999
Professional services	197,697	222,905
Repairs & maintenance	9,461	9,169
Office accommodations and equipment rentals	38,941	49,591
Capital equipment	114,067	17,648
Other	30,473	37,128
	<hr/> \$1,308,085	<hr/> \$1,137,528



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**FINANCIAL STATEMENTS**

**NEW BRUNSWICK HIGHWAY CORPORATION**

**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Chairperson and Directors  
New Brunswick Highway Corporation  
Fredericton, New Brunswick

I have audited the balance sheet of the New Brunswick Highway Corporation as at 31 March 1999 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
4 October 1999


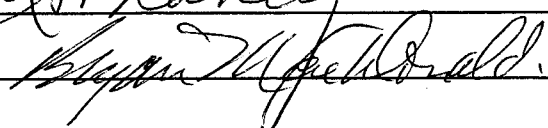
**NEW BRUNSWICK HIGHWAY CORPORATION**  
**BALANCE SHEET**  
**31 MARCH 1999**

	1999	1998
<b>ASSETS</b>		
Due from Province of New Brunswick	\$6,227,169	\$ -
Accounts receivable (Note 5)	743,814	5,007,761
Prepaid operations and maintenance	236,216	-
Land (Note 3)	1	1
	<u>\$7,207,200</u>	<u>\$5,007,762</u>

**LIABILITIES AND EQUITY**

Accounts payable	\$ 117,511	\$ -
Due to Province of New Brunswick	-	5,007,761
Deferred revenue (Note 4)	7,089,688	-
Contribution from Province of New Brunswick (Note 3)	1	1
	<u>\$7,207,200</u>	<u>\$5,007,762</u>

Approved by the Board

Chairperson

Member

---

**NEW BRUNSWICK HIGHWAY CORPORATION  
STATEMENT OF REVENUE AND EXPENDITURE  
31 MARCH 1999**

---

	1999	1998
<b>REVENUE</b>		
New Brunswick (F-M) Project Company Inc. (Note 5)	\$ 8,986,365	\$97,387,761
Province of New Brunswick	4,397,990	-
	<hr/> 13,384,355	<hr/> 97,387,761
<b>EXPENDITURE</b>		
Crown completed highway construction (Note 5)	8,986,365	97,387,761
Highway operations and maintenance (Note 5)	2,229,464	-
Tolling system operations and maintenance (Note 5)	1,152,270	-
Reserve fund – toll-based debt	715,000	-
Removal of ramp tolls	208,329	-
Costs related to transponder sales and distribution	92,927	-
	<hr/> 13,384,355	<hr/> 97,387,761
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<hr/> \$ Nil	<hr/> \$ Nil

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. New Brunswick Highway Corporation**

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The New Brunswick Highway Corporation (NBHC) is a provincial Crown Corporation incorporated by an Act of the New Brunswick Legislature effective 29 March 1995.

NBHC is the signatory for the Province in all agreements relating to the Fredericton-Moncton highway project. As such, NBHC is responsible for monitoring, controlling and administering those agreements to ensure that agreement terms are respected by other signatories and that provincial commitments are met. This includes ensuring that the construction of the highway and any required refurbishments are completed as required in those agreements. It also includes ensuring that the ongoing operation, management, and maintenance of the Fredericton-Moncton highway are conducted in accordance with agreement terms.

**2. Fredericton-Moncton Highway**

---

In January 1998, the Province through 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 \$859.2 million. These capital costs include the \$578.8 million fixed price contract with the Maritime Road Development Corporation, \$119.9 million in Crown completed construction costs, \$143.8 million in net interest costs, and \$16.7 million in other costs.

NBHC will lease land 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 \$1.514 billion, 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.

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**3. Land**

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By deed dated 21 January 1998, the Province, through the Department of Transportation, transferred approximately seventy percent of the land corridor necessary for the Fredericton-Moncton highway project to NBHC.

The transfer of land by the Province has been treated as an equity contribution for financial statement purposes and has been recorded at the nominal amount of one dollar.

**4. Deferred Revenue**

---

The deferred revenue amount of \$7,089,688 represents payments received from the New Brunswick (F-M) Project Company Inc., for which related Crown completed construction costs had not been incurred by 31 March 1999.

**5. Revenue and expenditure**

---

During the year an asset representing Crown completed construction costs of \$8,986,365 was purchased by NBHC from the Department of Transportation. The asset was then sold at cost to the New Brunswick (F-M) Project Company Inc. At 31 March 1999, \$743,814 was receivable from the New Brunswick (F-M) Project Company Inc.

A total of \$119,857,000 in assets representing Crown completed construction costs will be purchased and sold by 1 April 2001.

Under the terms of the Operation Maintenance and Management agreement, NBHC is responsible to make scheduled payments for the operation, management, maintenance and rehabilitation of the highway and tolling systems.

**6. Staff resources**

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The Corporation has no employees. Staff support is provided by the Department of Transportation and the Department of Finance.

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**NEW BRUNSWICK HIGHWAY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**7. 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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

**8. Statement of cash flows**

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This statement was not prepared as the information it would contain was not considered to be significant.

**9. Subsequent event**

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Subsequent to the end of the fiscal year, negotiations commenced between the Province of New Brunswick and Maritime Road Development Corporation (the developer and operator) concerning tolling. It is not possible, at this time, to quantify the financial effect, if any, on the New Brunswick Highway Corporation of the results of these negotiations.



**Financial Statements**

**NEW BRUNSWICK INVESTMENT  
MANAGEMENT CORPORATION**

Year ended March 31, 1999

## MANAGEMENT RESPONSIBILITIES FOR FINANCIAL REPORTING

The Financial Statements of the New Brunswick Investment Management Corporation are the responsibility of the management of the Corporation. They have been approved by its Board of Directors.

Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.



**Dan Goguen**  
Vice-President, Finance and Administration



**E. L. MacKinnon**  
President and Chief Executive Officer

## AUDITORS' REPORT TO THE DIRECTORS

We have audited the financial position of New Brunswick Investment Management Corporation as at March 31, 1999 and the statement of revenues and expenses for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles



**KPMG LLP**  
Chartered Accountants

Fredericton, NB, Canada  
June 24, 1999

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Statement of Financial Position

March 31, 1999, with comparative figures for 1998

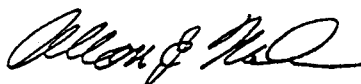
	1999	1998
<b>Assets</b>		
Current assets:		
Cash	\$ 87,387	\$ -
Accounts receivable:		
Province of New Brunswick	-	23,236
Pension Funds	209,424	1,057,311
Harmonized Sales Tax	147,762	-
Prepaid expenses	21,481	-
	466,054	1,080,547
Capital assets (note 2)	427,390	415,852
	\$ 893,444	\$ 1,496,399

## Liabilities and Deferred Contributions

Current liabilities:		
Accounts payable and accrued liabilities	\$ 466,054	\$ 1,080,547
Deferred contributions related to capital assets	427,390	415,852
Commitments (note 4)		
	\$ 893,444	\$ 1,496,399

See accompanying notes to financial statements.

Approved on behalf of the Board:



Chairman of the Board



President and Chief Executive Officer

# NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

## Statement of Revenue and Expenses

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Revenue:		
Fees:		
Public Service Superannuation Fund	\$ 1,711,189	\$ 1,532,176
Teachers' Pension Fund	1,654,704	1,479,738
Judges' Superannuation Fund	15,573	12,962
Province of New Brunswick	80,020	278,836
Amortization of deferred contributions related to capital assets	140,445	133,939
Other	15,911	-
	3,617,842	3,437,651
Expenses:		
Salaries and benefits	1,739,111	1,477,677
Other services (note 3)	1,697,605	1,781,258
Materials and supplies	40,681	44,777
Amortization of capital assets	140,445	133,939
	3,617,842	3,437,651
	\$ -	\$ -

See accompanying notes to financial statements.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements

Year ended March 31, 1999

---

The Corporation is established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996.

Its' legislated mandate is to:

- act as trustee for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund (the "Funds");
- provide investment counselling services and other services for certain trust funds;
- promote the development of the financial services industry and capital markets in the Province;
- have regard to investment opportunities in the Province in developing its investment policies, and;
- carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

### 1. Significant accounting policies:

(a) Accounting entity:

The Corporation is an entity separate from the pension funds for which it is trustee. Expenses of the Corporation are fully funded, primarily by the Funds but also from fees for services rendered to sinking funds and other trust funds of the Province of New Brunswick and through recovery of expenses.

(b) Basis of accounting:

These financial statements have been prepared in accordance with generally accepted accounting principles.

(c) Capital assets:

Capital assets are recorded at cost and amortization is calculated on a straight-line basis using the annual rates shown in note 2.

(d) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with amortization rates for the related capital assets.

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements, continued

Year ended March 31, 1999

### 2 Capital assets:

				1999	1998
	Rate	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	33 1/3%	\$ 306,151	\$ 243,727	\$ 62,424	\$ 103,793
Furniture and equipment	8-40%	262,714	57,853	204,861	203,703
Leasehold improvements	10%	199,787	39,682	160,105	108,356
		\$ 768,652	\$ 341,262	\$ 427,390	\$ 415,852

### 3. Other services:

	1999	1998
Investment counsel	\$ 663,081	\$ 571,464
Custodial services	138,225	402,978
Travel	163,284	120,995
Office rent	98,965	94,153
Professional services	90,221	89,243
Information systems	432,618	399,659
Other	111,211	102,766
	\$ 1,697,605	\$ 1,781,258

### 4. Commitments:

The Corporation leases premises and equipment under various operating leases which expire at various dates between 2000 and 2006.

Future minimum payments, by year and in aggregate, are as follows:

2000	\$ 207,000
2001	180,000
2002	171,300
2003	171,300
2004	171,300
2005 through 2006	314,100
	\$ 1,215,000

## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Notes to Financial Statements, continued

Year ended March 31, 1999

---

### 5. 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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



**NEW BRUNSWICK LIQUOR CORPORATION  
AUDITED FINANCIAL STATEMENTS  
MARCH 31, 1999**



# NB Liquor Alcool N-B

## MANAGEMENT REPORT

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with generally accepted accounting principles.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Roger J.E. Landry  
President and C.E.O.

Richard A. Smith, C.G.A., C.M.A.  
Controller & Director of Finance

May 19, 1999



KPMG LLP  
Chartered Accountants  
Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Canada

Telephone (506) 452-8000  
Telefax (506) 450-0072  
www.kpmg.ca

## AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of the New Brunswick Liquor Corporation as at March 31, 1999 and the statements of income and changes in cash resources for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1999 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink that reads 'KPMG LLP'.

Chartered Accountants

Fredericton, NB, Canada  
May 19, 1999



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

**BALANCE SHEET**

	MARCH 31	
<b>Assets</b>	<b>1999</b>	<b>1998</b>
<i>Current Assets</i>		
Cash	\$ 182 335	\$ 361 196
Accounts receivable	1 240 887	1 601 686
Inventories (note 1)	10 279 675	10 026 102
Prepaid expenses	411 518	71 732
Total current assets	<u>12 114 415</u>	<u>12 060 716</u>
<i>Deferred Charges</i>		
Deferred pension costs	<u>3 949 994</u>	<u>4 443 746</u>
<i>Fixed Assets</i>		
Property, plant and equipment (note 2)	<u>11 268 106</u>	<u>10 948 442</u>
Total Assets	<u><b>\$27 332 515</b></u>	<u><b>\$27 452 904</b></u>
<b>Liabilities</b>		
<i>Current Liabilities</i>		
Outstanding cheques in excess of funds on deposit	\$ 2 490 691	
Accounts payable and accrued liabilities	6 237 278	\$ 8 528 631
Total current liabilities	<u>8 727 969</u>	<u>8 528 631</u>
<i>Long Term Debt</i>		
Pension liability (note 3)	<u>6 779 698</u>	<u>7 014 016</u>
<b>Equity of the Province of New Brunswick</b>		
Balance at beginning of year	11 910 257	10 770 227
Net income	92 724 022	85 600 803
	104 634 279	96 371 030
Payments to the Province of New Brunswick	92 809 431	84 460 773
Balance at end of year	<u>11 824 848</u>	<u>11 910 257</u>
Total Liabilities and Equity	<u><b>\$27 332 515</b></u>	<u><b>\$27 452 904</b></u>

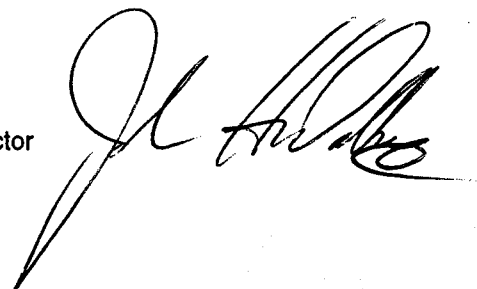
Commitments (note 4)

See accompanying notes to financial statements

APPROVED BY THE BOARD:

Director  


Director



## INCOME STATEMENT

Year ended March 31

	Budget 1999	Actual 1999	Actual 1998
Total sales (note 5)	\$248 441 379	\$254 626 601	\$240 919 539
Less: commissions	3 371 500	3 629 012	3 296 552
Net sales	245 069 879	250 997 589	237 622 987
Cost of sales	128 874 271	133 278 247	127 317 652
Gross profit	116 195 608	117 719 342	110 305 335
Other income	796 414	844 082	407 199
	<u>116 992 022</u>	<u>118 563 424</u>	<u>110 712 534</u>
Operating expenses	24 525 806	25 109 306	24 349 375
Pension expense	1 041 216	730 096	762 356
Total expenses	<u>25 567 022</u>	<u>25 839 402</u>	<u>25 111 731</u>
Net income	<u>\$ 91 425 000</u>	<u>\$ 92 724 022</u>	<u>\$ 85 600 803</u>

See accompanying notes to financial statements

## STATEMENT OF CHANGES IN CASH RESOURCES

Year ended March 31

	1999	1998
<b>Cash from Operations</b>		
Net income	\$ 92 724 022	\$ 85 600 803
Items not involving cash:		
Depreciation and amortization	1 738 703	1 400 482
Pension amortization	493 752	493 752
Amortization of experience gains	(336 000)	(336 000)
Loss on sale of property, plant, and equipment	83 153	477 590
Change in non-cash working capital	(33 222)	(27 553)
Increase in pension liability	101 682	147 650
Cash available from operations	<u>94 772 090</u>	<u>87 756 724</u>
<b>Net Capital Investments</b>		
Additions to property, plant, and equipment	(2 264 643)	(3 454 651)
Proceeds from sale of property, plant, and equipment	123 123	357 596
Net cash used for capital investments	<u>(2 141 520)</u>	<u>(3 097 055)</u>
<b>Payments to the Province of New Brunswick</b>	<u>(92 809 431)</u>	<u>(84 460 773)</u>
<b>(Decrease) Increase in Cash</b>	(178 861)	198 896
<b>Cash at Beginning of Year</b>	<u>361 196</u>	<u>162 300</u>
<b>Cash at End of Year</b>	<u>\$ 182 335</u>	<u>\$ 361 196</u>

See accompanying notes to financial statements

**Schedule of Sales**

Year ended March 31

	Budget 1999	Actual 1999	Actual 1998
Spirits	\$ 66 961 001	\$ 65 645 587	\$ 62 883 677
Wine	22 470 063	24 951 036	22 724 805
Other beverages	5 135 556	8 112 410	5 458 999
Beer	153 874 759	155 917 568	149 852 058
	<u>\$248 441 379</u>	<u>\$254 626 601</u>	<u>\$240 919 539</u>

**Schedule of Cost of Sales**

Year ended March 31

	Spirits	Wine	Other beverages	Beer	1999 Total	1998 Total
Inventories at beginning of year	\$ 4 696 828	\$ 2 521 063	\$ 411 052	\$ 2 275 109	\$ 9 904 052	\$ 9 506 575
Purchases	13 150 033	9 840 851	4 174 331	91 935 371	119 100 586	113 643 988
Freight	447 145	678 349	199 744	116 769	1 442 007	1 275 050
Duty and sales tax	12 034 944	764 747	97 017	78 940	12 975 648	12 796 091
	30 328 950	13 805 010	4 882 144	94 406 189	143 422 293	137 221 704
Inventories at end of year	4 390 525	2 537 270	773 215	2 443 036	10 144 046	9 904 052
	<u>\$ 25 938 425</u>	<u>\$ 11 267 740</u>	<u>\$ 4 108 929</u>	<u>\$ 91 963 153</u>	<u>\$133 278 247</u>	<u>\$127 317 652</u>

**Schedule of Other Income**

Year ended March 31

	Budget 1999	Actual 1999	Actual 1998
Merchandising programs	\$ 605 000	\$ 668 717	\$ 603 045
Private importation revenue	68 468	42 378	67 869
Commission on collection of Liquor Licensing Branch charges	40 500	40 447	42 344
Beer voucher administration fees	42 600	19 208	41 613
Unredeemed beverage container deposits	46 212	72 538	58 107
Rentals		4 174	5 383
Subscriptions to sales reports	9 000	6 468	15 180
Handling charges on special events refunds	9 500	11 793	9 681
Loss on sale of property, plant, and equipment	(60 866)	(83 153)	(477 590)
Sundry	36 000	61 512	41 567
	<u>\$ 796 414</u>	<u>\$ 844 082</u>	<u>\$ 407 199</u>

***Schedule of Operating Expenses***

Year ended March 31, 1999

	Budget 1999	Actual 1999	Actual 1998
Salaries - stores, warehouse and maintenance	\$ 10 657 585	\$ 11 140 861	\$ 10 984 976
- administration	2 405 980	2 421 905	2 203 889
Employee benefits	2 597 249	2 537 221	2 550 159
Rent	2 694 432	2 691 298	2 705 946
Heat and light	907 838	864 330	820 643
Depreciation and amortization	1 713 319	1 738 703	1 400 482
Training programs	89 647	73 539	87 535
Trucking	288 900	301 552	290 078
Repairs to property, plant, and equipment	248 872	287 687	298 411
Taxes	432 600	406 483	432 169
Minor equipment and supplies	327 642	343 318	376 209
Security	227 894	177 432	235 962
Retail automation system maintenance	131 000	173 199	106 541
Travel	184 793	180 237	175 495
Beverage container redemption costs	186 000	310 258	218 242
Shopping bags	154 186	140 422	156 590
Data processing	264 135	196 405	242 847
Telecommunications	240 881	267 229	278 184
Motor vehicle operation	23 002	31 856	28 449
Cleaning	136 776	133 445	121 322
Shortages	46 800	50 384	47 728
Management meetings	31 538	14 771	33 808
Postage	42 850	48 432	47 065
Professional services	98 160	123 242	110 048
Bank charges	241 000	310 579	252 244
Warehouse maintenance and supplies	29 380	19 578	22 401
Insurance	9 000	11 671	8 833
Advertising and promotions	22 950	32 975	25 552
Directors' remuneration	38 060	31 520	37 585
Other	53 337	48 774	49 982
	<u>\$ 24 525 806</u>	<u>\$ 25 109 306</u>	<u>\$ 24 349 375</u>

## NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 1999

### General

This Crown Corporation is incorporated under the New Brunswick Liquor Corporation Act and its sole business activity is the purchase, distribution and sale of alcoholic beverages throughout the Province of New Brunswick.

### Summary of Significant Accounting Policies

#### Inventories

Inventories of goods for resale are valued at cost, which is lower than net realizable value. Inventory of supplies is valued at cost.

#### Deferred Pension Costs

Deferred pension costs are being amortized on a straight-line basis over sixteen years.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is provided on the straight-line basis using the following annual rates:

Buildings	2 1/2%
Paving	10%
Refrigeration equipment	10%
Software and services	10%
Retail automation equipment	20%
Furniture, fixtures and equipment	20%
Automotive equipment	20%

Leasehold improvements are amortized on the straight-line basis over the original lease term.

#### Pension Liability

The cost of early retirement programs is charged to employee benefits in the years that the payments are actually made.

#### 1. Inventories

	1999	1998
Spirits, wine, other beverages and beer	\$ 10 144 046	\$ 9 904 052
Supplies	<u>135 629</u>	<u>122 050</u>
	<u><u>\$ 10 279 675</u></u>	<u><u>\$ 10 026 102</u></u>

## 2. Property, Plant and Equipment

	Cost	Accumulated Depreciation	1999 Net	1998 Net
Land	\$ 211 100		\$ 211 100	\$ 219 825
Paving	444 344	\$ 377 205	67 139	55 205
Buildings	10 020 042	5 996 582	4 023 460	4 304 901
Leasehold improvements	3 494 138	2 333 308	1 160 830	1 034 576
Furniture, fixtures and equipment	5 452 710	4 783 501	669 209	748 203
Automotive equipment	175 740	103 788	71 952	28 118
Retail automation equipment	1 533 133	306 627	1 226 506	940 709
Software and services	2 569 779	280 185	2 289 594	1 973 753
Refrigeration equipment	3 303 159	1 754 843	1 548 316	1 643 152
	<u>\$27 204 145</u>	<u>\$15 936 039</u>	<u>\$11 268 106</u>	<u>\$10 948 442</u>

Depreciation and amortization for the year is \$1 738 703; 1998 \$1 400 482.

Net property, plant and equipment additions (disposals) for the year are \$(1 244 317); 1998 \$1 285 126.

## 3. Pension Liability

The employees of the New Brunswick Liquor Corporation belong to the New Brunswick Public Service Superannuation Plan, a multi-employer, defined benefit pension plan.

Pursuant to a regulation under the Public Service Superannuation Act (NB), the New Brunswick Liquor Corporation will contribute, until such time as the benefits are fully funded, sufficient amounts into the pension trust fund to amortize \$7 900 000 of the pension liability. The amortization period is estimated to be twenty-five years. The pension liability, which bears interest at 8.16% per year, is payable in annual installments. The amount payable in 2000 is \$489 489 and increases each year at the rate of the Canadian Consumer Price Index plus 2%, maturing March 2016.

	1999	1998
Pension liability	<u>\$6 779 698</u>	<u>\$7 014 016</u>

Since the annual payment will be insufficient to pay the interest until 2003, the pension liability will increase in each of the next four years approximately as follows:

2000	\$ 63 735
2001	49 356
2002	33 021
2003	14 538

Subsequent to 2003 the principal payments in each of the following five years on the long-term debt will be approximately as follows:

2004	\$ 6 300
2005	29 719
2006	55 966
2007	85 307
2008	118 034

### 3. Pension Liability (continued)

Actuarial valuations of the Public Service Superannuation Plan were completed as at April 1, 1992, 1993 and 1997. These valuations identified experience gains as a result of a reduction in accrued benefit obligations and an increase in pension asset values. As at March 31, 1999 the Corporation has realized \$1 567 700 of these experience gains; 1998 \$1 231 700. Experience gains are being amortized over the estimated remaining service life of active contributors. The unamortized portion of experience gains as at March 31, 1999 is \$3 395 650; 1998 \$3 731 650.

The pension expense of \$730 096; 1998 \$762 356 includes the amortization of past service costs and interest costs, less experience gains realized.

### 4. Commitments

The Corporation leases buildings, premises and equipment under operating leases which expire at various dates between 1999 and 2011. Certain of these operating leases contain renewal options at the end of the initial lease term. The following is a schedule, by years, of future minimum lease payments required under operating leases that have, as of March 31, 1999, initial lease terms in excess of one year:

2000	2 481 181
2001	2 299 648
2002	1 847 036
2003	1 682 155
2004	1 563 608
2005 to 2011	<u>4 775 090</u>
	<u><b>\$14 648 718</b></u>

### 5. Total Sales

Total sales reported include sales to retail customers, licensed establishments, and agency stores. These amounts do not include subsequent resale by licensed establishments and agency stores.

### 6. 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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

### 7. Comparative Figures

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1999.

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FINANCIAL STATEMENTS

NEW BRUNSWICK

MUNICIPAL FINANCE CORPORATION

31 DECEMBER 1998

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Board of Directors  
New Brunswick Municipal Finance Corporation

I have audited the balance sheet of the New Brunswick Municipal Finance Corporation as at 31 December 1998 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

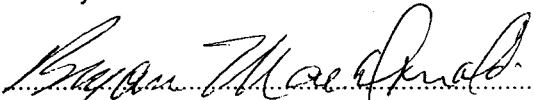
Daryl C. Wilson, FCA  
Auditor General

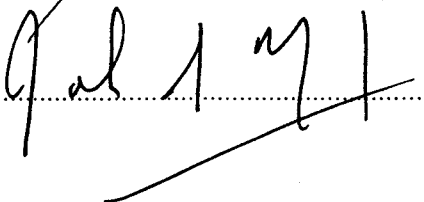
Fredericton, N. B.  
25 February 1999

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**BALANCE SHEET**  
**31 DECEMBER 1998**

	1998	1997
<b>ASSETS</b>		
Cash and short-term investments	\$ 784,113	\$ 761,013
Accrued interest receivable from municipalities and municipal enterprises	3,976,679	3,965,675
Loans to municipalities and municipal enterprises (Note 2)	334,527,000	328,512,000
	<u>\$ 339,287,792</u>	<u>\$ 333,238,688</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>		
Accounts payable	\$ 93,700	\$ 80,698
Accrued interest payable on debenture debt	3,976,679	3,965,675
Debenture debt (Note 3)	334,527,000	328,512,000
	<u>338,597,379</u>	<u>332,558,373</u>
Retained earnings	690,413	680,315
	<u>\$ 339,287,792</u>	<u>\$ 333,238,688</u>

Approved by the Board

 ..... Director

 ..... Director

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**STATEMENT OF INCOME AND RETAINED EARNINGS**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

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	1998	1997
<b>REVENUE</b>		
Interest from municipalities and municipal enterprises	\$ 25,059,909	\$ 25,125,782
Retained for debenture issue expenses	84,606	105,800
Investment income	35,611	22,205
	<u>25,180,126</u>	<u>25,253,787</u>
<b>EXPENDITURE</b>		
Interest on debentures	25,059,909	25,125,782
Other expenses	110,119	106,576
	<u>25,170,028</u>	<u>25,232,358</u>
<b>NET INCOME FOR THE YEAR</b>	10,098	21,429
Retained earnings, beginning of year	680,315	658,886
<b>RETAINED EARNINGS, end of year</b>	<u>\$ 690,413</u>	<u>\$ 680,315</u>

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 1998**

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	1998	1997
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations:		
Net income for the year	\$ 10,098	\$ 21,429
Decrease in non-cash components of working capital	13,002	73,834
	<u>23,100</u>	<u>95,263</u>
Financing activities:		
Proceeds on sale of debentures	55,828,453	69,986,960
Funds retained for debenture issue expenses	( 84,606)	( 105,800)
Principal paid on debenture debt	( 50,389,000)	( 45,079,000)
	<u>5,354,847</u>	<u>24,802,160</u>
Investing activities:		
Loans to municipalities and municipal enterprises	( 55,743,847)	( 69,881,160)
Principal repayments made by municipalities and municipal enterprises	<u>50,389,000</u>	<u>45,079,000</u>
	<u>( 5,354,847)</u>	<u>( 24,802,160)</u>
<b>INCREASE IN CASH</b>	<b>23,100</b>	<b>95,263</b>
Cash position, beginning of year	<u>761,013</u>	<u>665,750</u>
<b>CASH POSITION, end of year</b>	<b>\$ 784,113</b>	<b>\$ 761,013</b>

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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**1. Summary of significant accounting policies**

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The Corporation was established under the New Brunswick Municipal Finance Corporation Act which came into force on 1 February 1983. The purpose of the Corporation is to provide financing for municipalities and municipal enterprises through a central borrowing authority.

Loans to municipalities and municipal enterprises and debenture debt are recorded at par value. Any discount or premium arising on the issuance of debenture debt is transferred to the municipality or municipal enterprise, and accounted for in their financial statements.

**2. Loans to municipalities and municipal enterprises**

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- (a) Loans to municipalities and municipal enterprises are made on the security of their debentures due in annual instalments for periods up to a maximum of fifteen years.
- (b) The terms of the loans to municipalities and municipal enterprises are identical to those on the debenture debt outstanding.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

**3. Debenture debt**

- (a) The following debenture debt outstanding at 31 December 1998 is in Canadian funds and is fully guaranteed by the Province of New Brunswick.

<u>Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
"H"	01 Dec. 1986	01 Dec. 1987 to 2001	9% to 10 1/8%	\$ 18,610,000	\$ 1,408,000
"M"	29 June 1989	29 June 1990 to 1999	10 1/4% to 10 7/8%	9,753,000	2,393,000
* "N"	23 Nov. 1989	23 Nov. 1990 to 1999	10 1/4% to 10 1/2%	36,948,000	6,955,000
* "O"	22 Aug. 1990	22 Aug. 1991 to 2000	11 1/2% to 12 3/4%	8,989,000	3,394,000
* "P"	11 Dec. 1990	11 Dec. 1991 to 2000	11 1/2% to 11 3/4%	29,344,000	8,702,000
* "Q"	27 June 1991	27 June 1992 to 2001	9 1/4% to 10 5/8%	17,947,000	6,946,000
"R"	16 Dec. 1991	16 Dec. 1992 to 2001	7 3/8% to 9 3/8%	35,221,000	12,978,000
"S"	14 July 1992	14 July 1993 to 2002	6 1/2% to 9%	24,076,000	11,129,000
* "T"	30 Dec. 1992	30 Dec. 1993 to 2002	7 1/2% to 8 7/8%	22,171,000	11,258,000
"U"	29 July 1993	29 July 1994 to 2008	5 1/2% to 8 3/8%	34,442,000	17,036,000
"V"	23 Dec. 1993	23 Dec. 1994 to 2003	4 3/4% to 7 1/2%	23,856,000	13,485,000
* "W"	09 Aug. 1994	09 Aug. 1995 to 2004	8% to 9 3/4%	30,860,000	19,535,000
* "X"	21 Dec. 1994	21 Dec. 1995 to 2004	7 1/4% to 9 1/2%	14,243,000	9,530,000
"Y"	07 June 1995	07 June 1996 to 2005	7 1/8% to 8 1/8%	13,611,000	10,771,000
* "Z"	20 Dec. 1995	20 Dec. 1996 to 2005	6 1/4% to 7 7/8%	39,032,000	29,055,000
"AA"	24 July 1996	24 July 1997 to 2006	5 5/8% to 7 7/8%	19,028,000	16,336,000
"AB"	02 Dec. 1996	02 Dec. 1997 to 2006	3 5/8% to 6 5/8%	38,610,000	32,589,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4 1/8% to 6%	36,187,000	33,263,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4 1/4% to 5 3/4%	34,346,000	31,360,000
"AE"	25 Aug. 1998	25 Aug. 1999 to 2008	5 1/4% to 5 5/8%	26,566,000	26,566,000
"AF"	15 Dec. 1998	15 Dec. 1999 to 2008	5 1/8% to 5 1/2%	29,838,000	29,838,000
				<u>\$ 543,678,000</u>	<u>\$ 334,527,000</u>

\* These debentures were sold directly to funds administered by the Province of New Brunswick.

- (b) Principal payments due in each of the next five years are:

1999	\$53,522,000
2000	\$49,581,000
2001	\$44,092,000
2002	\$39,675,000
2003	\$34,466,000

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 1998**

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**4. Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

**CONSOLIDATED FINANCIAL STATEMENTS****THE NEW BRUNSWICK MUSEUM****March 31, 1999**

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## AUDITORS' REPORT

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To the Directors of  
**The New Brunswick Museum**

We have audited the consolidated balance sheet of **The New Brunswick Museum** as at March 31, 1999 and the related consolidated statements of financial operations and fund balances for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 1999 and the results of its operations and the changes in fund balances for the year then ended in accordance with generally accepted accounting principles.

Saint John, Canada,  
May 31, 1999.

*Ernst & Young LLP*  
Chartered Accountants

## The New Brunswick Museum

## CONSOLIDATED BALANCE SHEET

As at March 31

	General Fund	Endowment Fund	Market Square Fund	1999	1998
	\$	\$	\$	\$	\$
[as restated - note 2]					
<b>ASSETS</b>					
Cash and short-term investments	72,433	4,603	—	77,036	222,054
Accounts receivable	19,778	14,162	—	33,940	93,611
Prepaid expenses	10,415	—	—	10,415	200
Inventory	25,186	—	—	25,186	37,201
Due from Province of New Brunswick	68,761	—	—	68,761	142,601
	196,573	18,765	—	215,338	495,667
Investments [note 2]	109,566	688,941	—	798,507	232,963
Interfund loan [note 2]	123,226	(9,092)	(114,134)	—	—
Property and equipment [note 3]	72,642	—	32,458	105,100	110,992
Collection and accessions	2	—	—	2	2
	502,009	698,614	(81,676)	1,118,947	839,624
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable and accrued liabilities	220,682	1,000	—	221,682	204,387
Term loan [note 4]	—	—	—	—	75,000
Deferred revenue	—	—	—	—	6,995
	220,682	1,000	—	221,682	286,382
<b>Fund balances [note 5]</b>					
Unrestricted	13,706	—	—	13,706	27,032
Internally Restricted	134,370	—	—	134,370	97,421
Externally Restricted	60,609	30,799	(114,134)	(22,726)	(243,174)
Endowment Fund	—	666,815	—	666,815	560,971
Property and Equipment	72,642	—	32,458	105,100	110,992
	281,327	697,614	(81,676)	897,265	553,242
	502,009	698,614	(81,676)	1,118,947	839,624

See accompanying notes

On behalf of the Board:

Director

Director

m. Dawn Brenner

The New Brunswick Museum

**CONSOLIDATED**  
**STATEMENT OF FINANCIAL OPERATIONS**  
**AND CHANGES IN FUND BALANCES**

Year ended March 31

	General Fund \$	Endowment Fund \$	Market Square Fund \$	1999 \$	1998 \$
					<i>[as restated - note 2]</i>
<b>Revenue</b>					
Grants					
Provincial	1,594,944	—	—	1,594,944	1,513,091
Federal	44,129	—	—	44,129	49,486
Municipal	—	—	—	—	17,550
Dept. of Canadian Heritage	39,500	—	—	39,500	84,750
Investment income	3,018	43,227	—	46,245	46,930
Webster Foundation	—	40,300	—	40,300	38,100
Museum services <i>[note 6]</i>	162,065	—	—	162,065	164,544
Other grants & bequests	—	116,531	—	116,531	—
Donations <i>[note 7]</i>	9,711	8,882	313,668	332,261	214,859
Sale of equipment	6,000	—	—	6,000	15,000
	1,859,367	208,940	313,668	2,381,975	2,144,310
<b>Expenditures</b>					
Salaries and benefits	1,316,996	—	—	1,316,996	1,395,331
Materials, supplies and services	583,202	—	45,050	628,252	652,682
Amortization of property and equipment	23,274	—	19,656	42,930	25,820
Acquisitions	17,241	29,533	—	46,774	46,934
Scholarships	—	3,000	—	3,000	2,263
	1,940,713	32,533	64,706	2,037,952	2,123,030
Excess (deficiency) of revenues over expenditures	(81,346)	176,407	248,962	344,023	21,280
Fund balance, beginning of year	288,000	600,689	(335,447)	553,242	473,344
Fund balance before transfers	206,654	777,096	(86,485)	897,265	494,624
Endowment fund transfer	79,482	(79,482)	—	—	—
Gain on sale of investments	—	—	—	—	58,618
Contribution to Market Square project	(4,809)	—	4,809	—	—
Fund balance, end of year	281,327	697,614	(81,676)	897,265	553,242

See accompanying notes

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The New Brunswick Museum

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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March 31, 1999

The New Brunswick Museum is incorporated under the laws of the Province of New Brunswick to preserve and present the natural and human history of New Brunswick and of other related regions. To this end, the Museum collects, preserves, researches and interprets objects which tell the story of New Brunswick, and develops exhibits and public programs on these and related topics for the education and enjoyment of the public. This is done in a manner which fully represents the province's two linguistic and cultural communities, aboriginal peoples and other cultural groups.

The Museum is registered as a charitable organization under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Museum must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### 1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with generally accepted accounting principles, the more significant of which are outlined below.

#### (a) Financial statement presentation

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Museum, the accounts of the Museum are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into separate funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors or various funding authorities.

These consolidated financial statements include the accounts of The New Brunswick Museum and the New Brunswick Museum Foundation, Inc.

For financial reporting purposes, the accounts have been classified into the following three groupings:

#### *General Fund*

This fund reflects the day-to-day operating transactions of the Museum. It also includes amounts received by the Museum which are designated to be restricted to certain expenditures of an operating nature. Such restricted activities include the following:

*Grants* — Amounts received from various governments and private agencies to finance specific projects.

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The New Brunswick Museum

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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March 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES [Continued]

*Department of Canadian Heritage* — Amounts received from the Federal Museum's Assistance Program to finance activities which increase public accessibility. This includes special event programs, education programs, and advisory services.

*Bequests and donations* — Amounts received from sources which place specific restrictions on their use.

*Internally restricted fund* — Amounts restricted by management for exhibitions and gallery upgrades. This also includes funds received from activities of the staff in the curatorial departments to assist in financing specific project expenditures.

*Webster Foundation* — Contributions from the Webster Foundation are applied toward acquisitions and the general operations of certain projects.

***Endowment Fund***

This includes amounts held for the long-term benefit of the Museum. Investment income earned on certain endowment funds is unrestricted and accordingly is transferred to the operating fund.

***Market Square Fund***

The Market Square expansion is a significant project which has been accounted for separately and funded by the proceeds of the capital campaign conducted by the New Brunswick Museum Foundation.

**(b) Investments**

Investments purchased by the Museum are valued at cost, and investments donated to the Museum are valued at fair market value at the date of receipt. Investment income is recognized as earned. Endowment fund capital gains are recorded directly to the endowment fund equity.

**(c) Inventory**

Inventory consisting of publications and items held for resale is valued at the lower of cost and net realizable value determined on a first-in, first-out basis. Government grants received for the publishing of certain books are applied against the publishing costs.

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The New Brunswick Museum

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1999

**1. SIGNIFICANT ACCOUNTING POLICIES [Continued]**

**(d) Collection and accessions**

Collections and accessions are recorded at a nominal value. Additions to the collection are expensed in the year of acquisition.

The collections of the Museum comprise a wide range of subject matter from the humanities and natural science, which are relevant to New Brunswick and have been continually acquired since the institution's foundation in 1842. The humanities holdings, numbering about 100,000 artifacts, include history and technology artifacts, fine and decorative arts and archival material. The natural science holdings, numbering about 300,000 specimens or specimen lots, include botanical, palaeontology and zoological collections.

**(e) Property & equipment**

Furniture and equipment is stated at cost and is amortized on a straight line basis over the estimated useful life of the assets: computer equipment 33%, vehicles and equipment 20%, furniture 10%.

**(f) Government and private grants**

Government and private grants for current operations and capital acquisitions are recognized as revenue in the year of receipt.

**(g) Contributed services**

Volunteers contributed approximately 7,000 hours to assist the Museum in carrying out its service delivery activities.

The New Brunswick Museum

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1999

### 2. INVESTMENTS

The investments included in the General and Endowment Funds are comprised of the following:

	1999		1998	
	Cost	Market	Cost	Market
	\$	Value	\$	Value
		\$		\$
Bonds	343,724	328,928	152,332	176,385
GIC's	298,828	334,036	64,149	64,149
Treasury bills	109,566	109,661	—	—
Equity	46,389	340,186	16,482	365,275
	<u>798,507</u>	<u>1,112,811</u>	<u>232,963</u>	<u>605,809</u>

Due to a change in an accounting policy of the Museum, the prior years' statements were restated to record the cumulative net gain on the sale of equity in the endowment fund of \$130,128 as a direct increase in equity of the endowment fund.

### 3. PROPERTY AND EQUIPMENT

	1999		1998	
	Cost	Accumulated	Net Book	Net Book
	\$	Amortization	Value	Value
		\$	\$	\$
Computers	74,527	49,425	25,102	30,662
Vehicles & equipment	84,035	45,236	38,799	54,434
Furniture	53,146	11,947	41,199	25,896
	<u>211,708</u>	<u>106,608</u>	<u>105,100</u>	<u>110,992</u>

### 4. FINANCING

A term loan facility of \$500,000 was established with a chartered bank at a rate of 7.8% to fund the Market Square project. This term loan facility expires on March 14, 2001. Any loan balance will be repaid from the proceeds of pledges to the New Brunswick Museum Foundation capital campaign as they are received. Interest is payable monthly. The term loan facility has no balance as at March 31, 1999.

The New Brunswick Museum

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 1999

### 5. FUND BALANCES

A summary of the changes in the various fund balances for fiscal 1999 is as follows:

	Balance, beginning of year \$	Revenue \$	Expenditures \$	Balance, end of year \$
Unrestricted general	27,032	1,727,594	1,740,920	13,706
Internal restricted general	97,421	65,542	28,593	134,370
External restricted general	104,671	135,939	180,001	60,609
External restricted endowment	39,718	103,095	112,014	30,799
External restricted Market Square	(387,563)	318,477	45,048	(114,134)
	(243,174)	557,511	337,063	(22,726)
Endowment fund	560,971	105,844	—	666,815
Property and equipment	110,992	—	5,892	105,100
Total	553,242	2,456,491	2,112,468	897,265

### 6. MUSEUM SERVICES

Museum Services consist of revenue from general operations, including the Gift Shop, membership, and admissions. Gift Shop revenue is included on a net basis since the revenue and expenditures are directly related. The total revenues and expenditures are as follows:

	1999 \$	1998 \$
Revenue	317,516	278,201
Expenditures	155,451	113,657
	162,065	164,544

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The New Brunswick Museum

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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March 31, 1999

**7. MARKET SQUARE PROJECT**

The Museum has contractual commitments from the Government of Canada, the Province of New Brunswick and the City of Saint John for assistance allowing for an expansion of the Museum's public operations, primarily at the Market Square complex in Saint John. The project was substantially completed and the facility opened on April 27, 1996.

The Museum enhanced the project primarily in the exhibit galleries with a commitment of \$2,000,000. As at May 31, 1999 the New Brunswick Museum Foundation has received pledges in total through a capital campaign of \$2,000,000 of which \$1,680,325 has been received in cash.

**8. STATEMENT OF CHANGES IN FINANCIAL POSITION**

A separate statement of changes in financial position is not presented since cash flows from investment and financing activities are readily apparent from the other financial statements.

**9. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

**10. 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 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 January 1, 2000, and if not addressed, the impact on operations may range from minor errors to significant systems failure, such as heat and light, which could affect the Museum's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Museum, including those related to the efforts of the public, suppliers, or other third parties, will be fully resolved.

**NEW BRUNSWICK POWER CORPORATION  
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 1999**



**Deloitte &  
Touche**

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## AUDITORS' REPORT

The Honourable Marilyn Trenholme Counsell, MD  
Lieutenant-Governor of New Brunswick  
Fredericton, New Brunswick

Madam:

We have audited the consolidated balance sheet of New Brunswick Power Corporation as at March 31, 1999 and the consolidated statements of income, retained earnings, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants

June 1, 1999

**Deloitte Touche  
Tohmatsu**

**NEW BRUNSWICK POWER CORPORATION**  
**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**

Year ended March 31, 1999

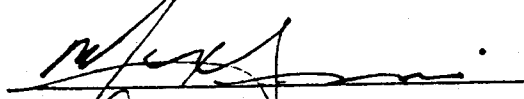
(in millions)

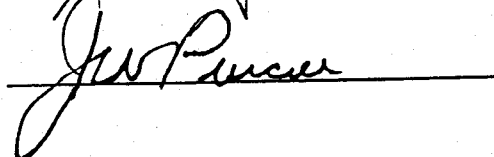
	1999	1998
<b>REVENUES</b>		
Sales of power (Note 3)		
In-province	\$ 872	\$ 869
Out-of-province	304	244
Miscellaneous	<u>28</u>	<u>27</u>
	1,204	1,140
<b>EXPENDITURES</b>		
Purchased power	98	120
Fuel	276	284
Operation, maintenance and administration	277	258
Depreciation, amortization and decommissioning (Note 4)	<u>189</u>	<u>177</u>
	<u>840</u>	<u>839</u>
Income before finance charges	364	301
Finance charges (Note 5)	<u>346</u>	<u>344</u>
Income (loss) before transfer and write-off	18	(43)
Transfer from fuel channel removal account (Note 6)	<u>9</u>	<u>22</u>
Income (loss) before write-off	27	(21)
Write-off of deferred cost - nuclear generating station (Note 11)	<u>450</u>	<u>-</u>
<b>NET LOSS FOR THE YEAR</b>	(423)	(21)
<b>RETAINED EARNINGS</b>		
<b>BEGINNING OF YEAR</b>	<u>425</u>	<u>446</u>
<b>END OF YEAR</b>	<u><u>\$ 2</u></u>	<u><u>\$ 425</u></u>

NEW BRUNSWICK POWER CORPORATION  
 CONSOLIDATED BALANCE SHEET  
 as at March 31, 1999  
 (in millions)

	1999	1998
<b>PROPERTY, PLANT AND EQUIPMENT (Note 7)</b>		
Land, buildings, plant and equipment, at cost	\$ 5,218	\$ 5,175
Less: accumulated depreciation	<u>2,088</u>	<u>1,923</u>
	<u>3,130</u>	<u>3,252</u>
<b>LONG-TERM ASSETS</b>		
Sinking fund investments (Note 12)	<u>56</u>	<u>70</u>
<b>CURRENT ASSETS</b>		
Cash and short-term investments	7	4
Accounts receivable	191	188
Materials, supplies and fuel	74	77
Prepaid expenses	<u>3</u>	<u>5</u>
	<u>275</u>	<u>274</u>
<b>DEFERRED CHARGES</b>		
Unrealized foreign exchange differences, less amounts amortized (Note 8)	155	111
Debenture and note discount and issue expenses, less amounts amortized	25	29
Deferred pension benefit (Note 9)	25	11
Deferred cost - nuclear generating station (Note 11)	<u>-</u>	<u>450</u>
	<u>205</u>	<u>601</u>
	<u>\$ 3,666</u>	<u>\$ 4,197</u>

ON BEHALF OF NEW BRUNSWICK POWER CORPORATION

 Chairman

 Director

**NEW BRUNSWICK POWER CORPORATION  
CONSOLIDATED BALANCE SHEET**

as at March 31, 1999

(in millions)

	1999	1998
<b>LONG-TERM DEBT (Note 12)</b>		
Debtures and other loans	\$ 3,250	\$ 3,363
Less: sinking funds	<u>305</u>	<u>288</u>
	<u>2,945</u>	<u>3,075</u>
<b>CURRENT LIABILITIES</b>		
Short-term indebtedness (Note 13)	159	194
Accounts payable and accruals	128	105
Accrued interest	84	85
Current portion of long-term debt (Note 12)	<u>130</u>	<u>99</u>
	<u>501</u>	<u>483</u>
<b>DEFERRED LIABILITIES</b>		
Irradiated fuel management and plant decommissioning (Note 14)	197	185
Fuel channel removal (Note 6)	-	9
Other (Note 15)	<u>21</u>	<u>20</u>
	<u>218</u>	<u>214</u>
<b>EQUITY</b>		
Retained earnings	<u>2</u>	<u>425</u>
	<u><u>\$ 3,666</u></u>	<u><u>\$ 4,197</u></u>

**NEW BRUNSWICK POWER CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOW**

Year ended March 31, 1999

(in millions)

	1999	1998
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES :</b>		
<b>OPERATING</b>		
Net loss for the year	\$ (423)	\$ (21)
Amounts charged or credited to operations not requiring a current cash payment (Note 16)	<u>670</u>	<u>184</u>
	247	163
Net change in non-cash working capital balances	<u>21</u>	<u>(25)</u>
	<u>268</u>	<u>138</u>
<b>FINANCING</b>		
Debt retirements	(81)	(99)
Sinking fund payments	(70)	(67)
Increase (decrease) in short-term indebtedness	<u>(35)</u>	<u>82</u>
	<u>(186)</u>	<u>(84)</u>
<b>INVESTING</b>		
Expenditure on property, plant and equipment net of customer contributions and proceeds on disposal	(65)	(59)
Deferred pension benefit	<u>(14)</u>	<u>(11)</u>
	<u>(79)</u>	<u>(70)</u>
<b>NET CASH INFLOW (OUTFLOW)</b>	3	(16)
<b>CASH AND SHORT-TERM INVESTMENTS</b>		
<b>BEGINNING OF YEAR</b>	<u>4</u>	<u>20</u>
<b>END OF YEAR</b>	<u><u>\$ 7</u></u>	<u><u>\$ 4</u></u>

**NEW BRUNSWICK POWER CORPORATION  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended March 31, 1999

(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES**

The New Brunswick Power Corporation ("the Corporation"), established in 1920 as a Crown Corporation of the Province of New Brunswick by enactment of the New Brunswick Electric Power Act, has a corporate mission to provide for the continuous supply of energy adequate for the needs and future development of the Province and to promote economy and efficiency in the generation, distribution, supply, sale and use of power.

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles appropriate for a rate-regulated entity, applied on a basis consistent with that of the preceding year except for changes disclosed in Note 2. The financial statements include the accounts of the Corporation and those of its wholly owned subsidiary, N.B. Coal Limited (N.B.Coal).

**a. Regulation**

The Corporation is regulated under a price cap system. Annual average rate increases greater than three percent, or the Consumer Price Index, whichever is higher, require regulatory review and approval by the Board of Commissioners of Public Utilities of the Province of New Brunswick (Public Utilities Board).

**b. Property, plant and equipment**

The cost of additions to property, plant and equipment is the original cost of contracted services, direct labour and material, interest on funds used during construction and indirect charges for administration and other expenses, less credits for the value of power generated during commissioning. Administration and other expenses are capitalized during construction by applying a portion of such overheads to direct construction costs incurred each month. Certain training costs associated with the development of new facilities and costs of major maintenance activities which occur infrequently over the lives of related assets are also capitalized.

Interest during construction is capitalized monthly based on the cost of long-term borrowings. When assets are taken out of service for extended periods of time for refurbishment, interest during construction is charged based on the net book value of the asset concerned.

Costs incurred for conservation and energy management, including interest capitalized on programs with long-term benefits, are included as a separate category of property, plant and equipment.

Contributions in aid of construction which include amounts received from customers as well as research and development grants in respect of new facilities, are netted against the cost of related assets. Amounts received from customers are being amortized over the estimated service lives of the related assets, and the resulting credit is offset against the corresponding provision for depreciation.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended March 31, 1999

(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**b. Property, plant and equipment (continued)**

The cost of distribution assets retired, net of dismantlement and salvage, is charged to accumulated depreciation. For all other property, plant and equipment disposed of, the cost and accumulated depreciation is written out of the accounts with the gain or loss on disposal being charged to operations.

Depreciation is provided for all assets sufficient to amortize the cost of such assets, less estimated salvage value over their estimated service lives. The estimated service lives of fixed assets are periodically reviewed and any changes are applied prospectively. Depreciation is suspended when assets are taken out of service for extended periods for refurbishment. Depreciation is provided on certain mining equipment on an increasing charge basis, the depreciation amount being based on the amount of related debt retirement required during the year. All other assets are depreciated on a straight-line basis. Depreciation is provided on the net cost of property, plant and equipment in respect of which grants have been provided.

The main categories of property, plant and equipment have been depreciated based on the following estimated service lives:

Assets	Years
Hydro Generating Stations	100
Thermal Generating Stations	35
Nuclear Generating Station	25
Combustion Turbine Generating Stations	25
Terminals and Substations	40
Transmission System	35 to 55
Distribution System	10 to 35
Buildings	
- General	40
- Head Office	50
Mining Equipment	20 to 25

Each asset category includes components which are depreciated over service lives shorter than their related main asset categories.

**c. Inventories**

Inventories of materials and supplies, oil and coal are valued at average cost. Nuclear fuel is valued at cost using the first-in, first-out method.

**d. Debenture and note discounts and premiums, and issue expenses**

The Corporation amortizes debenture and note discounts and premiums and the expenses of issues over the lives of the issues to which they pertain.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**e. Foreign exchange transactions**

Monetary assets and liabilities denominated in foreign currencies are translated to Canadian (Cdn) dollars at rates of exchange prevailing at the balance sheet date except where such items have been hedged by the acquisition of a forward exchange contract, in which case the rate established by the terms of the contract is used in the translation. Unrealized losses or gains arising on translation of long-term items are amortized to income on a straight-line basis over the remaining life of the related monetary assets or liabilities, except that amounts associated with the financing of major construction projects still in progress are deferred until the project is completed before being amortized over the then remaining life of the related monetary liabilities. The unamortized balance of the deferred exchange gains or losses is accumulated in an unrealized foreign exchange account which is shown on the balance sheet under deferred charges.

Exchange gains or losses resulting from transactions affecting current operations are reflected in income.

**f. Financial instruments**

**Long-term debt**

Long-term debt is recorded in the balance sheet at cost. The estimated fair value of long-term debt is disclosed in the notes to the financial statements using market values or estimates of market values based on debt with similar terms and maturities. The fair value estimated does not include costs that would be incurred to exchange or settle the debt.

**Derivative financial products**

The Corporation enters into forward exchange contracts to manage exchange risk related to interest obligations on US denominated long-term debt for terms up to twelve months. The Corporation also enters into oil swap agreements to reduce exposure to changes in the cost of oil used in the operations of its plants. The Corporation does not enter into derivative financial products for speculative purposes.

**g. Revenue**

Billings to residential and general service customers are rendered monthly on a cyclical basis. All other customers are billed at the end of each month. Revenue in respect of items not billed at the end of a fiscal period is estimated and accrued.

**h. Irradiated fuel management and plant decommissioning**

In order to provide for the estimated future costs of permanently disposing of irradiated nuclear fuel and decommissioning the nuclear generating station to return the site to a state of unrestricted use, the Corporation annually charges income with amounts calculated to be adequate, when accumulated with interest, to cover the total costs of



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended March 31, 1999  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h. Irradiated fuel management and plant decommissioning (continued)**

these future activities as they occur. The calculations of the anticipated future costs are based on a detailed study which takes into account various assumptions regarding the method and timing of dismantlement of the nuclear facility, the cost of transportation of nuclear material to permanent disposal facilities, and estimates of interest and inflation rates in the future. With respect to irradiated nuclear fuel, the annual charge is related to the amount of nuclear fuel consumed in each year while decommissioning requirements are charged on a straight-line basis over the life of the station.

The Corporation is also providing through an annual charge to income, for the estimated future costs of decommissioning its thermal generating stations. The amount of the charge, when accumulated with interest, is intended to cover the total costs of decommissioning activities as they occur.

Amounts charged each year to cover these activities are accumulated in a deferred liability account, together with interest, compounded annually, on the total amounts collected. Interest is calculated at the Corporation's long-term borrowing rate and is charged to income annually.

Costs incurred on a current basis relating to irradiated fuel management and plant decommissioning are charged against the deferred liability account.

In view of potential developments in the technology of decommissioning and irradiated fuel management, and because of the various assumptions and estimates inherent in the calculations, the Corporation reviews such calculations periodically, making adjustments as necessary on a prospective basis.

**i. Pension plans**

Corporation employees belong to the Province of New Brunswick Public Service Superannuation Plan. This multi-employer plan provides pensions based on length of service and the average of the highest five consecutive years of earnings. The Corporation and its employees make contributions to the plan as prescribed in the Public Service Superannuation Act and its regulations. N.B. Coal maintains a private contributory defined benefit pension plan for its employees.

Under both plans, pension costs are actuarially determined using the projected benefit method, pro-rated on services and management's best estimate assumptions. Adjustments arising from plan amendments, experience gains and losses, changes in actuarial assumptions and the difference between the actuarial present value of accrued pension obligations and the market related value of pension assets are amortized on a straight-line basis over the expected average remaining service lives of the respective employee group.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**j. Retiring allowance**

The Corporation has a retiring allowance program for employees that provides a lump-sum payment equal to one week of pay for each full year of continuous employment to a maximum of 26 weeks of pay. The actuarial present value of accrued retiring allowance obligations for past service is amortized on a straight line basis over the expected average remaining service life of the respective employee group.

**k. Early retirement programs**

The total cost of such programs is charged to income in the year the program is initiated, irrespective of when payments are actually made.

**l. Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from the estimates.

**2. CHANGES IN ACCOUNTING POLICIES**

**a) Depreciation Method for Nuclear Generating Station**

Effective April 1, 1998, the Corporation prospectively changed the method of depreciation for the nuclear generating station from escalating to straight-line and shortened the service life of the station from 31 years to 25 years. This resulted in an increase in depreciation expense of \$6 million in the year 1998/99.

**b) Retiring Allowance**

Effective April 1, 1998, the Corporation prospectively changed the method of accounting for retiring allowances from a cash basis to an accrual basis. This resulted in an increase in operations, maintenance and administration expenses of \$3 million and an increase in finance charges of \$1 million in the year 1998/99.

**3. SALES**

- a) Power sales to the Province of New Brunswick and other government owned organizations are recorded at normal commercial rates.
- b) Out-of-province sales of power include \$183 million (1998 - \$150 million) to utilities in the United States.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**4. DEPRECIATION, AMORTIZATION AND DECOMMISSIONING**

	1999	1998
Depreciation expense	\$ 186	\$ 174
Charges for decommissioning	<u>3</u>	<u>3</u>
	<u>\$ 189</u>	<u>\$ 177</u>

**5. FINANCE CHARGES**

	1999	1998
Interest expense - on debentures and other loans	\$ 321	\$ 323
- on deferred liabilities	<u>14</u>	<u>15</u>
	335	338
Less: Income from sinking funds and other investments	<u>35</u>	<u>31</u>
	300	307
Provincial government guarantee fee	21	22
Amortization of debenture discount and expense	4	4
Amortization of unrealized foreign exchange	<u>22</u>	<u>12</u>
	347	345
Less: Interest capitalized	<u>1</u>	<u>1</u>
	<u>\$ 346</u>	<u>\$ 344</u>

**6. FUEL CHANNEL REMOVAL**

The Corporation has eliminated the fuel channel removal liability account over a three year period which commenced October 1, 1995, following a determination that there was no requirement for the account. An amount of \$9 million has been credited to income in the year ended March 31, 1999 (1998 - \$22 million).



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**7. PROPERTY, PLANT AND EQUIPMENT**

	1999		1998	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation
Power generating stations	\$ 3,683	\$ 1,447	\$ 3,680	\$ 1,320
Transmission system	249	106	247	101
Terminals and substations	390	175	386	163
Distribution system	636	240	616	224
Other properties	57	24	56	22
Communications equipment	15	9	15	8
Mining equipment and related assets	74	44	75	40
Motor vehicles and miscellaneous equipment	66	43	72	45
Conservation and energy management	6	-	5	-
Construction-in-progress	42	-	23	-
	<u>\$ 5,218</u>	<u>\$ 2,088</u>	<u>\$ 5,175</u>	<u>\$ 1,923</u>

**8. UNREALIZED FOREIGN EXCHANGE DIFFERENCES, LESS AMOUNTS AMORTIZED**

	1999	1998
Exchange adjustment at balance sheet date	\$ 204	\$ 162
Less: accumulated amortization	<u>49</u>	<u>51</u>
	<u>\$ 155</u>	<u>\$ 111</u>



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended March 31, 1999

(in millions)

**9. DEFERRED PENSION BENEFIT**

Corporation employees belong to the Province of New Brunswick Public Service Superannuation Plan (Public Service Plan) as described in Note 1i. Actuarial valuations are prepared periodically to determine the costs of the pension benefits and the appropriate amounts of contributions to the fund. The actuarial method used incorporates management's or the plan owner's best estimate assumptions to determine the present value of accrued pension benefit obligations based on projections of salaries and wages to normal retirement dates. The interest rate on accrued pension benefits and the rate of return on assets used in these calculations was 8.42%. The latest actuarial valuation done on the Public Service Plan was April 1, 1997.

The status of the costs and obligations of the Corporation's share of the Public Service Plan and N.B. Coal's private plan as at March 31, 1999 was as follows:

	1999	1998
Pension fund assets (market value)	<u>\$ 540</u>	<u>\$ 543</u>
Accrued pension obligations	<u>\$ 512</u>	<u>\$ 472</u>
Determination of pension expense for the year is summarized below:		
Cost of benefits for the year	\$ 6	\$ 5
Interest cost on accrued benefits	40	37
Interest on pension fund assets	(45)	(38)
Amortization of transitional surplus	(1)	(1)
Amortization of gains/losses	<u>1</u>	<u>-</u>
Pension expense	<u>\$ 1</u>	<u>\$ 3</u>

Total contributions to the plans in excess of pension expense, in the amount of \$25 million (1998 - \$11 million) have been set up as an asset under deferred charges.

**10. RETIRING ALLOWANCE LIABILITY**

The Corporation has a retiring allowance program for employees as described in Note 1j. Actuarial calculations are prepared to determine the amount of the Corporation's obligations for retiring allowances. The actuarial method used incorporates management's best estimate assumptions to determine the present value of the accrued retiring allowance obligation based on projections of salaries and wages to normal retirement dates. The interest rate used in the calculation of this obligation was 6%. The latest actuarial calculation was done as at April 1, 1998.

The retiring allowance obligation as at March 31, 1999 is \$23 million.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
 Year ended March 31, 1999  
 (in millions)

**10. RETIRING ALLOWANCE LIABILITY (Continued)**

Determination of the retiring allowance expense for the year is summarized below:

Cost of allowance for the year	\$1
Interest cost on the accrued obligation	1
Amortization of transitional obligation	<u>2</u>
	<u>\$4</u>

**11. WRITE-OFF OF DEFERRED COST - NUCLEAR GENERATING STATION**

In 1997/98 the carrying value of the nuclear generating station was reduced by \$450 million and an offsetting deferred charge of \$450 million was recorded on the balance sheet. The Corporation committed to identify a new revenue stream designed specifically to recover the \$450 million deferred charge over a future period or write off the amount in 1998/99.

During the fiscal year, the Corporation was not able to identify a new revenue stream to recover the \$450 million deferred charge. Therefore, this deferred charge has been written off against income.

**12. LONG-TERM DEBT**

	1999	1998
Debentures guaranteed by the Province of New Brunswick	\$ 363	\$ 441
Debentures held by the Province of New Brunswick	<u>3,017</u>	<u>3,021</u>
	<u>3,380</u>	<u>3,462</u>
Less: Payments due within one year	<u>130</u>	<u>99</u>
	<u>\$ 3,250</u>	<u>\$ 3,363</u>



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**12. LONG-TERM DEBT (continued)**

**Debentures and notes**

<b>Date of maturity</b>	<b>Average Interest Rate</b>	<b>Canadian</b>	<b>US</b>	<b>1999</b>	<b>1998</b>
Years ending:					
March 31, 1999	-	-	-	-	65
March 31, 2000	8.3%	100	-	100	100
March 31, 2001	10.6%	251	-	251	251
March 31, 2002	9.6%	250	-	250	250
March 31, 2003	8.0%	500	181	681	670
March 31, 2004	7.5%	100	-	100	-
1-5 Years	8.7%	1,201	181	1,382	1,336
6-10 years	10.2%	620	-	620	670
11-30 Years	8.9%	550	815	1,365	1,440
Debentures and notes		<u>\$2,371</u>	<u>\$996</u>	<u>\$3,367</u>	<u>\$3,446</u>
Loan payable in annual installments of principal and interest at rates varying from 4.5% to 8.5% per annum to the year 2011.				<u>13</u>	<u>16</u>
<b>Total long-term debt</b>				<u><u>\$3,380</u></u>	<u><u>\$3,462</u></u>

The US\$ debenture balance outstanding at March 31, 1999 is US\$ 660 million.

The weighted average interest rate on all debentures and notes outstanding at March 31, 1999 is 9.07% (1998 - 9.06%).



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**12. LONG-TERM DEBT (continued)**

**Long-term debt payments**

Long-term debt maturities (after deducting sinking funds estimated to be available at maturity inclusive of actual earnings to March 31, 1999 and future earnings calculated at projected interest rates) and sinking fund requirements in respect of debt outstanding at March 31, 1999 are as follows for the five years ending March 31, 2004, using exchange rates in effect at March 31, 1999 for debt denominated in foreign currencies:

	<b>Debt maturities and sinking fund obligations (in millions)</b>
Year ending March 31, 2000	\$ 130
Year ending March 31, 2001	237
Year ending March 31, 2002	246
Year ending March 31, 2003	613
Year ending March 31, 2004	109

**Sinking funds**

The Minister of Finance of the Province of New Brunswick, as Trustee for the Corporation, maintains a sinking fund for all debenture issues where required. Sinking fund earnings are reflected in the Corporation's income. Corporation debentures held in the fund are cancelled at maturity or on the debenture call date. Sinking fund investments are deducted from long-term debt except where the legally enforceable right to offset does not exist. The amounts not offset, totaling \$56 million (1998 - \$70 million), have been reclassified as investments.

**Guarantee fee**

The Corporation pays an annual guarantee fee to the Province of New Brunswick, amounting to 0.6489% of the total, as at the previous year end, of long-term debt guaranteed by the Province, debentures held by the Province and short-term indebtedness to the Province, less the balance held in sinking funds.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**13. SHORT-TERM INDEBTEDNESS**

Short-term borrowings from banks are payable on demand. The Corporation has bank lines of credit, guaranteed by the Province of New Brunswick, for short-term borrowings totaling \$120 million. In addition, the Corporation borrows funds for temporary purposes from other sources, including the Province of New Brunswick, from time to time.

N.B. Coal has bank lines of credit which are secured by a general assignment of book debts.

The short-term borrowings from the Province of New Brunswick are \$159 million at March 31, 1999 (1998 - \$194 million).

**14. IRRADIATED FUEL MANAGEMENT AND PLANT DECOMMISSIONING**

	1999	1998
Balance, beginning of year	\$ 185	\$ 172
Amounts charged (or credited) to operations for		
- decommissioning	3	3
- disposal of nuclear fuel consumed during the year	(1)	(3)
- interest on decommissioning and irradiated fuel	11	14
	13	14
Less: Expenditures incurred during the year	1	1
Balance, end of year	<u>\$ 197</u>	<u>\$ 185</u>

While the obligation is recorded, it is not funded.

**15. DEFERRED LIABILITIES - OTHER**

	1999	1998
Early retirement programs	\$ 20	\$ 24
Retirement allowance program	4	-
	24	24
Less: Amounts due within one year	3	4
	<u>\$ 21</u>	<u>\$ 20</u>



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**16. AMOUNTS CHARGED OR CREDITED TO OPERATIONS NOT REQUIRING A CURRENT CASH PAYMENT**

	1999	1998
Write-off of deferred cost – nuclear generating station	\$ 450	\$ -
Depreciation, amortization and decommissioning	189	177
Amortization of debenture discount and expense	4	4
Amortization of unrealized foreign exchange	22	12
Disposal of nuclear fuel consumed during the year	(1)	(3)
Interest on plant decommissioning and irradiated fuel management	11	14
Early retirement and retirement allowance programs	4	2
	<u>679</u>	<u>206</u>
Transfer from fuel channel removal account	<u>(9)</u>	<u>(22)</u>
	<u>\$670</u>	<u>\$184</u>

**17. FINANCIAL INSTRUMENTS**

**Forward Exchange Contracts**

At March 31, 1999, the Corporation had outstanding forward exchange contracts, representing a net commitment to purchase US\$ 71 million (1998 – US\$ 54 million). The weighted average rate of exchange protected by these contracts is Cdn \$1.5227.

The fair value of forward exchange contracts as at March 31, 1999 is Cdn \$108 million (1998 - \$76 million).

**Fuel price swap agreements**

At March 31, 1999, the Corporation had outstanding oil swap contracts totaling \$27 million (1998 - \$25 million) maturing over the next year. Of the total, \$12 million (1998 - \$13 million), constitutes a swap contract entered into on behalf of a customer. All gains and losses associated with this contract accrue to the customer.

Under the agreements, the Corporation exchanges monthly payments based on the differential between a fixed price and a monthly cumulative floating price for the associated fuel. The differential to be paid or received is reflected in the cost of fuel.

If the outstanding swap contracts for which gains or losses accrue to the Corporation had been closed out at March 31, 1999, the net income (gain) would have been US \$1 million.



**NEW BRUNSWICK POWER CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended March 31, 1999  
(in millions)

**17. FINANCIAL INSTRUMENTS (continued)**

**Fair value of debt and sinking funds**

The estimated fair value of long-term debt as at March 31, 1999 is \$3,970 million compared to a book value of \$3,380 million (1998 - \$4,077 million compared to \$3,462 million). The estimated fair value of all sinking funds as at March 31, 1999 is \$395 million compared to a book value of \$361 million (1998 - \$394 million compared to \$358 million).

**18. COMMITMENTS**

**Belledune Wharf**

The Corporation has entered into a twenty year operating lease, expiring in 2013, with a twenty year renewal option for the port facility at Belledune. This lease provides for annual charges of approximately \$4.5 million.

**Courtenay Bay Generating Station**

The Corporation has entered into a development agreement with a third party for re-powering the existing 100MW unit to a 280MW combined-cycle natural gas unit for operation in 2001. The Corporation will contribute site infrastructure and will contract to purchase the electric output during the winter months over a 20 year contract term.

**19. CONTINGENCY**

N.B. Coal has an ongoing environmental responsibility to treat acidic water drainage from an inactive mine. Ongoing cost of treatment is approximately \$.5 million per year.

**20. YEAR 2000**

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 that 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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

**21. COMPARATIVE FIGURES**

Certain 1998 figures have been reclassified to conform with 1999 financial statement presentation.



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**CONSOLIDATED FINANCIAL STATEMENTS**

**NEW BRUNSWICK**

**RESEARCH AND PRODUCTIVITY COUNCIL**

**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Honourable Bernard Lord  
Premier of the Province of New Brunswick

- and -

The Chairman and Members of the  
New Brunswick Research and Productivity Council

I have audited the consolidated statement of financial position of the New Brunswick Research and Productivity Council as at 31 March 1999 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
18 June 1999

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF OPERATIONS AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED 31 MARCH 1999**

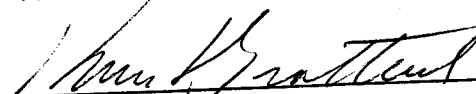

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	Operating Fund	Capital Fund	1999 Total	1998 Total
<b>REVENUE</b>				
Operations	\$ 6,895,899	\$ -	\$ 6,895,899	\$ 6,968,463
Operating grant				
Province of New Brunswick	758,600	-	758,600	740,700
Interest	128,001	-	128,001	105,763
Sundry	29,232	-	29,232	24,074
Gain on sale of capital assets	-	11,321	11,321	2,320
	<u>7,811,732</u>	<u>11,321</u>	<u>7,823,053</u>	<u>7,841,320</u>
<b>EXPENSES</b>				
Operations	5,949,978	-	5,949,978	5,636,326
General and administrative	1,448,716	-	1,448,716	1,449,437
Amortization (Notes 3 and 4)	346,286	-	346,286	292,034
Bad debts	(7,126)	-	(7,126)	73,900
	<u>7,737,854</u>	<u>-</u>	<u>7,737,854</u>	<u>7,451,697</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>73,878</b>	<b>11,321</b>	<b>85,199</b>	<b>389,623</b>
Fund balances, beginning of year	1,798,861	3,713,578	5,512,439	5,122,816
Interfund adjustment (Note 5)	246,286	(246,286)	-	-
<b>FUND BALANCES, end of year</b>	<b>\$ 2,119,025</b>	<b>\$ 3,478,613</b>	<b>\$ 5,597,638</b>	<b>\$ 5,512,439</b>

**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 MARCH 1999**

	Operating Fund	Capital Fund	1999 Total	1998 Total
<b>ASSETS</b>				
Current assets	\$ 790,945	\$ -	\$ 790,945	\$ 921,012
Cash and term deposits	1,893,565	-	1,893,565	1,999,594
Accounts receivable	281,466	-	281,466	209,502
Work in progress (Note 2 (b))	7,376	-	7,376	3,800
Prepaid expenses	2,973,352	-	2,973,352	3,133,908
Restricted cash and term deposits	-	1,422,032	1,422,032	1,852,339
Capital assets, net (Note 3)	-	2,094,797	2,094,797	1,923,933
	<u>\$ 2,973,352</u>	<u>\$ 3,516,829</u>	<u>\$ 6,490,181</u>	<u>\$ 6,910,180</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Current liabilities	\$ 623,436	\$ -	\$ 623,436	\$ 1,008,037
Accounts payable	230,891	-	230,891	327,010
Deferred revenue (Note 2 (b))	854,327	-	854,327	1,335,047
Deferred contributions (Note 4)	-	38,216	38,216	62,694
Fund balances	2,119,025	-	2,119,025	1,798,861
Unrestricted	-	1,422,032	1,422,032	1,852,339
Board restricted (Note 5)	-	2,056,581	2,056,581	1,861,239
Invested in capital assets	2,119,025	3,478,613	5,597,638	5,512,439
	<u>\$ 2,973,352</u>	<u>\$ 3,516,829</u>	<u>\$ 6,490,181</u>	<u>\$ 6,910,180</u>

Approved by the Council

Chairman

Executive Director

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 1999**

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	Operating Fund	Capital Fund	1999 Total	1998 Total
<b>CASH PROVIDED BY (USED FOR):</b>				
Operating activities				
Excess of revenue over expenses	\$ 73,878	\$ 11,321	\$ 85,199	\$ 389,623
Amortization	346,286	-	346,286	292,034
Gain on sale of capital assets	-	(11,321)	(11,321)	(2,320)
Bad debts expense	(7,126)	-	(7,126)	73,900
Net change in non-cash working capital	(443,105)	-	(443,105)	285,805
Net cash provided by operating activities	(30,067)		(30,067)	1,039,042
Financing and investing activities				
Proceeds on disposal of capital assets	-	11,321	11,321	4,618
Acquisition of capital assets	-	(541,628)	(541,628)	(466,392)
Deferred contributions towards capital assets	-	-	-	29,888
Net cash used in financing and investing activities	-	(530,307)	(530,307)	(431,886)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(30,067)</b>	<b>(530,307)</b>	<b>(560,374)</b>	<b>607,156</b>
Cash and term deposits, beginning of year	921,012	1,852,339	2,773,351	2,166,195
Interfund transfer (Note 5)	(100,000)	100,000	-	-
<b>CASH AND TERM DEPOSITS, end of year</b>	<b>\$ 790,945</b>	<b>\$ 1,422,032</b>	<b>\$ 2,212,977</b>	<b>\$ 2,773,351</b>

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**1. Purpose of the organization**

The New Brunswick Research and Productivity Council is a non-profit organization incorporated under the Research and Productivity Council Act 1962. The Council provides independent research, testing and technical services to enterprises primarily within New Brunswick on a fee-for-service basis.

**2. Significant accounting policies**

**(a) Fund accounting**

Revenue and expenses associated with delivery of services and administrative support are reported in the Operating Fund. The Capital Fund reports assets, liabilities, gains and expenditure related to the acquisition, disposal and financing of capital assets, as well as the amount of net assets restricted for capital purposes.

**(b) Revenue recognition**

Revenue is determined to be earned and is recorded in the Operating Fund when services are performed. The value of work completed but not billed is reported as Work in Progress, while amounts which have been paid or billed in advance, but for which work has not been done, are reflected as Deferred Revenue. All interest income is reported in the Operating Fund in the year it is earned, while gains and losses relating to disposal of capital assets are reported in the Capital Fund in the year the disposal occurs.

**(c) Capital assets**

Capital assets are recorded in the Capital Fund at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives. Amortization expense is recorded in the Operating Fund as part of the cost of service delivery.

**(d) Consolidation policy**

These consolidated financial statements include the accounts of the Council and those of its wholly-owned subsidiary, Minuvar Ltd.

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 MARCH 1999**

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**3. Capital assets**

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	<b>Amortization Rates</b>	<b>1999</b>	<b>1998</b>
Vehicles	25 percent	\$ 14,343	\$ 31,109
Computer equipment	25 percent	781,380	640,261
Other equipment	12.5 percent	4,617,056	4,280,534
Building	3 percent	1,874,724	1,810,736
Cost		<u>7,287,503</u>	<u>6,762,640</u>
Less: accumulated amortization		5,192,706	4,838,707
Capital assets, net		<u>\$ 2,094,797</u>	<u>\$ 1,923,933</u>

Amortization expense is comprised of the following amounts:

	<b>1999</b>	<b>1998</b>
Amortization of assets	\$ 370,764	\$ 316,553
Amortization of deferred contributions	(24,478)	(24,519)
	<u>\$ 346,286</u>	<u>\$ 292,034</u>

**4. Deferred contributions**

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Deferred contributions reported in the Capital Fund represent the unamortized portion of external contributions received towards the cost of specific capital assets. Amortization of deferred contributions is calculated at the same rate as amortization of the assets to which they relate, and is netted with amortization expense for presentation purposes. This method of presentation became effective 1 April 1995.

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 1999**

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**4. Deferred contributions - continued**

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The changes for the year in the deferred contributions balance reported in the Capital Fund are as follows:

Deferred contributions at 31 March 1998	\$62,694
Amortization of deferred contributions	(24,478)
Deferred contributions at 31 March 1999	<u>\$38,216</u>

Contributions towards the cost of capital assets in years prior to 1 April 1995 were credited to the cost of the related assets and thus reduced the net asset value subject to amortization. Since the Council's inception it has been the recipient of capital funding from a variety of programs; details concerning the amount and classification of assets funded through these programs are not reasonably determinable. For this reason capital assets purchased prior to 1 April 1995 continue to be carried at cost net of external contributions.

**5. Interfund transfers and internally restricted fund balances**

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The board of directors of the New Brunswick Research and Productivity Council internally restricted resources amounting to \$1,422,032 as at 31 March 1999. This internally restricted amount is intended for the acquisition of capital assets and payment of capital obligations and is not available for other purposes without the approval of the board of directors. This amount includes a 31 March 1999 transfer of \$100,000 from the Operating Fund to the Capital Fund.

**6. Related party transactions**

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During the year the Council provided services to government departments and Crown agencies of the Province of New Brunswick.

The Council provides these services under its normal terms and conditions.

	1999	1998
Revenue from services provided for the year Government departments and agencies	\$1,587,858	\$1,384,553
Accounts receivable at 31 March Government departments and agencies	\$472,939	\$675,378

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**NEW BRUNSWICK RESEARCH AND PRODUCTIVITY COUNCIL  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
31 MARCH 1999**

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**7. Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Council, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



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**FINANCIAL STATEMENTS**

**PREMIER'S COUNCIL ON THE  
STATUS OF DISABLED PERSONS**

**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



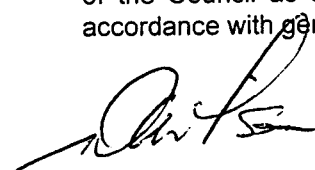
## AUDITOR'S REPORT

To the Chairperson and Members of  
Premier's Council on the Status of Disabled Persons

I have audited the balance sheet of the Premier's Council on the Status of Disabled Persons as at 31 March 1999 and the statements of revenue and expenditure and surplus for the year then ended. These financial statements are the responsibility of the Council's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.



Daryl C. Wilson, FCA  
Auditor General

Fredericton, N.B.  
28 May 1999


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**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
BALANCE SHEET  
31 MARCH 1999**

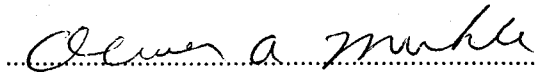
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	1999	1998
<b>ASSETS</b>		
Current assets		
Cash	\$ 31,118	\$ 10,991
Accounts receivable	1,314	10,237
Prepaid expenses (Note 2)	8,461	1,152
	<u>\$ 40,893</u>	<u>\$ 22,380</u>
 <b>LIABILITIES AND SURPLUS</b>		
Current liabilities		
Accounts payable and accrued liabilities	<u>\$ 6,976</u>	<u>\$ 2,457</u>
Surplus		
Unappropriated	21,841	7,854
Appropriated (Note 1 (c))	12,076	12,069
	<u>33,917</u>	<u>19,923</u>
	<u>\$ 40,893</u>	<u>\$ 22,380</u>

Approved by the Council



..... Chairperson



..... Member

**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1999**

	<b>1999 Budget</b>	<b>1999 Actual</b>	<b>1998 Actual</b>
<b>REVENUE</b>			
Grants - Province of New Brunswick	\$ 225,700	\$ 228,900	\$ 224,900
Cost recoveries	9,201	1,275	27,523
Interest revenue	-	7	7
	<u>234,901</u>	<u>230,182</u>	<u>252,430</u>
<b>EXPENDITURE</b>			
Salaries and employee benefits	179,428	167,953	167,719
Furniture and equipment	1,500	1,640	21,845
Office supplies	4,900	3,331	4,687
Telephone	4,500	3,296	3,429
Printing	6,500	7,399	5,910
Translation	7,500	1,942	6,985
Honoraria	7,250	5,501	5,625
Travel expenses	6,074	5,787	8,593
Postage	5,900	4,064	4,906
Maintenance	1,500	1,810	811
Hotel expenses	4,150	2,068	3,858
Parking	3,360	3,150	3,360
Council meetings	4,000	1,430	1,374
Consultations and seminars	-	3,383	4,794
Meals	1,750	975	1,514
Library and subscriptions	1,450	1,796	1,667
Office equipment rental	1,648	110	650
Insurance	450	378	451
Miscellaneous	1,029	105	368
Bank charges	145	70	132
	<u>243,034</u>	<u>216,188</u>	<u>248,678</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE FOR THE YEAR</b>	<b>\$ (8,133)</b>	<b>\$ 13,994</b>	<b>\$ 3,752</b>
Allocated as follows:			
Unappropriated surplus	\$ (8,133)	\$ 13,987	\$ 480
Appropriated surplus	-	7	3,272
	<u>\$ (8,133)</u>	<u>\$ 13,994</u>	<u>\$ 3,752</u>

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**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
STATEMENT OF SURPLUS  
FOR THE YEAR ENDED 31 MARCH 1999**

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	1999	1998
Unappropriated surplus:		
Balance, beginning of year	\$ 7,854	\$ 7,374
Allocation of excess of revenue over expenditure for the year	13,987	480
Balance, end of year	<u>21,841</u>	<u>7,854</u>
Appropriated surplus:		
Balance, beginning of year	12,069	8,797
Allocation of excess of revenue over expenditure for the year (Note 1 (c))	7	3,272
Balance, end of year	<u>12,076</u>	<u>12,069</u>
<b>TOTAL SURPLUS, end of year</b>	<u><b>\$ 33,917</b></u>	<u><b>\$ 19,923</b></u>

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**PREMIER'S COUNCIL ON THE STATUS OF DISABLED PERSONS  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Summary of significant accounting policies**

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**(a) Capital assets**

It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

**(b) Services provided by the Province of New Brunswick**

The Council uses an office for which rent is paid by the Province of New Brunswick. Therefore, no rental charge has been included in the Council's expenses.

**(c) Appropriated surplus**

Revenues other than the provincial grant have been designated by the Council for the expressed purpose of stimulating popular participation of the disabled throughout the Province in activities of the Council. To reflect the restricted use of these funds a special appropriated surplus account was created. Revenues, net of related expenses, are included in this special surplus account. The Council will utilize these funds to offset the increasing cost of enabling persons with disabilities to attend Council meetings or to obtain information.

**2. Other activities – Disability Awareness Week**

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The Council acted as a co-ordinator for National Access Awareness Week (N.A.A.W.). In 1998 the name was changed to Disability Awareness Week (D.A.W.). Funds received for D.A.W. are deposited in a bank account under the control of the provincial D.A.W. committee. Human Resources Development Canada (H.R.D.C.) used to provide specific funding approved for National Access Awareness Week. The national campaign ended in 1998 but with the help of the provincial D.A.W. committee, the Council has continued to act as the co-ordinator of the event.

The committee applies for grants from H.R.D.C., however, the Council is now responsible for any expenditures not reimbursed.

The D.A.W. expenditures of \$7,443 incurred in 1998-99 are included in the prepaid expense on the financial statements as they relate to next year's event.

In prior years, the full amount of expenditures was reimbursed before year-end and the expenditures were netted against the revenue.

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FINANCIAL STATEMENTS

**PROVINCIAL HOLDINGS LTD.**

31 MARCH 1999

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Shareholders of  
Provincial Holdings Ltd.

I have audited the balance sheet of Provincial Holdings Ltd. as at 31 March 1999 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

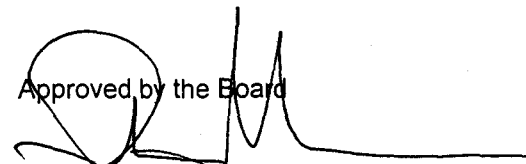
Daryl C. Wilson, FCA  
Auditor General

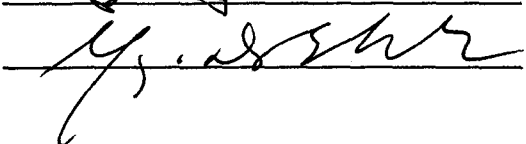
Fredericton, N. B.  
8 October 1999

**PROVINCIAL HOLDINGS LTD.**  
**BALANCE SHEET**  
**31 MARCH 1999**

	1999	1998
<b>ASSETS</b>		
Current assets		
Cash and short-term investments	\$ 2,033,340	\$ 1,936,324
Accounts receivable	-	400,000
Interest receivable	27,636	127,476
Due from the Province of New Brunswick	-	12,183
	<u>2,060,976</u>	<u>2,475,983</u>
Industrial development projects (Notes 2 and 3)		
Loans to client companies	18,187,807	17,171,733
Shares in client companies	9,100,373	9,380,372
Mining rights	1,575,000	1,575,000
	<u>28,863,180</u>	<u>28,127,105</u>
Less: Provision for loss	19,847,255	17,700,106
	<u>9,015,925</u>	<u>10,426,999</u>
	<u>\$11,076,901</u>	<u>\$12,902,982</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 6	\$ 4,196
Due to Province of New Brunswick	1,558	-
	<u>1,564</u>	<u>4,196</u>
Long-term debt		
Due to Province of New Brunswick (Note 3)	22,500,735	21,933,044
Less: Provision for loss on industrial development projects (Note 2)	13,948,893	11,570,127
	<u>8,551,842</u>	<u>10,362,917</u>
Capital stock		
Authorized: 500 common shares, par value of \$10 each		
Issued and fully paid: 500 shares	5,000	5,000
Retained earnings	2,518,495	2,530,869
	<u>2,523,495</u>	<u>2,535,869</u>
	<u>\$11,076,901</u>	<u>\$12,902,982</u>

Approved by the Board

 Director

 Director

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED 31 MARCH 1999**

	1999	1998
<b>REVENUE</b>		
Provincial contributions for grants to industry	\$ -	\$1,000,000
Gain on sale of Grandview Building	-	357,625
Bad debts recovery - Provincially funded (Note 2)	2,378,766	387,278
Interest income	118,604	155,470
Rental income - Grandview building	-	111,700
Miscellaneous	-	12,355
Capital gain on investment	-	9,452
	<u>2,497,370</u>	<u>2,033,880</u>
<b>EXPENSE</b>		
Grants to Industry	-	1,000,000
Grandview building Amortization	-	70,844
General		
Bad debts - Provincially funded (Note 2)	2,378,766	387,278
- Other	130,883	2,587
Interest receivable transferred (Note 7)	-	37,662
Other	95	493
	<u>2,509,744</u>	<u>428,020</u>
	<u>2,509,744</u>	<u>1,498,864</u>
<b>NET INCOME (LOSS) FOR THE YEAR</b>	(12,374)	535,016
Retained earnings, beginning of year	<u>2,530,869</u>	<u>1,995,853</u>
<b>RETAINED EARNINGS, end of year</b>	<u>\$2,518,495</u>	<u>\$2,530,869</u>

**PROVINCIAL HOLDINGS LTD.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 1999**

	1999	1998
<b>CASH PROVIDED BY (USED FOR):</b>		
Operations:		
Net income (loss) for the year	\$ (12,374)	\$ 535,016
Add (deduct) items not requiring, or generating cash		
Amortization	-	70,844
Gain on sale of building	-	(357,625)
Bad debt expense	130,883	-
	<u>118,509</u>	<u>248,235</u>
Changes in non-cash working capital components*	396,890	(396,279)
	<u>515,399</u>	<u>(148,044)</u>
Investing activities:		
Industrial development projects - recoveries		
Payments collected	812,307	1,618,586
Industrial development projects - investments		
Loans	(1,798,383)	(1,090,340)
Proceeds on sale of building	-	400,000
Loans transferred to the Province (Note 7)	-	4,620,012
	<u>(986,076)</u>	<u>5,548,258</u>
Financing activities:		
Advance from the Province	1,780,000	1,090,340
Repayments to the Province	(1,212,307)	(1,618,170)
Loans transferred to the Province (Note 7)	-	(4,620,012)
	<u>567,693</u>	<u>(5,147,842)</u>
<b>INCREASE IN CASH</b>	<b>97,016</b>	<b>252,372</b>
Cash position, beginning of year	<u>1,936,324</u>	<u>1,683,952</u>
<b>CASH POSITION, end of year</b>	<b><u>\$2,033,340</u></b>	<b><u>\$1,936,324</u></b>

\*Non-cash working capital components includes accounts receivable, interest receivable, due from the Province of New Brunswick and current liabilities.

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Description of operations**

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Provincial Holdings Ltd. was established in 1973 under the Companies Act of the Province of New Brunswick. The Company is wholly owned by the Province of New Brunswick and is responsible for administering industrial development project investments. The administration of the Company's affairs is carried out by employees of the Province of New Brunswick under the direction of the Company's Board of Directors. All costs associated with these employees are paid by the Province.

**2. Summary of significant accounting policies**

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**Industrial development projects**

The Company's investments in industrial development projects are carried at cost except where, by agreement, interest on such projects is capitalized. In these cases the capitalized interest is added to the cost of the investment.

To recognize potential losses relating to industrial development project investments, the Company maintains a provision for loss against its investments. Pursuant to Treasury Board minute 74-57, any losses arising on investments funded by advances from the Province of New Brunswick will be borne by the Province through a corresponding reduction in the long term debt of the Company. As a result of this undertaking by the Province, any losses recorded as an expense by the Company are offset by a recovery from the Province.

**3. Long-term debt**

---

Pursuant to Treasury Board Minute 74-57, advances from the Province of New Brunswick are interest free and are to be repaid from recoveries of amounts invested in industrial development projects.

**4. Outstanding commitments**

---

At 31 March 1999, the Company had outstanding commitments in respect of investments in industrial development projects and grants to industry of \$4,729,355 (31 March 1998 - \$2,427,738).

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**5. Related party transactions**

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The Company acts as an agent for the Province of New Brunswick for the Self Start Program. Funds are advanced by the Province to cover any guaranteed loans called by the bank. Any amounts paid by Provincial Holdings Ltd. under the terms of the Program reduce the advance from the Province. During 1999, \$330,544 (1998 - \$390,594) was advanced to the Company and \$322,903 (1998 - \$398,234) was paid out under the terms of the Program.

**6. Contingent liabilities**

---

The Company has guaranteed loans of certain companies under the Self Start Program. At 31 March 1999, the contingent liability in respect of these guarantees was \$1,604,653 (31 March 1998 - \$2,598,199). The Company has also guaranteed a loan to a client company. Under the agreement, the amount guaranteed shall not exceed the lesser of \$7,500,000 or 50% of the balance of the loan. The contingent liability in respect of this guarantee was \$6,534,291 (31 March 1998 - \$6,373,510) at 31 March 1999. In both cases, any resulting losses will be borne by the Province of New Brunswick and will not be reflected as expenses of the Company.

**7. Transfer of Venture Capital Support loans**

---

Venture Capital Support Program loans and associated interest receivable were transferred from Provincial Holdings Ltd. to the Province of New Brunswick on 31 March 1998. The total loan balance transferred was \$4,620,012. The provision associated with these loans totalled \$3,096,468. Interest receivable transferred was \$65,118 along with its provision for loss of \$27,456. These two transfers also resulted in a decrease in long term debt due to the Province relating to loans transferred and a decrease in retained earnings relating to the interest receivable transferred.

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**PROVINCIAL HOLDINGS LTD.  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**8.      Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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**9.      Event subsequent to year end**

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Subsequent to year end, the Company purchased property in Edmundston, comprised of land and a building, for the price of \$1.5 million. The transaction closed on 29 June 1999.

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SOCIÉTÉ D'ASSURANCE-DÉPÔTS DES  
CAISSES POPULAIRES DU NOUVEAU-BRUNSWICK  
BILAN  
31 DÉCEMBRE 1998

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	1998	1997
<hr/> <b>ACTIF</b> <hr/>		
Encaisse	15 168 \$	10 097 \$
Débiteurs	33	33
	<hr/> 15 201 \$	<hr/> 10 130 \$

<hr/> <b>PASSIF</b> <hr/>		
Créditeurs	90 \$	--- \$
Avances - offices de stabilisation (note 2)	15 111	10 130
	<hr/> 15 201 \$	<hr/> 10 130 \$

Approuvé par le conseil

Pierre LeBlanc président

Lucy Church administrateur

SOCIÉTÉ D'ASSURANCE-DÉPÔTS DES  
CAISSES POPULAIRES DU NOUVEAU-BRUNSWICK  
ÉTAT DES RECETTES ET DÉPENSES  
POUR L'EXERCICE TERMINÉ LE 31 DÉCEMBRE 1998

	1998		1997
	Budget	Actuelle	
RECETTES (note 2)			
Cotisations - offices de stabilisation	14 000 \$	15 023 \$	1 580 \$
DÉPENSES (note 2)			
Services professionnels et autre	6 000	12 255	641
Conseil d'administration	8 000	2 768	939
	14 000	15 023	1 580
EXCÉDENT DES RECETTES SUR LES DÉPENSES POUR L'EXERCICE	---	\$	---

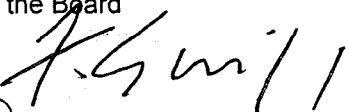
**REGIONAL DEVELOPMENT CORPORATION  
BALANCE SHEET  
31 MARCH 1999**

	1999	1998
<b>ASSETS</b>		
Current assets		
Cash	\$ 513,338	\$ 581,632
Accounts receivable		
Canada - Regional Economic Development Agreement	5,516,862	3,398,468
- Other agreements	2,487,516	1,677,757
Province of New Brunswick - operating and capital funds	1,691,590	2,166,743
Other	5,338	50,159
	<u>10,214,644</u>	<u>7,874,759</u>
Other assets		
Advance to Fundy Trail Endowment Fund - In Trust (Note 2)	5,000,000	5,000,000
	<u>\$15,214,644</u>	<u>\$12,874,759</u>

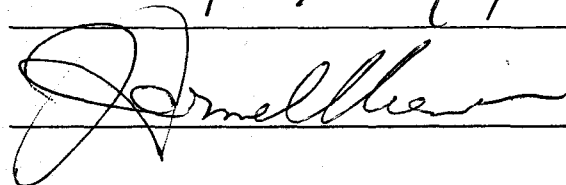
**LIABILITIES**

Current liabilities		
Accounts payable		
Province of New Brunswick - claims on Canada	\$ 7,997,532	\$ 5,104,120
Other	2,217,112	2,770,639
	<u>10,214,644</u>	<u>7,874,759</u>
Due to Province of New Brunswick		
Fundy Trail Endowment Fund - In Trust	5,000,000	5,000,000
	<u>\$15,214,644</u>	<u>\$12,874,759</u>

Approved by the Board



Chairperson



Director

# **REGIONAL DEVELOPMENT CORPORATION STATEMENT OF REVENUE AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 1999**

	1999	1998
<b>REVENUE</b>		
Federal contribution (Schedule 1)	\$20,686,761	\$21,566,823
Provincial contribution (Schedule 2)	47,105,507	48,586,713
Other revenue	15,506	-
	<u>67,807,774</u>	<u>70,153,536</u>
<b>EXPENDITURE</b>		
Regional Economic Development Agreement		
Economic Diversification - Cooperation	2,226,642	7,363,300
Planning Development - Cooperation	-	51,242
Urban Economic Development - Cooperation	-	775,000
Economic Development - Cooperation	3,380,657	4,623,023
Entrepreneurship & Human Resources Development - Cooperation	264,421	883,396
New Framework	17,864,696	12,391,660
	<u>23,736,416</u>	<u>26,087,621</u>
Other Agreements and Programs		
Economic Development Fund	17,369,188	15,174,833
Youth Futures Agreement	6,158,415	5,882,552
Development Assistance Program	2,450,076	1,964,514
Northern Special Project Fund	1,111,939	1,428,256
International Business Development Agreement	33,550	60,617
Aboriginal Economic Development Program	244,749	236,278
NB Works - Training Development	-	2,599,397
Provincial Assistance Program	-	200,000
	<u>27,367,917</u>	<u>27,546,447</u>
Other Activities		
Official Languages and Intergovernmental Cooperation	2,656,604	4,044,750
Centres scolaires communautaires	1,371,170	1,376,636
Atlantic Canada Tourism Partnership	580,333	534,620
Special projects approved by Order in Council	520,614	542,692
Other special projects (Schedule 3)	3,020,365	-
Atlantic Sires Stakes	111,000	111,000
Regional planning	65,058	172,949
Grant to RDC Special Operating Agency	6,503,000	7,853,000
Operations	1,875,297	1,883,821
	<u>16,703,441</u>	<u>16,519,468</u>
	<u>67,807,774</u>	<u>70,153,536</u>
<b>EXCESS OF REVENUE OVER EXPENDITURE</b>	<u>\$ Nil</u>	<u>\$ Nil</u>

# **REGIONAL DEVELOPMENT CORPORATION SCHEDULES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999**

	1999	1998
<b>Schedule 1 - Revenue - Federal contribution</b>		
Regional Economic Development Agreement	\$16,916,469	\$17,598,367
Other activities		
Tracadie Two Rivers Link Project	1,615,365	-
N. B. Works - Training Development	641,002	1,293,300
Official Languages	1,513,925	2,675,156
	<u>\$20,686,761</u>	<u>\$21,566,823</u>

## **Schedule 2 - Revenue - Provincial contributions**

Regional Economic Development Agreement	\$ 6 819 947	\$ 8,489,254
Other Agreements and Programs		
Economic Development Fund	17,369,188	15,174,833
Youth Futures	6,158,415	5,882,552
N. B. Works - Training Development	(641,002)	1,306,097
Development Assistance Program	2,450,076	1,964,514
Northern Special Project Fund	1,111,939	1,428,256
International Business Development Agreement	33,550	60,617
Aboriginal Economic Development Program	244,749	236,278
Provincial Assistance Program	-	200,000
	<u>26,726,915</u>	<u>26,253,147</u>
Other Activities		
Official Languages and Intergovernmental Cooperation	1,142,679	1,369,594
Centres scolaires communautaires	1,371,170	1,376,636
Atlantic Canada Tourism Partnership	580,333	534,620
Special projects approved by Order in Council	520,614	542,692
Other special projects	1,405,000	-
Atlantic Sires Stakes	111,000	111,000
Regional planning	65,058	172,949
Grant to RDC Special Operating agency	6,503,000	7,853,000
Operations	1,859,791	1,883,821
	<u>13,558,645</u>	<u>13,844,312</u>
	<u>\$47,105,507</u>	<u>\$48,586,713</u>

## **Schedule 3 - Expenditure - Other Special Projects**

Miramichi Multi-Purpose Complex	\$ 200,000	\$ -
Beaverbrook Auditorium	230,000	-
Greater Moncton Airport Authority	250,000	-
Fundy Trail Development Authority Inc.	125,000	-
Tracadie Two Rivers Link Project	2,215,365	-
	<u>\$ 3,020,365</u>	<u>\$ Nil</u>

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**REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Summary of significant accounting policies**

---

**a) General comments on operations**

The Regional Development Corporation is a provincial Crown agency incorporated by an Act of the New Brunswick Legislature. The Corporation has administrative responsibility for all provincially delivered programs under the Regional Economic Development Agreement. The Corporation is also responsible for a number of other projects assigned to it by the Province.

Federal contributions are in some instances paid directly to project recipients. Such payments are not recorded in the revenues and expenditures of the Corporation.

The Regional Development Corporation established a Special Operating Agency (SOA) effective 31 March 1994. Amounts provided to the Corporation by the Province, which were subsequently transferred to the SOA, are shown in the Corporation's statement of revenue and expenditure. Amounts provided by other agencies or departments of government to the SOA are included in the financial statement of the SOA but are not included in these financial statements.

**b) Basis of accounting**

These financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected. In accordance with this basis of accounting, federal contributions are recorded as revenue when funding has been approved under the applicable agreement and the qualifying expenditures incurred.

Expenditures recorded under cost sharing agreements represent costs incurred by the Corporation in the implementation of approved projects. Included are certain expenditures that are ineligible for cost sharing under the terms of the agreements, and expenditures in excess of budgets approved under those agreements. In some cases these expenditures are approved for cost sharing in a subsequent year.

**2. Fundy Trail Endowment Fund**

---

The Province of New Brunswick and the Government of Canada have agreed to the establishment of this fund. The sole purpose of the fund is to assist in the construction of a scenic roadway from St. Martins, N.B. to Alma, N.B.

The Province of New Brunswick has advanced \$5 million to this fund. This \$5 million was advanced through the Regional Development Corporation. At a future date all or part of this \$5 million may be returned to the Regional Development Corporation. This date is to be no later than 31 March 2010.

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**REGIONAL DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**3. Initiatives of Provincial Departments**

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During the 1999 fiscal year the Corporation provided the administrative vehicle through which the Department of Fisheries and Aquaculture and the Department of Finance implemented the Fisheries Research and Training Project and the Tobacco Sales Enforcement Initiative respectively. The Corporation paid approximately \$1.4 million in costs on behalf of these Departments which were fully recovered from Canada and other organizations. The net costs and recoveries are reflected in these financial statements.

**4. Commitments**

---

Under the Regional Economic Development Agreement, the provincial government has committed funds subsequent to 31 March 1999 totalling approximately \$18 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

**5. Contingent liabilities**

---

Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Corporation in the period of settlement.

The Corporation has guaranteed loans of certain organizations. At 31 March 1999 the contingent liability in respect of these guarantees was \$4,150,000 (31 March 1998 - \$4,000,000). Any resulting losses will be borne by the Corporation.

**6. Comparative figures**

---

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1999.

**7. 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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



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**FINANCIAL STATEMENTS**  
**REGIONAL DEVELOPMENT CORPORATION**  
**SPECIAL OPERATING AGENCY**  
**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

The Chairperson and Directors  
Regional Development Corporation  
Fredericton, New Brunswick

I have audited the balance sheet of the Regional Development Corporation - Special Operating Agency as at 31 March 1999 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Regional Development Corporation - Special Operating Agency as at 31 March 1999 and the results of its operations for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
27 July 1999


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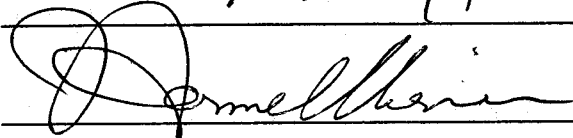
**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
BALANCE SHEET  
31 MARCH 1999**

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	1999	1998
<b>ASSETS</b>		
Current assets		
Accounts receivable		
Canada		
- Infrastructure Agreement	\$ 723,118	\$ 1,416,112
Province of New Brunswick		
- Operating and capital funds	4,858,337	5,570,262
	<u>\$5,581,455</u>	<u>\$ 6,986,374</u>
<b>EQUITY</b>		
Equity	<u>\$5,581,455</u>	<u>\$ 6,986,374</u>

Approved by the Board

  
\_\_\_\_\_  
Chairperson

  
\_\_\_\_\_  
Director

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**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
STATEMENT OF REVENUE AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 1999**

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	1999	1998
<b>REVENUE</b>		
Federal contribution		
- Community Pride Program	\$ 4,383,369	\$ -
- Infrastructure Agreement	6,254,453	8,659,909
- Rural Experience Program	5,000,000	18,321,770
	<u>15,637,822</u>	<u>26,981,679</u>
Provincial contribution		
- Infrastructure Agreement	6,254,453	8,659,909
- Other	7,899,249	24,333,489
	<u>14,153,702</u>	<u>32,993,398</u>
	<u>29,791,524</u>	<u>59,975,077</u>
<b>EXPENDITURE</b>		
Community Pride Program	5,003,781	-
Rural Experience Program	12,804,409	36,915,373
Infrastructure Agreement	12,508,906	17,319,818
Appalachian Range Initiative	464,418	492,862
Fisheries Facilities Expansion	170,000	594,975
Fundy Trail Parkway	244,929	251,128
	<u>31,196,443</u>	<u>55,574,156</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE</b>	(1,404,919)	4,400,921
Equity, beginning of year	6,986,374	2,585,453
<b>EQUITY, end of year</b>	<u>\$ 5,581,455</u>	<u>\$ 6,986,374</u>

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**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Summary of significant accounting policies**

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**a) General comments on operations**

The Regional Development Corporation Special Operating Agency (SOA) was established effective 31 March 1994. The SOA was formed initially for the purpose of providing financial management for the Canada - New Brunswick Infrastructure Agreement. The Agency is now also responsible for a number of other projects assigned to it by the Province.

The equity balance for the SOA represents amounts funded by the Province for future expenditures by the SOA.

**b) Basis of accounting**

These financial statements are prepared using the accrual basis of accounting whereby revenues and expenditures are allocated to the year in which they are earned or incurred irrespective of the date on which the related cash transactions are effected. In accordance with this basis of accounting, federal contributions are recorded as revenue when funding has been approved under the applicable agreement and the qualifying expenditures incurred.

Expenditures recorded under cost sharing agreements represent costs incurred by the Agency in the implementation of approved projects. Included are certain expenditures which are ineligible for cost sharing under the terms of the agreements, and expenditures in excess of budgets approved under those agreements. In some cases these expenditures are approved for cost sharing in a subsequent year.

**2. Commitments**

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Under the Infrastructure Extension Agreement the provincial government has committed funds subsequent to 31 March 1999 totalling approximately \$0.6 million.

Such commitments are made subject to funds being approved by the Legislature of New Brunswick.

**3. Contingent liabilities - federal contributions**

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Contributions received from the federal government under federal/provincial cost sharing agreements are subject to adjustment following audits by federal authorities. Adjustments as a result of federal audits will be reflected in the financial statements of the Agency in the period of settlement.

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**REGIONAL DEVELOPMENT CORPORATION  
SPECIAL OPERATING AGENCY  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**4. Uncertainty due to the Year 2000 Issue**

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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 that 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



*Service New Brunswick*  
*Services Nouveau-Brunswick*

**Financial Statements**

**March 31, 1999**

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**Service New Brunswick**

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**MANAGEMENT REPORT**

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation.

The Corporation maintains an accounting system and related controls to provide management and the Board with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with generally accepted accounting principles.

It is the responsibility of the Board to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. Upon the recommendation of the Audit Committee, these financial statements are approved by the Board of the Corporation.



Robert W. Gamble, CMA, FCMA  
President



Carol Macdonald, CA  
Vice President Corporate Services

Fredericton, N B Canada  
June 14, 1999

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**Service New Brunswick**

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**AUDITORS' REPORT**

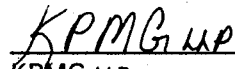
To the Members of the Board:

We have audited the balance sheet of Service New Brunswick as at March 31, 1999 and the statements of income and changes in equity and financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Fredericton, N B Canada  
June 14, 1999

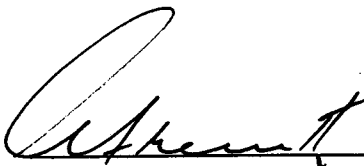
  
KPMG LLP  
Chartered Accountants

## Service New Brunswick

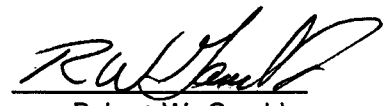
**BALANCE SHEET**  
As at March 31, 1999

	1998/99	1997/98 (As restated)
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 8,166,813	\$ 6,042,113
Accounts receivable (Note 3)	1,371,531	2,253,872
Prepaid expenses	977,885	937,401
	10,516,229	9,233,386
<b>LONG TERM ASSETS</b>		
Accounts receivable (Note 3)	610,895	611,215
Equipment and leasehold improvements (Note 4)	4,100,176	3,714,757
Intangible assets (Note 4)	7,158,427	5,513,465
	11,869,498	9,839,437
	<b>\$22,385,727</b>	<b>\$19,072,823</b>
<b>LIABILITIES &amp; EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 4,944,607	\$ 5,502,666
Deferred revenue	222,790	244,359
Deferred liability (Note 5)	283,353	263,873
	5,450,750	6,010,898
<b>LONG TERM LIABILITIES</b>		
Deferred liability (Note 5)	1,288,564	1,598,943
	1,288,564	1,598,943
<b>EQUITY</b>	15,646,413	11,462,982
	<b>\$22,385,727</b>	<b>\$19,072,823</b>

Commitments Note 6



J. Raymond Frenette  
Chairman



Robert W. Gamble  
President

## Service New Brunswick

**STATEMENT OF INCOME**  
For the year ended March 31, 1999

	1998/99	1997/98 (As restated)
<b>REVENUES</b>		
Provincial services	\$23,835,248	\$17,602,267
Municipal services	5,650,463	5,547,669
Regional Development Corporation (Note 7)	500,000	1,000,000
Registration fees	5,776,603	5,829,129
Map and data sales	1,372,419	1,243,311
Other	798,041	1,523,093
Interest	647,916	322,693
	<b>38,580,690</b>	<b>33,068,162</b>
<b>EXPENSES</b>		
Personnel services	\$21,581,498	\$20,136,791
Other services	9,468,867	7,120,063
Materials and supplies	724,263	426,758
Amortization	2,548,695	1,491,849
Other	73,936	5,388
(Note 7)	<b>34,397,259</b>	<b>29,180,849</b>
<b>NET INCOME</b>	<b>\$ 4,183,431</b>	<b>\$ 3,887,313</b>

## Service New Brunswick

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**STATEMENT OF CHANGES IN EQUITY**  
For the year ended March 31, 1999

	1998/99	1997/98 (As restated)
<hr/> <b>OPENING EQUITY</b>		
As previously reported	\$9,261,488	\$6,870,298
Adjustment for change in accounting policy (Note 8)	2,201,494	705,371
As restated	11,462,982	7,575,669
<b>ADD:</b>		
Net income	4,183,431	3,887,313
<b>ENDING EQUITY</b>	<b>\$15,646,413</b>	<b>\$11,462,982</b>

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## Service New Brunswick

## STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended March 31, 1999

	1998/99	1997/98 (As restated)
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net income	\$ 4,183,431	\$3,887,313
Items not involving cash:		
Amortization	2,548,695	1,491,849
Change in non-cash working capital	281,709	1,896,395
	<u>7,013,835</u>	<u>7,275,557</u>
<b>Financing:</b>		
Decrease in deferred liability	(310,379)	(263,873)
Decrease(increase) in long term accounts receivable	320	(611,215)
	<u>(310,059)</u>	<u>(875,088)</u>
<b>Investments:</b>		
Additions to equipment and leasehold improvements	(1,830,032)	(2,149,376)
Additions to intangible assets	(2,752,226)	(1,346,206)
Proceeds from disposal of capital assets	3,182	-
	<u>(4,579,076)</u>	<u>(3,495,582)</u>
<b>Increase in cash</b>	<u>2,124,700</u>	<u>2,904,887</u>
<b>Cash, beginning of year</b>	<u>6,042,113</u>	<u>3,137,226</u>
<b>Cash, end of year</b>	<u>\$ 8,166,813</u>	<u>\$ 6,042,113</u>

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**Service New Brunswick**

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**NOTES TO FINANCIAL STATEMENTS**

For the year ended March 31, 1999

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**1. SERVICE NEW BRUNSWICK**

Service New Brunswick is a Crown Corporation established under the *New Brunswick Geographic Information Corporation Act*. Its mandate is:

- to provide and coordinate geographic information services to the Province of New Brunswick and the public, including an assessment base for real property taxation and registration systems for real and personal property;
- to promote the development of the private sector geomatics industry in New Brunswick, and
- to provide one-stop multi-channel delivery of public and private products and services.

An *Act to Amend the New Brunswick Geographic Information Corporation Act* was proclaimed on April 1, 1998. The New Brunswick Geographic Information Corporation is continued as a body corporate under the name Service New Brunswick. The change in the name of the Corporation does not affect the rights and obligations of the Corporation and all proceedings may be continued or commenced by or against the Corporation under its new name that might have been continued or commenced by or against the Corporation under its former name.

**2. ACCOUNTING POLICIES****General**

Generally accepted accounting principles (GAAP) are followed by the Corporation.

**Temporary Investments**

Temporary investments are recorded at the lower of cost and market value.

**Capital Assets**

Amortization is computed on a straight-line basis on original cost with rates as follows:

Databases and system development	10 years
Furniture and equipment	10 years
Leasehold improvements	10 years
Computers and software	4 years

No valuation has been made for assets transferred into the Corporation at inception or on the transfer of responsibility for Service New Brunswick.

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## Service New Brunswick

## 3. ACCOUNTS RECEIVABLE

	Year Ended 1999	Year Ended 1998
<b>Current</b>		
Receivables from non-related entities		
• trade	\$ 594,623	\$ 657,864
• software sales	148,575	138,417
Receivables from related entities	<u>628,333</u>	<u>1,457,591</u>
	<u>\$ 1,371,531</u>	<u>\$ 2,253,872</u>
<b>Long Term</b>		
Receivables from non-related entities		
• software sales	<u>\$ 610,895</u>	<u>\$ 611,215</u>

## 4. CAPITAL ASSETS

	Year Ended 1999			Year Ended 1998
	Cost	Accumulated Amortization	Net	Net
<b>Equipment and Leasehold Improvements</b>				
Computers and software	\$ 5,627,406	\$ 2,769,675	\$ 2,857,731	\$ 2,471,296
Furniture and equipment	1,328,105	536,363	791,742	725,922
Leasehold Improvements	841,225	407,810	433,415	517,539
Vehicles	<u>18,523</u>	<u>1,235</u>	<u>17,288</u>	<u>-</u>
	<u>\$ 7,815,259</u>	<u>\$ 3,715,083</u>	<u>\$ 4,100,176</u>	<u>\$ 3,714,757</u>
<b>Intangible Assets</b>				
System Development	\$ 9,089,561	\$ 2,267,218	\$ 6,822,343	\$ 5,075,577
Databases	<u>1,018,040</u>	<u>681,956</u>	<u>336,084</u>	<u>437,888</u>
	<u>\$ 10,107,601</u>	<u>\$ 2,949,174</u>	<u>\$ 7,158,427</u>	<u>\$ 5,513,465</u>

## 5. DEFERRED LIABILITY

The Corporation entered into an agreement in 1995 to pay \$2,300,000 to the developer of one of its major systems over a five-year period ending November 2000. Payments are made based on transaction volumes with all outstanding amounts payable by the ending date.

The following are future minimum payments for the years ended:

2000	\$ 283,353
2001	<u>1,288,564</u>
	<u>\$ 1,571,917</u>

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Service New Brunswick

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**6. LEASE COMMITMENTS**

The following are future minimum payments for leased premises and equipment for the years ended:

2000	2,119,793
2001	1,830,913
2002	1,351,152
2003	1,248,250
2004	<u>985,345</u>
	<u>\$ 7,535,453</u>

**7. ASSISTANCE FROM THE REGIONAL DEVELOPMENT CORPORATION**

The Corporation received \$500,000 in the year ended March 31, 1999 and \$1,000,000 in the year ended March 31, 1998 from the Regional Development Corporation for development projects. Both related revenue and expenses are included in these Financial Statements.

**8. ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY**

During the year, the Corporation revised its accounting policy to recognize government assistance as revenue in the year received. Corresponding costs are recorded as expense in the Income Statement in the same year. Previously, the Corporation had capitalized funds received as Deferred Government Assistance and amortized this assistance to income on the same basis as the related depreciable asset was amortized.

The result of this change is as follows:

	<u>Cumulative to 1997</u>	<u>Year Ended 1998</u>	<u>Year Ended 1999</u>
Assets not capitalized	\$ (5,120 303)	\$ (264 055)	\$ (945,910)
Amortization	1,635,174	525,233	585,731
Deferred government assistance	<u>4,190,500</u>	<u>1,234,945</u>	<u>513,440</u>
Net Income	<u>\$ 705,371</u>	<u>\$ 1,496,123</u>	<u>\$ 153,261</u>

**9. COMPARATIVE FIGURES**

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1999.

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**Service New Brunswick**

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**10. 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 that 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 January 1, 2000. And, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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Financial Statements

## **STRAIT CROSSING FINANCE INC.**

Year ended October 30, 1998



KPMG LLP  
Chartered Accountants  
Frederick Square  
77 Westmorland Street Suite 700  
Fredericton NB E3B 6Z3  
Canada

Telephone (506) 452-8000  
Telefax (506) 450-0072  
[www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the statement of financial position of Strait Crossing Finance Inc. as at October 30, 1998 and the statement of earnings and retained earnings for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 30, 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants

Fredericton, NB, Canada  
April 19, 1999



**STRAIT CROSSING FINANCE INC.**

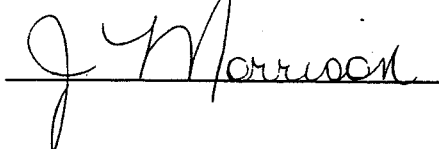
## Statement of Financial Position

October 30, 1998, with comparative figures for 1997

	1998	1997
<b>Assets</b>		
Current assets:		
Cash	\$ 1	\$ 1
Accounts receivable	120,779	-
	<b>\$ 120,780</b>	<b>\$ 1</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 120,779	\$ -
Shareholders' equity:		
Share capital:		
Authorized:		
Unlimited common shares without par value		
Issued and outstanding:		
1 Share	1	1
	<b>\$ 120,780</b>	<b>\$ 1</b>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

**STRAIT CROSSING FINANCE INC.**

## Statement of Earnings and Retained Earnings

Year ended October 30, 1998, with comparative figures for 1997

	1998	1997
Revenue:		
Financial maintenance fee (note 2(d))	\$ 119,950	\$ 58,543
Expenses:		
Goods and Services Tax reassessment (note 3)	91,800	-
Trustee fees	26,750	56,183
Professional services	1,150	2,110
Filing fees	250	250
	119,950	58,543
Net earnings, being retained earnings, end of year	\$ -	\$ -

See accompanying notes to financial statements.

# STRAIT CROSSING FINANCE INC.

Notes to Financial Statements

Year ended October 30, 1998

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## 1. Incorporation:

Strait Crossing Finance Inc. (SC Finance or the Company) was incorporated under the Canada Business Corporations Act as a special purpose corporation. Its sole business is restricted to the issuance and sale of Indexed Fully Amortizing Bonds due April 1, 2032, the lending of money to and making payments to Strait Crossing Development Inc. (SC Development) and matters related thereto.

The outstanding share of SC Finance is owned by Her Majesty the Queen in Right of New Brunswick. No shareholder is entitled to transfer any shares of SC Finance. SC Finance is exempt from taxes otherwise payable under the provisions of section 149(1)(d) of the Income Tax Act (Canada).

## 2. Transactions and agreements:

### (a) Issue of Bonds:

On October 7, 1993, SC Finance issued Indexed Fully Amortizing Bonds (the "Bonds") in the principal amount of \$661,542,612 maturing on April 1, 2032. The Bonds will bear interest at an annual real rate, compounded annually, equivalent to 4.50% compounded semi-annually. Irrespective of any decline in the level of the consumer price index over any period after May 27, 1992, the aggregate payment to be made on the Bonds on May 31, 1997 will not be less than \$35,012,328 and on April 1, 1998 will equal at least \$41,900,000. On any subsequent Payment Date, the aggregate payment to be made on the Bonds will be not less than the highest payment made on any previous Payment Date, except for the payment made on April 1, 2032. No interest payments are required on the Bonds until May 31, 1997. Commencing May 31, 1997 and thereafter on April 1st of each year, 36 annual payments are due on account of principal and interest, such that all interest and principal will be fully repaid as of April 1, 2032.

### (b) Subsidy Agreement and Assignment:

Also on October 7, 1993, SC Finance entered into a Subsidy Agreement with the Government of Canada whereby Canada agreed to make payments to SC Finance which correspond in timing and amount with the payments required on the Bonds, as described above. On the same date, SC Finance irrevocably assigned its rights to receive payments under the Subsidy Agreement to the Bond Trustee. The recourse of the Bondholders is limited to the Bond Trustee's right to receive payments under the Subsidy Agreement. Since an obligation of the Government of Canada has been irrevocably assigned to a trust, solely to satisfy the scheduled interest and principal repayment requirements of the Bonds, the Bonds are considered extinguished for financial reporting purposes. Accordingly, the Bonds payable and the amounts receivable under the Subsidy Agreement have been removed from the Company's statement of financial position.

## STRAIT CROSSING FINANCE INC.

Notes to Financial Statements, continued

Year ended October 30, 1998

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(c) Developer Loan Agreement:

The proceeds from the issuance of Bonds were loaned by SC Finance to SC Development pursuant to a Developer Loan Agreement (the "Agreement") dated October 7, 1993. The Promissory Note from SC Development is unsecured and bears interest at a rate equivalent to that owing on the Bonds. The Promissory Note cannot be assigned or transferred by SC Finance without the consent of SC Development. The repayment terms of the Promissory Note are matched exactly with the payments required on the Bonds.

Under the terms of the Agreement, when the Bond Trustee receives a payment from the Government of Canada under the Subsidy Agreement, SC Finance must, on the same day, make a Contribution in the same amount to SC Development provided that SC Finance has received the required payment from SC Development under the Promissory Note.

Since the Promissory Note from SC Development is exactly matched by SC Finance's obligation to make Contributions to SC Development, and SC Finance and SC Development intend to settle these assets and liabilities simultaneously, the Promissory Note from SC Development and the Contributions due to SC Development have been removed from the Company's statement of financial position.

(d) Financial Maintenance Fee:

Under the Developer Loan Agreement, SC Finance is entitled to receive a Financial Maintenance Fee from SC Development to compensate SC Finance for on-going financial services. The Financial Maintenance Fee is to be equal to the costs SC Finance incurs with respect to the maintenance of records, including the fees and expenses of the Bond Trustee, less any other net revenues received.

**3. Goods and Services Tax reassessment:**

SC Development has been reassessed Goods and Services Tax on financing fees paid on behalf of SC Finance relating to the year ended October 31, 1994.

**4. 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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

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**FINANCIAL STATEMENTS**  
**WORKPLACE HEALTH, SAFETY AND**  
**COMPENSATION COMMISSION**  
**31 DECEMBRE 1998**

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1998

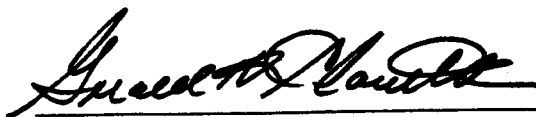
# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **BALANCE SHEET**

**December 31, 1998**

	1998 (\$000)	1997 (\$000)
<b>ASSETS</b>		
Receivables (Note 3)	6,574	6,891
Recoverable benefits liabilities (Note 2)	61,284	63,290
Investments (Note 4)	482,878	444,335
Capital assets (Note 5)	8,272	7,855
Other assets	412	343
	<u>559,420</u>	<u>522,714</u>
<b>LIABILITIES AND FUND BALANCE</b>		
Payables and accruals (Note 6)	10,839	11,192
Benefits liabilities (Notes 7 and 8)	<u>516,876</u>	<u>498,699</u>
Total liabilities	527,715	509,891
Fund balance	<u>31,705</u>	<u>12,823</u>
	<u>559,420</u>	<u>522,714</u>

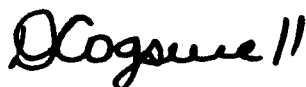
Contingent liability and Uncertainty (Notes 14 and 15)



Gérald Clavette  
Board Member



Gary Ritchie  
Board Member



Darline Cogswell  
Acting Chairperson, Board of Directors

## **AUDITORS' REPORT**

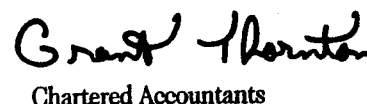
To the Honourable Minister of Labour of the Province of New Brunswick

We have audited the balance sheet of the Workplace Health, Safety and Compensation Commission of New Brunswick as at December 31, 1998 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Workplace Health, Safety and Compensation Commission of New Brunswick as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Saint John, New Brunswick  
February 26, 1999



Chartered Accountants

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **STATEMENT OF OPERATIONS AND FUND BALANCE**

**Year ended December 31, 1998**

	1998 (\$000)		1997 (\$000)
	Budget	Actual	Actual
<b>INCOME</b>			
Assessments (Note 9)	76,781	78,272	63,055
Funding policy assessment (Note 9)	500	500	9,000
Self-insured employers (Note 10)	16,400	12,966	13,929
Investments and other (Note 4)	35,916	50,401	47,806
Province of New Brunswick	900	900	1,085
	<u>130,497</u>	<u>143,039</u>	<u>134,875</u>
<b>EXPENSES</b>			
Claims costs incurred (Note 7):			
Short-term disability	23,100	30,518	24,673
Long-term disability	33,500	23,932	29,683
Survivor benefits	10,700	11,908	4,212
Health care	28,150	29,192	26,255
Rehabilitation	6,000	5,206	3,460
	<u>101,450</u>	<u>100,756</u>	<u>88,283</u>
Administration:			
Operations (Note 11)	18,134	16,354	16,206
Occupational health and safety (Note 11)	5,595	5,405	4,451
Appeals Tribunal	1,092	1,007	950
Legislative obligations (Note 12)	530	540	533
Risk management rebates	500	76	200
Projects and research	300	19	149
	<u>127,601</u>	<u>124,157</u>	<u>110,772</u>
Excess of income over expenses before unusual item	<u>2,896</u>	<u>18,882</u>	<u>24,103</u>
Unusual item (Note 7 iv):			
Effect of legislative amendments	0	0	(20,677)
Recovery from self-insured employers	0	0	3,349
	<u>0</u>	<u>0</u>	<u>(17,328)</u>
Excess of income over expenses for the year	<u>2,896</u>	<u>18,882</u>	<u>6,775</u>
Fund balance, beginning of year		12,823	6,048
Excess of income over expenses for the year		<u>18,882</u>	<u>6,775</u>
Fund balance, end of year		<u>31,705</u>	<u>12,823</u>

1998

**WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION  
OF NEW BRUNSWICK**

**STATEMENT OF CASH FLOWS**

**Year ended December 31, 1998**

	1998 (\$000)	1997 (\$000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Assessed employers	77,480	72,975
Self-insured employers	15,521	13,067
Investments and other	50,382	48,125
Province of New Brunswick	900	900
	<u>144,283</u>	<u>135,067</u>
Cash paid:		
To injured workers or third parties on their behalf	82,579	72,132
For administration requirements and other goods and services	21,086	21,109
	<u>103,665</u>	<u>93,241</u>
Net cash provided by operating activities	<u>40,618</u>	<u>41,826</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Cash paid:		
For purchase of capital assets – net of proceeds	2,075	1,264
Net increase in cash and investments	38,543	40,562
Cash and investments, beginning of year	444,335	403,773
Cash and investments, end of year	<u>482,878</u>	<u>444,335</u>

1998

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**WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION  
OF NEW BRUNSWICK****NOTES TO FINANCIAL STATEMENTS****December 31, 1998**

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**1. NATURE OF OPERATIONS**

The Workplace Health, Safety and Compensation Commission ("the Commission") was established by the New Brunswick Legislature effective January 1, 1995, under the *Workplace Health, Safety and Compensation Commission Act*. The Commission is responsible for the administration of the *Workers' Compensation Act* and the *Occupational Health and Safety Act*; and, in accordance with the provisions of these acts, for promotion of accident prevention; administering the payment of benefits to injured workers; levying and collecting assessment revenues from employers in amounts sufficient to cover the current and future costs of existing claims; promotion of occupational health and safety; and investing funds.

The Province of New Brunswick has committed to the funding of a grant to the Commission in support of occupational health and safety.

**2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES****Provision for unbilled assessments**

As a portion of assessment income for the year is not received until after year-end, the amount shown is an estimate based on an analysis of employer payroll data. The difference between this estimate and the actual income received is credited or charged to income in the following year.

**Recoverable benefits liabilities and self-insured employers**

These financial statements include the effects of transactions carried out for self-insured employers (Federal and certain Provincial Government bodies) who directly bear the cost of their incurred claims and an appropriate share of administration costs.

The benefits liabilities recorded in these financial statements include obligations to injured workers of self-insured employers, excluding those injured workers and dependents receiving benefits under the *Government Employees Compensation Act* or the *Silicosis Compensation Act*. These obligations represent the actuarial present value of all future benefits payments expected to be made for claims which occurred in the current fiscal year, or in any prior year, for these self-insured employers. As these liabilities will be borne by these employers when paid in future years, an offsetting receivable in an amount equal to the benefits liabilities exists and is shown as recoverable benefits liabilities on the Commission's balance sheet. Self-insured employers who are Crown Corporations are required to provide the Commission with an irrevocable letter of credit or a guarantee from the Province of New Brunswick as security for the receivable.

**Investments****a) Fixed-term investments**

Fixed-term investments are carried at amortized cost. Gains and losses realized on disposal of fixed-term investments are amortized on a straight line basis over a seven-year period, which approximates the period to maturity.

**b) Equities**

Equity investments and option contracts are stated at moving average market value. Realized and unrealized gains and losses occurring during the year are deferred and amortized on a straight line basis over a five-year period.

**c) Fair values**

Fair values of investments are determined as follows:

- Fixed-term investments and equities are valued at year-end quoted prices.
- Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which, together with accrued interest, approximates fair value.

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# WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK

## NOTES TO FINANCIAL STATEMENTS

December 31, 1998

### 2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)

#### Capital assets

Capital assets are reported at cost and are depreciated on a straight line basis over their estimated useful lives. The rates used are as follows:

Buildings	25 or 40 years
Office furniture and equipment	5 years
Computer software and hardware	3 years
Motor vehicles	3 years, 35% residual value

#### Benefits liabilities

Benefits liabilities represent the actuarial present value of all future benefits payments expected to be made for claims which occurred in the current fiscal year or in any prior year. The benefits liabilities include provision for all benefits provided by current legislation, policies and administrative practices in respect of existing claims. Benefits liabilities also include the estimated liability for latent occupational diseases, and a provision for future administration costs of existing claims. It is the Commission's policy to have an independent consulting actuary complete a valuation of the benefits liabilities of the Commission every two years. Such a valuation was performed as at December 31, 1998. In interim years, the Commission's internal actuary completes an estimate of the benefits liabilities. This estimate is reviewed with the Commission's consulting actuary, but not at the same level of detail as when a full independent valuation is performed. Actual future costs could vary from those amounts presented in the financial statements.

Included in benefits liabilities is an amount for pensions established to compensate injured workers and surviving spouses for the loss of retirement income due to an industrial accident, as provided in sections 38.22, 38.54 and 38.7 of the *Workers' Compensation Act*. As at year end, \$7.3 million (1997 - \$5.1 million) is included in benefits liabilities, representing the applicable principal on eligible compensation payments already made, plus interest calculated at the rate earned on the Commission's investment portfolio. In addition, future costs relating to these benefits are provided for as part of the benefits liabilities determined by actuarial valuation or review.

#### Funding policy

The Commission's funding policy to attain a funded ratio of assets to liabilities of 105% is reviewed periodically. The assessment revenue raised in any year, from assessed employers, may include an amount designed to allow the Commission to attain a target funded ratio considered financially advisable. Revenue raised with respect to the funding policy is shown separately in the Statement of Operations. The funded ratio at December 31, 1998 is 106.0% (1997 - 102.5%).

#### Workers' Rehabilitation Centre

Included in health care payments is \$5.9 million (1997 - \$6.2 million) for services provided by the Workers' Rehabilitation Centre, a department of the Commission.

#### Agreements with respect to certain employer assessments

The Commission has entered into agreements with certain employers which require these employers to provide funding to cover the specific costs of benefits to their injured workers. Three years following the end of a fiscal year or, depending on the agreement, at the conclusion of a specific project, an actuarial determination is made of the future benefits payments expected for claims identified with each employer and a final settlement is reached with each employer. Subsequent adjustments to the actuarial determination of benefits liabilities associated with these agreements are the responsibility of, or for the benefit of, the Commission.

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# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **2. SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES (CONTINUED)**

**Reclassification**

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

### **3. RECEIVABLES**

	1998 (\$000)	1997 (\$000)
Assessments billed	1,231	1,846
Provision for unbilled assessments	5,033	4,445
Self-insured employers – receivable	1,371	1,923
Self-insured employers – deposits	(1,674)	(1,674)
Other	613	351
	<u>6,574</u>	<u>6,891</u>

### **4. INVESTMENTS**

The Commission has established policies for the management of the investment process, utilizing external investment portfolio managers. The portfolio managers' compliance with these investment policies is monitored on a regular basis.

	1998 (\$000)		1997 (\$000)	
	Book Value	Fair Value	Book Value	Fair Value
(i) Portfolio investments				
Money market	66,486	66,486	47,526	47,526
Fixed-term investments	170,771	168,769	186,629	190,210
Equities	302,782	326,564	270,175	295,919
	<u>540,039</u>	<u>561,819</u>	<u>504,330</u>	<u>533,655</u>
Deferred realized investment gains	(57,161)	0	(59,995)	0
	<u>482,878</u>	<u>561,819</u>	<u>444,335</u>	<u>533,655</u>

Concentration of credit risk – 34% (1997 – 27%) of fixed-term investments are direct obligations of a Canadian chartered bank.

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **4. INVESTMENTS (CONTINUED)**

	1998 (\$000)	1997 (\$000)
(ii) Deferred realized investment gains		
Balance, beginning of year	59,995	36,865
Realized net investment gains for the year	26,033	49,604
	86,028	86,469
Amortization to investment income	(28,867)	(26,474)
Balance, end of year	57,161	59,995
(iii) Investment income		
Interest and dividends	21,261	21,254
Amortization of deferred realized investment gains	28,867	26,474
Amortization of deferred unrealized investment gains	2,382	3,337
	52,510	51,065
Less: Portfolio management expenses	(2,109)	(3,259)
	50,401	47,806

### **(iv) Derivative financial instruments**

Certain of the Commission's external investment portfolio managers utilize derivative financial instruments where appropriate to increase portfolio diversification, reduce interest rate and foreign currency volatility and enhance overall investment returns.

Included in equities are option contracts with a cost of \$1.1 million (1997 - \$1.5 million) and a market value of \$1.0 million (1997 - \$1.4 million).

The Commission's unrecorded contractual commitments and the corresponding fair values relating to future and forward contracts are as follows:

	1998 (\$000)		1997 (\$000)	
	Unrecorded Contractual Commitments	Fair Value	Unrecorded Contractual Commitments	Fair Value
Long position future and forward contracts	2,939	2,943	8,440	8,228
Short position future and forward contracts	2,274	2,484	16,805	16,970

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **4. INVESTMENTS (CONTINUED)**

#### **(v) Pooled investment fund**

The Commission has entered into a pooled investment fund arrangement for the management of its investment assets and those of the Workers' Compensation Board of Prince Edward Island. These financial statements report the Commission's proportionate share of the investment assets held in the pooled fund which was 91.7% at December 31, 1998 (1997 - 91.7%). The Commission receives a fee for the administration of the Workers' Compensation Board of Prince Edward Island's share of the fund.

### **5. CAPITAL ASSETS**

	1998 (\$000)		1997 (\$000)
	Cost	Accumulated Depreciation	Net Book Value
Land	162	0	162
Buildings	10,641	4,791	5,850
Office furniture and equipment	3,639	3,312	327
Computer software and hardware	10,859	9,077	1,782
Motor vehicles	334	183	151
	25,635	17,363	8,272
			7,855

### **6. PAYABLES AND ACCRUALS**

	1998 (\$000)	1997 (\$000)
Accounts payable and accruals	3,819	3,647
Employer deposits	7,020	7,545
	10,839	11,192

The employer deposits represent funds deposited with the Commission in accordance with the agreements with certain employers referred to in note 2 to these financial statements.

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **7. BENEFITS LIABILITIES**

(i) Continuity schedule	1998 (\$000)						1997 (\$000)
	Short-term disability	Long-term disability	Survivor benefits	Health care	Rehabilitation	Total	Total
Balance, beginning of year	36,254	254,123	101,612	85,427	21,283	498,699	461,871
Add Claims costs incurred:							
Current year injuries	24,629	14,253	4,995	21,964	3,638	69,479	54,228
Prior years' injuries	5,889	9,679	6,913	7,228	1,568	31,277	34,055
	30,518	23,932	11,908	29,192	5,206	100,756	88,283
Less Claims payments made:							
Current year injuries	9,156	181	181	6,717	233	16,468	13,113
Prior years' injuries	14,390	20,963	10,403	16,225	4,130	66,111	59,019
	23,546	21,144	10,584	22,942	4,363	82,579	72,132
Balance, before amendments	43,226	256,911	102,936	91,677	22,126	516,876	478,022
Effect of legislative amendments	0	0	0	0	0	0	20,677
Balance, end of year	43,226	256,911	102,936	91,677	22,126	516,876	498,699

(ii) Current year injuries	1998 (\$000)			1997 (\$000)		
	Claims payments	Expected future costs	Claims costs incurred	Claims payments	Expected future costs	Claims costs incurred
Short-term disability	9,156	15,473	24,629	7,149	11,270	18,419
Long-term disability	181	14,072	14,253	105	13,250	13,355
Survivor benefits	181	4,814	4,995	48	1,251	1,299
Health care	6,717	15,247	21,964	5,762	12,101	17,863
Rehabilitation	233	3,405	3,638	49	3,243	3,292
	16,468	53,011	69,479	13,113	41,115	54,228

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **7. BENEFITS LIABILITIES (CONTINUED)**

#### **(iii) Prior years' injuries**

Significant changes in benefits liabilities and claims costs incurred for prior years' injuries arising from the actuarial valuation of the benefits liabilities performed as at year-end included the following:

	Increase (decrease) in benefits liabilities and claims costs incurred	
	1998 (\$000)	1997 (\$000)
Unfavourable experience on short-term disability claims	1,700	3,000
Unfavourable trend in long-term health care costs	0	2,200
Reduction in assumed indexing rate for CPI-indexed benefits	(6,000)	(5,000)

#### **(iv) Effect of legislative amendments**

During 1997, the Commission's Board of Directors recommended changes to the *Workers' Compensation Act* and on February 26, 1998, the Legislature proclaimed Bill 21, *An Act to Amend the Workers' Compensation Act*. The impact of this Bill on the benefits liabilities of the Commission as at December 31, 1997 was as follows:

	Assessed employers (\$000)	Self-insured employers (\$000)	Total (\$000)
Increase in loss of earnings compensation rate to 85% effective January 1, 1998	839	140	979
Introduction of a 5% pension annuity for injured workers receiving loss of earnings benefits for 24 consecutive months or longer, retroactive to January 1, 1993	4,308	644	4,952
Reinstatement of benefits to surviving spouses whose benefits were terminated subsequent to April 17, 1985 due to remarriage or cohabitation	12,181	2,565	14,746
	17,328	3,349	20,677

The portion of the legislative amendments attributable to self-insured employers has no net impact on the Commission's excess of income over expenses for 1997 or the fund balance.

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **8. ACTUARIAL ASSUMPTIONS**

The actuarial valuation of the benefits liabilities is based on assumptions that reflect both short-term and long-term forecasts. The table below lists the principal economic assumptions used:

	1998		1997	
	CPI-indexed awards	Other payments	CPI-indexed awards	Other payments
Gross rate of return	8.00%	8.00%	8.00%	8.00%
Inflation - Year 1	1.20%	4.35%	1.78%	4.35%
- subsequent years	4.35%	4.35%	4.35%	4.35%
Net rate of return - Year 1	6.75%	3.50%	6.11%	3.50%
- subsequent years	3.50%	3.50%	3.50%	3.50%

### **9. ASSESSMENTS**

	1998 (\$000)		1997 (\$000)
	Budget	Actual	Actual
Assessments earned	76,981	78,398	71,688
Interest and penalties	500	631	532
Assessments written off	(200)	(257)	(165)
	<u>77,281</u>	<u>78,772</u>	<u>72,055</u>
Shown as:			
Assessments	76,781	78,272	63,055
Funding policy assessment	500	500	9,000
	<u>77,281</u>	<u>78,772</u>	<u>72,055</u>

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 1998**

### **10. SELF-INSURED EMPLOYERS**

	1998 (\$000)		1997 (\$000)
	Budget	Actual	Actual
Assessment revenue	16,400	12,966	13,929
Claims costs incurred:			
Short-term disability	3,500	5,022	3,265
Long-term disability	4,900	(597)	4,715
Survivor benefits	900	743	173
Health care	3,750	4,261	2,582
Rehabilitation	800	966	664
	13,850	10,395	11,399
Administration	2,550	2,617	2,530
Sub-total	16,400	13,012	13,929
Less: Share of investment income	0	(46)	0
	16,400	12,966	13,929

The claims costs incurred, and related assessment revenue, relating to the self-insured employers' share of the impact of the legislative amendments are not included in the 1997 figures shown above. As shown in note 7 (iv), this amounts to \$3.3 million.

### **11. ADMINISTRATION**

	1998 (\$000)		1997 (\$000)
	Budget	Actual	Actual
Salaries and employee benefits	17,650	15,872	15,545
Depreciation	2,090	1,540	2,046
Professional fees	843	1,183	632
Office and communications	1,545	1,478	1,233
Building operations	1,949	1,896	1,840
Travel and vehicle operations	936	941	831
Education and training	559	307	307
Other	437	630	419
	26,009	23,847	22,853
Recovery of costs	(2,280)	(2,088)	(2,196)
	23,729	21,759	20,657
Shown as:			
Operations	18,134	16,354	16,206
Occupational health and safety	5,595	5,405	4,451
	23,729	21,759	20,657

The recovery of costs consists of costs incurred by the Commission on behalf of the Workers' Rehabilitation Centre which are reflected as health care payments.

1998

# **WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK**

## **NOTES TO FINANCIAL STATEMENT**

**December 31, 1998**

### **12. LEGISLATIVE OBLIGATIONS AND OTHER RELATED PARTY TRANSACTIONS**

The Commission is required by legislation to reimburse the Provincial Government for all operating costs of the Workers' and Employers' Advocates. During the year, costs incurred were as follows:

	1998 (\$000)		1997 (\$000)
	Budget	Actual	Actual
Workers' Advocate	335	324	305
Employers' Advocate	195	216	228
	<u>530</u>	<u>540</u>	<u>533</u>

Included in these statements are amounts resulting from normal operating transactions with various Provincial Government controlled departments, agencies and Crown Corporations with which the Commission may be considered related. Account balances arising from these transactions are included in the financial statements.

The following investments held by the Commission are issued by the Province or its agencies, or are issued by municipalities and guaranteed by the Province:

	1998 (\$000)	1997 (\$000)
Province of New Brunswick	1,748	200
Municipalities or Municipal Finance Corporation	0	34
	<u>1,748</u>	<u>234</u>

### **13. EMPLOYEE PENSION PLAN**

The Commission and its employees participate in a contributory defined benefit pension plan, administered by the Province of New Brunswick, which provides pensions based on the length of service and best average earnings.

An actuarial valuation prepared as at April 1, 1989 indicated that the present value of the accumulated plan benefits exceeded the market value of the net assets available to provide for these benefits. The Commission's portion of the shortfall was determined to be \$2.6 million. The unfunded liability is being funded through 25 annual escalating payments which commenced in 1992.

1998

## WORKPLACE HEALTH, SAFETY AND COMPENSATION COMMISSION OF NEW BRUNSWICK

### NOTES TO FINANCIAL STATEMENTS

**December 31, 1998**

#### 13. EMPLOYEE PENSION PLAN (CONTINUED)

Using the 1989 valuation, annual payments (including interest) in each of the next five years, bearing interest at CPI plus 2% (assuming an average rate of 6.5%) amortized to 2016, are as follows:

	(\$000)
1999	193
2000	205
2001	218
2002	233
2003	248

An actuarial valuation was prepared as at April 1, 1997. This valuation also indicates that the present value of the accumulated plan benefits continues to exceed the market value of the net assets available to provide these benefits. No change has been made to the funding based on this valuation.

#### 14. CONTINGENT LIABILITY

Bill 21, *An Act to Amend the Workers' Compensation Act*, was proclaimed on February 26, 1998. Section 38.81 of this Bill reinstates benefits to surviving spouses who were disentitled on or after April 17, 1985 as a result of remarriage or cohabitation. As disclosed in note 7 (iv), these financial statements include the benefits liabilities for these reinstated benefits. Some survivors who were disentitled prior to April 17, 1985 claim their benefits should be reinstated and have commenced legal action. As the outcome of this action is not determinable, these financial statements include no related liability. If it is determined the Commission is held liable for the cost of any reinstatement, these costs will be accounted for as an expense in the year of occurrence.

#### 15. UNCERTAINTY WITH RESPECT 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 the year 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

The Commission has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on the Commission. As at December 31, 1998, identification and assessment of the Year 2000 readiness of third parties, such as customers, suppliers and others, is ongoing. The Commission is carrying out ongoing activities to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

#### 16. BUDGET

The 1998 budget figures which are presented for comparison with the actual figures were approved by the Commission's Board of Directors on October 2, 1997 and amended on November 19, 1997 and have not been audited.



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**FINANCIAL STATEMENTS**

**YOUTH COUNCIL OF NEW BRUNSWICK**

**31 MARCH 1999**

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Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Chairperson and Members  
Youth Council of New Brunswick

I have audited the balance sheet of the Youth Council of New Brunswick as at 31 March 1999 and the statement of revenue, expenses and deficit for the year then ended. These financial statements are the responsibility of the Council's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Daryl C. Wilson, FCA  
Auditor General

Fredericton, N. B.  
13 August 1999

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YOUTH COUNCIL OF NEW BRUNSWICK  
BALANCE SHEET  
31 MARCH 1999

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	1999	1998
<b>ASSETS</b>		
Current assets		
Cash	\$ 9,391	\$ 2,669
Accounts receivable	1,226	6,163
Prepaid expenses	1,724	-
	<hr/>	<hr/>
	\$12,341	\$ 8,832

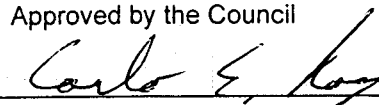
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**LIABILITIES AND DEFICIT**

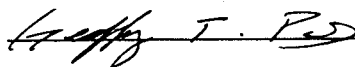
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Current liabilities		
Accounts payable	\$ 4,717	\$ 6,075
Accrued salaries payable	9,961	5,257
	<hr/>	<hr/>
	14,678	11,332
Deficit	(2,337)	(2,500)
	<hr/>	<hr/>
	\$12,341	\$ 8,832

Approved by the Council



Chairperson



Member

**YOUTH COUNCIL OF NEW BRUNSWICK  
STATEMENT OF REVENUE, EXPENSES AND DEFICIT  
FOR THE YEAR ENDED 31 MARCH 1999**

	1999 Budget (Note 3)	1999	1998
<b>REVENUE</b>			
Grants			
Province of New Brunswick	\$114,600	\$117,900	\$113,800
Other (note 4)	12,000	9,000	12,000
Miscellaneous	4,000	4,231	5,369
Youth Connexions Jeunesse (Schedule A)	-	82,798	89,210
	<u>130,600</u>	<u>213,929</u>	<u>220,379</u>
<b>EXPENSES</b>			
Salaries and benefits	84,330	84,497	95,106
Furniture and equipment	2,550	2,372	3,458
Professional development	300	347	-
Professional services	900	639	799
Printing and photocopying	8,886	9,890	12,277
Travel, accommodations and meals	12,000	12,315	10,271
Telephone	4,500	5,384	4,418
Office expenses	3,100	3,121	2,722
Public relations and advertising	3,000	3,414	420
Honoraria	3,000	1,880	2,412
Conference and meeting	200	135	107
Repairs and maintenance	200	335	-
Bank charges	180	209	180
Miscellaneous	-	8	20
Marketing	2,000	1,723	-
Special Projects	2,500	-	-
Translation	-	1,636	-
Youth Connexions Jeunesse (Schedule A)	-	85,861	87,140
	<u>127,646</u>	<u>213,766</u>	<u>219,330</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 2,954</u>	163	1,049
Deficit, beginning of year		(2,500)	(3,549)
<b>DEFICIT, end of year</b>		<u>\$ (2,337)</u>	<u>\$ (2,500)</u>

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**YOUTH COUNCIL OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**1. Purpose of the organization**

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The Council was established by a cabinet decision in May 1986 and the appointment of the Council was announced in March 1987. The Council began operations in May 1987.

The Youth Council's mission statement reads as follows:

The Youth Council of New Brunswick is the provincial body representative of youth which voices the interests, needs, concerns and perspectives of young people aged 15 - 24, and presents recommendations to government and the public. This is achieved by acting as an advisory and advocacy body, through resource co-ordination and by research and consultation. Through its actions, the Youth Council of New Brunswick strives to be a catalyst for increasing youth involvement in society.

**2. Capital assets**

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It is the policy of the Council to charge all capital asset purchases to expense in the period in which the expenditure is incurred.

**3. Budget information**

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The budget information for 1999 deals only with the general operations of the Council. During the year, the Council received additional revenues to defray the cost of operations of Youth Connexions Jeunesse. The revenues and expenses of this activity are not included in the budget information provided for general operations.

**4. Grants - Other**

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An amount of \$9,000 was received during the period ended 31 March 1999 (1998 - \$12,000) to defray the cost of publishing the Youth Council's Bulletin Journal.

**5. Services provided by the Province of New Brunswick and others**

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The Council uses an office building owned by the Province of New Brunswick and there are no rental charges.

Youth Connexions Jeunesse operates from a location provided free of rental charges at the Regent Mall in Fredericton.

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**YOUTH COUNCIL OF NEW BRUNSWICK  
NOTES TO FINANCIAL STATEMENTS  
31 MARCH 1999**

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**6. Youth Connexions Jeunesse – Purpose of the organization**

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The Council established Youth Connexions Jeunesse (YCJ), a youth information centre, in November 1993.

The YCJ's mission statement reads as follows:

YCJ's mission is to facilitate connections between young people and various agencies / organizations in New Brunswick and beyond, sensitizing the public to youth issues by creating broad partnerships and promoting a sense of community involvement with youth throughout the province.

**7. Uncertainty due to the Year 2000 Issue**

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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 data 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 that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Council, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

## SCHEDULE A

YOUTH COUNCIL OF NEW BRUNSWICK  
SCHEDULE OF YOUTH CONNEXIONS JEUNESSE REVENUE AND EXPENSES  
FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
<b>REVENUE</b>		
Province of New Brunswick	\$81,801	\$89,210
Miscellaneous	997	-
	<u>82,798</u>	<u>89,210</u>
<b>EXPENSES</b>		
Salaries and benefits		
Administration	34,521	33,278
Casuals	43,334	41,727
Furniture and equipment	27	3,991
Professional development	112	-
Printing and photocopying	2,272	1,730
Office expenses	2,616	2,075
Conference	35	-
Travel, accommodations and meals	106	262
Telephone	2,009	3,194
Public relations and advertising	64	668
Repairs and maintenance	765	215
	<u>85,861</u>	<u>87,140</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ (3,063)</u>	<u>\$ 2,070</u>