



Public Accounts

for the fiscal year ended 31 March
2004

Volume 1 Financial Statements

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



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ISSN 0382-1277

To His Honour,

The Honourable Herménégilde Chiasson
Lieutenant-Governor of the Province of New Brunswick

The undersigned has the honour to submit the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 2004.

I am, Your Honour,

JEANNOT VOLPÉ
Minister of Finance

Fredericton, New Brunswick
29 October 2004

The Honourable Jeannot Volpé
Minister of Finance

Sir:

The undersigned has the honour to present to you the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 2004.

Respectfully submitted,

Mike Ferguson, C.A.
Comptroller

Fredericton, New Brunswick
29 October 2004

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INTRODUCTION VOLUME I

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

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

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

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

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

Volume V contains salary listings of certain government organizations, including Regional Health Authorities, New Brunswick Power Corporation, and New Brunswick Liquor Corporation. The salary listings are for employees who received earnings during the year ended 31 December 2003 in excess of \$40,000.



STATEMENT OF RESPONSIBILITY

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

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

On behalf of the Government:

Honourable Jeannot Volpé
Minister of Finance

13 October 2004

RESULTS FOR THE YEAR

The Government uses multiple measures to guide its fiscal management, a number of which are described below.

Net Debt and Net Debt as a Percentage of Gross Domestic Product

The most important indicators are the trend in the change in Net Debt and the trend in the ratio that compares the Province's Net Debt to its Gross Domestic Product (GDP).

Net Debt

31 March 2004 was the end of the four year Balanced Budget Period that began 1 April 2000. The Province's Financial Statements for the year ended 31 March 2000 reported Net Debt of \$ 6,807.7 million. Since then, required accounting changes related to NB Power and Workplace Health Safety and Compensation Commission have resulted in restating Net Debt. The Auditor General reported in his 2003 Annual Report, Volume II that the restated Net Debt at 31 March 2000 was \$6,925.3 million. The Province's audited Net Debt at 31 March 2004 is \$6,816.1 million, a reduction of \$109.2 million. In other terms, the Province has generated a four year surplus of \$109.2 million.

(millions)

Year	2000	2001	2002	2003	2004
Net Debt	\$ 6,925.3	\$ 6,782.0	\$ 6,603.6	\$ 6,712.9	\$ 6,816.1

Net Debt increased during the year ended 31 March 2004 by \$103.2 million, the amount of the deficit for the year. This was \$2.2 million higher than originally budgeted, however, it is important to judge that increase against the decreases in Net Debt achieved since 2000.

Net Debt as a Percentage of Gross Domestic Product

At 31 December 1999, the Province's Gross Domestic Product was \$19,041 million. Therefore the restated Net Debt as at 31 March 2000 was 36.4% of GDP at the time. This was also reported by the Auditor General in his 2003 Annual Report, Volume II. The Province's GDP at 31 December 2003 was \$22,358 million, so the Net Debt to GDP ratio stands at 30.5% for the year ended 31 March 2004.

(millions)

Year	2000	2001	2002	2003	2004
GDP	\$ 19,041.0	\$ 20,178.0	\$ 20,772.0	\$ 21,163.0	\$ 22,358.0
Net Debt	6,925.3	6,782.0	6,603.6	6,712.9	6,816.1
Ratio	36.4%	33.6%	31.8%	31.7%	30.5%

The four year reduction in net debt of \$109.2 million and the four year improvement in the Net Debt to GDP ratio (a reduction of 5.9% compared to the starting point of 36.4%) have both been calculated using numbers accepted by the Auditor General without further adjustment.

Even with an increase in Net Debt during the year ended 31 March 2004, the Net Debt to GDP ratio improved significantly from 31.7% to 30.5%.

Debt Charges

The Province's Debt Charges for the year ended 31 March 2004, calculated as the amount spent on servicing the public debt less sinking fund earnings, totaled \$360.4 million, \$46.6 million less than what the Province spent in 2000.

Other Measures

In addition to these measures, the Province tracks other performance measures using adjusted numbers.

Balanced Budget Results

31 March 2004 was the end of the four year Balanced Budget Period that began 1 April 2000. During that period, the Government generated a \$247.2 million surplus for Balanced Budget purposes.

The Surplus for Balanced Budget purposes for the year ended 31 March 2004 was \$ 0.1 million.

The calculation of surplus under balanced budget legislation requires certain adjustments to revenue from Provincial Entitlements. It also says that changes to accounting policies are not to be applied retroactively. For these two reasons, the calculation of surplus under balanced budget legislation results in a different number than shown on the Province's Statement of Revenue and Expenditure.

Results for Fiscal Policy Purposes

During the year ended 31 March 2001, the Province established a Fiscal Stabilization Fund as another fiscal management tool. During the year ended 31 March 2004, the Province removed the balance of this fund resulting in a deficit for fiscal policy purposes for the year of \$13.6 million. This represented a \$7.7 million improvement on the deficit for fiscal policy purposes which was expected when the 2004-2005 budget was tabled.

Over the four year period beginning 1 April 2000 and ending 31 March 2004, a cumulative surplus for fiscal policy purposes of \$109.2 million has been achieved.

(millions)					
Year	2001	2002	2003	2004	Total
Fiscal Policy Surplus	\$ 43.3	\$ 78.5	\$ 1.0	\$ (13.6)	\$ 109.2

The Government has changed how it reports the results for fiscal policy purposes in its Financial Statements consistent with the Public Sector Accounting Board's new guidelines. These results are now disclosed in the Notes to the Financial Statements.

**2003-2004
MAJOR VARIANCE ANALYSIS**

Explanations of major variances are described below, first for revenue, followed by expenditure. In this analysis, comparisons are made between the actual results for 2003-2004 and either the 2003-2004 budget or actual results for 2002-2003.

REVENUE

Provincial Sources

Taxes on Consumption

Taxes on consumption are \$72.1 million higher than budgeted. This is mainly due to an increase in harmonized sales tax (HST) revenue of \$68.4 million that reflects large prior-year adjustments for the 1999 to 2002 taxation years and a higher federal estimate of New Brunswick's portion of the harmonized sales tax.

Taxes on consumption are \$89.3 million higher than the previous year. This is largely due to an increase in harmonized sales tax revenue of \$67.1 million reflecting an increase in federal estimates of New Brunswick's portion of the harmonized sales tax as well as positive prior-year adjustments. In addition, gasoline and motive fuel tax revenue is up \$12.8 million, reflecting the annualized impact of the December 2002 tax increase. Tobacco tax revenue increased \$9.4 million over the previous year, reflecting the full impact of the tax increases in June 2002 and December 2002.

Taxes on Income

Taxes on income are down \$5.8 million from budget. This is primarily due to a \$31.2 million decrease in corporate income tax revenue largely due to a negative prior-year adjustment with respect to the 2002 taxation year. This is offset by an increase of \$28.2 million for personal income tax revenue that reflects a higher than anticipated yield from the personal income tax system along with a positive prior-year adjustment with respect to the 2002 taxation year.

Taxes on income are \$14.1 million higher than the previous year. This is attributable to a \$41.4 million increase in personal income tax revenue resulting from growth in the personal income tax base. This is offset by a \$23.8 million decrease in corporate income tax revenue reflecting tax reductions and a significant negative prior-year adjustment in 2003-2004.

Other Taxes

Other taxes are \$13.0 million higher than budgeted, mainly due to an increase of \$11.0 million in large corporation capital tax revenue that is the result of a positive prior-year adjustment with respect to the 2002 taxation year.

Other taxes are \$18.5 million higher than the previous year due to higher revenue from insurance premium taxes and large corporation capital tax. Insurance premium tax revenue is up \$7.9 million due to increased value and volume of policies issued and in-year accounting adjustments. Large corporation capital tax revenue is up \$8.7 million due to a positive prior-year adjustment affecting 2003-2004 revenues.

Investment Income

Investment income is down \$54.4 million from budget. This decrease is primarily due to NB Power Corp. reporting a net loss of \$18.0 million. This was a decrease of \$58.0 million from budget largely due to the one-time write-off for costs associated with a fuel handling system for Coleson Cove.

Investment income is \$76.0 million higher than the previous year. This increase is primarily due to a year-over-year improvement in NB Power Corp.'s net results of \$59.4 million. This improvement is largely attributable to improved performance from hydro generation and an improved capacity factor at Point Lepreau.

Sinking Fund Earnings

Sinking fund earnings are down \$22.5 million from budget mainly due to lower than forecasted interest rates and a stronger than forecasted Canadian dollar.

Sinking fund earnings are down \$20.5 million year-over-year due to lower net gains on the disposal of debentures relative to the previous year.

FEDERAL SOURCES

Health and Social Transfers

Health and Social Transfers are \$34.1 million higher than budgeted due to additional federal funding resulting from the 2003 First Ministers' Accord on Health Care Renewal.

Health and Social Transfers are up \$46.3 million over the previous year due to increased federal funding levels.

Fiscal Equalization Payments

Fiscal equalization payments are down \$112.7 million from budget due to changes in population and lower-than-anticipated fiscal disparities among provinces. The weakened Ontario economy was the main contributor.

Fiscal equalization payments are down \$57.6 million from the previous year due to negative prior-year adjustments and lower payments with respect to 2003-2004. The latter is attributable to narrowing fiscal disparities among provinces.

Conditional Grants - Canada

Conditional grants are up \$42.4 million from budget. This increase is attributable to new federal funding from the Diagnostic and Medical Equipment Trust of \$12.2 million, as well as an increase in funding of \$13.4 million for Regional Health Authorities from external sources. Other contributing factors are a reallocation of revenues within the Department of Education for \$7.0 million and smaller increases within other departments.

Conditional grants are up \$27.6 million over the previous year. This is largely attributable to an increase in capital recoveries from the federal government of \$9.7 million, primarily for highway improvement and infrastructure. Also, Regional Health Authorities received additional funding of \$10.6 million from external sources.

EXPENDITURE

Education

Education expenditures were \$7.6 million below budget primarily because Teachers' Pension Plan expense was less than anticipated, and because of the introduction of a property tax exemption for university properties. These were partially offset by an increase in the provision for loss in the Student Financial Assistance program.

Education expenditures were \$43.4 million higher than in 2002-03 mainly due to Teachers' Pension Plan expense, negotiated wage increases including the teachers' collective agreement, and enhanced access to post-secondary education.

Health

Health expenditures were \$68.7 million higher than budget mainly due to increased expenditures in Hospital Services and Medicare.

Health expenditures were \$123.7 million higher than 2002-03 mainly due to increased expenditures in Hospital Services, Medicare, Prescription Drug Program and Capital Account expenditures.

Family and Community Services

Family and Community Services expenditures were \$1.1 million higher than budget because of higher than projected provision for loss for Social Assistance payments.

Family and Community Services expenditures were \$17.5 million higher than 2002-03 primarily due to general increases in the Family and Community Social Services Program.

Protection Services

Protection Services expenditures were \$1.5 million lower than in 2002-03 primarily due to a lower level of capital expenditures relating to courthouses within this sector.

Economic Development

Economic Development expenditures were \$26.4 million higher than budget mainly due to increased expenditures in Business New Brunswick's provision for loss and Strategic Assistance programs.

Economic Development expenditures were \$15.5 million higher than in 2002-03 mainly due to increased expenditures in Business New Brunswick's provision for loss.

Employment Development and Labour

Employment Development and Labour expenditures were \$5.9 million lower than budget because of lower than anticipated demand for services.

Employment Development and Labour expenditures were \$8.4 million higher than 2002-2003 mainly due to an increase in services to clients in the areas of job creation and training.

Resource Sector

Resource Sector expenditures were \$11.7 million higher than budget and \$19.9 million higher than 2002-03 mainly due to increased spending in silviculture and mineral exploration, increased provision for loss associated with Agriculture, Fisheries & Aquaculture and the inclusion of the NB Tire Stewardship Board expenditures within this sector.

Transportation

Transportation expenditures were \$11.0 million higher than budget due to increased spending on highway construction and winter maintenance. These increases were partially offset by reductions achieved in other program areas.

Transportation expenditures were \$33.2 million higher than in 2002-03 mainly due to an increased capital budget.

Central Government

Central Government expenditures were \$20.1 million lower than budget mainly due to savings in General Government's Supplementary Funding Provision and lower than anticipated pension expense.

Central Government expenditures were \$30.3 million higher than 2002-03 mainly due to increased pension expense, costs associated with the 2003 Provincial Election and higher than anticipated provision for loss expense.

Service of the Public Debt

Service of the Public Debt expenditures were \$113.9 million lower than budget due to the significantly stronger than forecast Canadian dollar and lower than forecast short-term interest expense.

Service of the Public Debt expenditures were \$78.0 million lower than 2002-03 due mainly to the significant strengthening of the Canadian dollar.



AUDITOR'S REPORT

To the Legislative Assembly
Province of New Brunswick

I have audited the statement of financial position of the Province of New Brunswick as at 31 March 2004 and the statements of revenue and expenditure, cash flow and net debt for the year then ended. These financial statements are the responsibility of government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province as at 31 March 2004 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements. As required by the *Auditor General Act*, I report that, in my opinion, these policies have been applied on a basis consistent with that of the preceding year.

Daryl C. Wilson, FCA
Auditor General

1 September 2004

Office of the Auditor General
P.O. Box 758
Fredericton, New Brunswick E3B 5B4

STATEMENT OF FINANCIAL POSITION
as at 31 March 2004

Schedule	(millions)	
	2004	2003
ASSETS		
7 Cash Net of Short Term Borrowing	\$ 9.8	\$ ---
1 Accounts and Interest Receivable	357.8	326.0
2 Taxes Receivable	466.6	417.5
3 Inventories	43.3	43.2
4 Prepaid and Deferred Charges	111.2	125.6
Unrealized Foreign Exchange Losses	---	59.7
5 Loans and Advances	126.3	148.4
6 Investments	(146.4)	(99.6)
Total Assets	\$ 968.6	\$ 1,020.8
LIABILITIES		
7 Bank Advances and Short Term Borrowing	\$ ---	\$ 26.8
8 Accounts Payable	658.5	509.4
9 Accrued Expenditures	780.4	710.1
Unrealized Foreign Exchange Gains	22.8	---
10 Allowance for Losses	75.8	50.2
11 Deferred Revenue	294.5	287.9
12 Deposits Held in Trust	45.8	37.8
13 Obligations under Capital Leases (Note 8)	865.8	873.7
Pension Liability (Note 13)	271.5	362.1
	3,015.1	2,858.0
Funded Debt (Note 11)	11,583.8	11,391.5
Borrowing for NB Power Corporation	(3,098.0)	(2,972.8)
Funded Debt for Provincial Purposes	8,485.8	8,418.7
Sinking Fund Investments	(3,716.2)	(3,543.0)
	4,769.6	4,875.7
Total Liabilities	7,784.7	7,733.7
NET DEBT	(6,816.1)	(6,712.9)
	\$ 968.6	\$ 1,020.8

Contingent Liabilities - See Note 14

Commitments - See Note 15

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

Mike Ferguson, C.A.
Comptroller

STATEMENT OF REVENUE AND EXPENDITURE
for the fiscal year ended 31 March 2004

Schedule	(millions)			
	2004 Budget	2004 Actual	2003 Actual	
REVENUE				
Provincial Sources				
14	Taxes on Consumption	\$ 1,067.3	\$ 1,139.4	\$ 1,050.1
	Taxes on Property	314.8	303.9	295.0
15	Taxes on Income	1,071.4	1,065.6	1,051.5
16	Other Taxes	90.5	103.5	85.0
17	Licenses and Permits	104.5	104.1	103.0
18	Royalties	63.4	70.4	60.0
19	Investment Income	307.1	252.7	176.7
20	Other Provincial Revenue	264.2	271.6	267.1
	Sinking Fund Earnings	245.0	222.5	243.0
		3,528.2	3,533.7	3,331.4
Federal Sources				
	Health and Social Transfers	511.1	545.2	498.9
	Fiscal Equalization Payments	1,202.0	1,089.3	1,146.9
	Other Unconditional Grants - Canada	1.9	1.9	1.9
21	Conditional Grants - Canada	267.3	309.7	282.1
		1,982.3	1,946.1	1,929.8
		5,510.5	5,479.8	5,261.2
EXPENDITURE				
22	Education	1,071.2	1,063.6	1,020.2
23	Health	1,632.4	1,701.1	1,577.4
24	Family and Community Services	714.4	715.5	698.0
25	Protection Services	145.6	145.7	147.2
26	Economic Development	139.2	165.6	150.1
27	Employment Development and Labour	234.3	228.4	220.0
28	Resource Sector	153.8	165.5	145.6
29	Transportation	337.5	348.5	315.3
30	Central Government	486.3	466.2	435.9
	Service of the Public Debt (Note 12)	696.8	582.9	660.9
		5,611.5	5,583.0	5,370.6
SURPLUS (DEFICIT) RESULTING IN DECREASE (INCREASE) IN NET DEBT FOR THE YEAR		\$ (101.0)	\$ (103.2)	\$ (109.4)

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

STATEMENT OF CASH FLOW
for the fiscal year ended 31 March 2004

	(millions)	
	2004	2003
OPERATING ACTIVITIES		
Decrease (Increase) in Net Debt for the Year	\$ (103.2)	\$ (109.4)
Non Cash Items		
Amortization of Premiums, Discounts and Issue Expenses	7.4	7.9
Foreign Exchange Expense	(40.3)	35.4
Increase in Allowance for Doubtful Accounts	71.2	33.1
Sinking Fund Earnings	(222.5)	(243.0)
Actual Losses Due to Foreign Exchange	(25.8)	(76.7)
Decrease in Pension Liability (Note 13)	(90.6)	(10.5)
Increase (Decrease) in Deferred Revenue	6.6	1.7
Capital Asset Acquisitions Charged to Operations	233.6	201.0
Proceeds from Disposal of Capital Assets	(2.0)	(3.6)
Decrease in Working Capital	124.3	18.1
Net Cash From (Used in) Operating Activities	<u>(41.3)</u>	<u>(146.0)</u>
INVESTING ACTIVITIES		
Purchase of Capital Assets	(233.6)	(201.0)
Proceeds from Disposal of Capital Assets	2.0	3.6
(Increase) Decrease in Investments, Loans and Advances	57.7	64.5
Net Cash Used in Investing Activities	<u>(173.9)</u>	<u>(132.9)</u>
FINANCING ACTIVITIES		
Proceeds from Issuance of Funded Debt	617.7	1,122.6
Received from Sinking Fund for Redemption of Debentures and Payment of Exchange	171.2	171.5
Decrease in Obligations under Capital Leases	(7.9)	(1.4)
Sinking Fund Instalments	(121.8)	(112.7)
Funded Debt Matured	(407.4)	(568.3)
Net Cash From Financing Activities	<u>251.8</u>	<u>611.7</u>
INCREASE IN CASH POSITION DURING YEAR	36.6	332.8
CASH POSITION - BEGINNING OF YEAR	(26.8)	(359.6)
CASH POSITION - END OF YEAR	<u>\$ 9.8</u>	<u>\$ (26.8)</u>
CASH REPRESENTED BY		
Cash (Bank Advances) net of Short Term Borrowing	<u>\$ 9.8</u>	<u>\$ (26.8)</u>

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

STATEMENT OF NET DEBT
for the fiscal year ended 31 March 2004

	(millions)	
	2004	2003
NET DEBT - BEGINNING OF YEAR		
As Previously Published	\$ (6,712.9)	\$ (6,654.1)
Prior Years' Adjustments		
NB Power Accounting Change for Asset Retirement	---	44.0
Workplace Health, Safety and Compensation Commission		
Accounting Change for Reporting Entity	---	6.6
As Restated	(6,712.9)	(6,603.5)
SURPLUS (DEFICIT) RESULTING IN DECREASE		
(INCREASE) IN NET DEBT FOR THE YEAR	(103.2)	(109.4)
NET DEBT - END OF YEAR	\$ (6,816.1)	\$ (6,712.9)

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Provincial Reporting Entity

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

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

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

Modified equity method - This method is used for government enterprises. Government enterprises are defined in note 9 to these financial statements. The modified equity method reports a government enterprise's net assets as an investment in the Province's Statement of Financial Position. The net income of the government enterprise is reported as investment income in the Province's Statement of Revenue and Expenditure. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between government enterprises and other government organizations are eliminated. The accounting policies of government enterprises are not adjusted to conform with those of other government organizations.

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

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

- Algonquin Properties Limited;
- Arts Development Trust Fund;
- Environmental Trust Fund;
- Fiscal Stabilization Fund;
- Forest Protection Limited;
- Group Insurance Trust Fund;
- N.B. Agriexport Inc.;
- New Brunswick Credit Union Deposit Insurance Corporation;
- New Brunswick Distance Education Network Inc.;
- New Brunswick Highway Corporation;
- New Brunswick Housing Corporation;
- New Brunswick Investment Management Corporation;
- New Brunswick Tire Stewardship Board;
- Regional Development Corporation;
- Regional Health Authorities;
- Service New Brunswick;
- Sport Development Trust Fund.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

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

Algonquin Golf Limited;
Lotteries Commission of New Brunswick;
New Brunswick Liquor Corporation;
New Brunswick Municipal Finance Corporation;
New Brunswick Power Corporation.

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

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

b) Significant Accounting Policies

Accrual Accounting

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

Revenue from Canada under the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977*, and the Canada-New Brunswick Tax Collection Agreement is accrued based on information provided by Canada and is subject to adjustment in future years.

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Debt Charges

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

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

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

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

Note 12 to these financial statements reports the components of the Service of the Public Debt Expenditure function and total debt charges.

Government Transfers

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

Government transfers are recognized in the Province's financial statements as expenditures or revenues in the period that the events underlying the transfer occurred. Liabilities have been established for any transfers due at 31 March 2004 for which the intended recipients have met the eligibility criteria. Receivables have been established for transfers to which the Province is entitled under governing legislation, regulation or agreement.

During the year ended 31 March 2001, a supplement to the Canada Health and Social Transfer of \$60.4 million was received from Canada. This is being recognized as revenue on a straight-line basis over four years.

Physical Assets

The cost of acquiring physical assets is expensed in the year of acquisition. The Statement of Financial Position does not report an amount for these assets. See note 18 regarding Tangible Capital Assets.

Short Term Investments

Short term investments are recorded at cost.

Allowances

Allowances have been established for accounts receivable, loan guarantees and other possible losses. These allowances are disclosed in the schedules to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Concessionary Loans

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

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

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

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

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

Inventories

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

Deferred Revenue

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

Deposits Held in Trust

Any funds remitted to the Province and held in trust for specified persons are included in both the financial assets and liabilities of the Province. Legally established trust funds which the Province administers but does not control are not included as Provincial assets or liabilities. Note 17 to these financial statements discloses the equity balances of the trust funds administered by the Province.

Borrowing on Behalf of New Brunswick Power Corporation

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Foreign Currency Translation

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

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

Leases

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

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

Measurement Uncertainty

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

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

NOTE 2 BUDGET

The budget amounts included in these financial statements are the amounts published in the Main Estimates, adjusted for transfers from the Supplementary Funding Provision Program and elimination of inter-account transactions.

The Supplementary Funding Provision Program is an appropriation which provides funding to other programs for costs associated with contract settlements and other requirements not budgeted in a specific program.

Budget figures for the year ending 31 March 2004 have also been adjusted to include estimated revenue and expenditures, as approved by Board of Management, for those entities which are included in the reporting entity through consolidation.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 3 BALANCING OF EXPENDITURE AND REVENUE

The Province's *Balanced Budget Act* requires that total expenditures not exceed total revenues for the period commencing 1 April 2000 and ending 31 March 2004.

That Act stipulates that any change made within the last fifteen months of the period from 1 April 2000 to 31 March 2004, or after completion of that period, in relation to the official estimates by the Government of Canada for provincial entitlements under the *Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act* or the Canada-New Brunswick Tax Collection Agreement, shall not be taken into account.

The difference for the period ending 31 March 2004 between revenue and expenditure is as follows:

	(millions)			
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Revenue	\$ 4,901.0	\$ 5,216.7	\$ 5,261.2	\$ 5,479.8
Add: Changes in Provincial Entitlements from Canada				
(Section 6(1)) after December 2002	---	---	30.9	41.2
(Section 6(2)) for 2003-2004	---	---	---	<u>62.1</u>
Adjusted Revenue	4,901.0	5,216.7	5,292.1	<u>5,583.1</u>
Expenditure	<u>4,719.2</u>	<u>5,072.9</u>	<u>5,370.6</u>	<u>5,583.0</u>
Adjusted Surplus (Deficit) for the year	181.8	143.8	(78.5)	<u>0.1</u>
Cumulative Difference - Beginning of Year	---	<u>181.8</u>	<u>325.6</u>	<u>247.1</u>
Cumulative Difference - End of Year	<u>\$ 181.8</u>	<u>\$ 325.6</u>	<u>\$ 247.1</u>	<u>\$ 247.2</u>

NOTE 4 FISCAL STABILIZATION FUND

The Province's *Fiscal Stabilization Fund Act* establishes a fund separate from the Consolidated Fund, for the purpose of assisting in stabilizing the fiscal position of the Province of New Brunswick from year to year and to improve long term fiscal planning.

Any transfers into the Fiscal Stabilization Fund are authorized by an appropriation in accordance with the *Financial Administration Act*. All transfers out of the Fund are made with the approval of the Lieutenant-Governor-in-Council. The Fund has been included in these financial statements on a consolidated basis.

For the year ending 31 March 2004, the remaining balance of \$104.2 million was transferred from the Fiscal Stabilization Fund to the Consolidated Fund. Of this amount \$14.6 million is interest that has been reported as revenue and \$89.6 million is the remaining principal of the fund.

The Province's Surplus (Deficit) for fiscal policy purposes is as follows:

	(millions)		
	<u>2004</u>	<u>2004</u>	<u>2003</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Surplus (Deficit) resulting in Decrease (Increase) in Net Debt for the year	\$ (101.0)	\$ (103.2)	\$ (109.4)
Transfer from Fiscal Stabilization Fund	<u>108.5</u>	<u>89.6</u>	<u>110.4</u>
Surplus (Deficit) for fiscal policy purposes	<u>\$ 7.5</u>	<u>\$ (13.6)</u>	<u>\$ 1.0</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 5 LOANS AND ADVANCES

In addition to establishing budgets for various revenue and expenditure classifications, the Province budgets disbursements and recoveries for loans and advances. The budgeted amounts and actual results for the year ended 31 March 2004, and the actual results for the year ended 31 March 2003 are as follows:

	(millions)		
	2004	2004	2003
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<u>Disbursements</u>			
<i>Agricultural Development Act</i>	\$ 3.0	\$ 0.2	\$ 0.5
<i>Economic Development Act</i>	42.0	13.3	19.5
<i>Fisheries Development Act</i>	5.0	0.5	1.7
Housing	7.1	4.8	5.1
Loan to Municipality	---	---	0.5
Veterans' Affairs	---	0.9	1.3
Other	<u>1.6</u>	<u>---</u>	<u>---</u>
Total Disbursements	<u>58.7</u>	<u>19.7</u>	<u>28.6</u>
<u>Recoveries</u>			
<i>Agricultural Development Act</i>	0.3	0.5	0.6
<i>Economic Development Act</i>	9.0	25.8	12.6
Finance	0.3	0.3	0.2
<i>Fisheries Development Act</i>	3.0	2.9	3.8
Housing	3.6	4.2	4.3
Provincial Holdings Ltd.	0.3	0.3	0.4
Veterans' Affairs	1.4	1.3	0.3
Other	<u>0.3</u>	<u>0.3</u>	<u>0.4</u>
Total Recoveries	<u>18.2</u>	<u>35.6</u>	<u>22.6</u>
Net Loans and Advances	<u>\$ 40.5</u>	<u>\$ (15.9)</u>	<u>\$ 6.0</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 6 SPECIAL PURPOSE ACCOUNTS

Special Purpose Account revenue earned but not spent accumulates as a surplus in that account and may be spent in future years for the purposes specified. At 31 March 2004, the accumulated surplus in all Special Purpose Accounts totaled \$72.2 million (\$68.0 million 2003). This total is recorded as a reduction in net debt. The following table summarizes the change in the accumulated Special Purpose Account surplus.

	2003 Accumulated Surplus	(millions) 2004		Accumulated Surplus
		Revenue	Expenditure	
Education				
Canada Student Loans	\$ 0.4	\$ 9.4	\$ 9.4	\$ 0.4
Fred Magee Account	0.3	---	---	0.3
Library Account	0.4	0.1	0.2	0.3
Scholarship and Trusts	---	0.2	0.2	---
Self Sustaining Accounts	5.2	9.3	8.9	5.6
Environment and Local Government				
Environmental Trust Fund	3.1	5.5	5.1	3.5
Family and Community Services				
CMHC Funding	41.2	6.0	1.8	45.4
Finance				
Strait Crossing Finance Inc.	---	0.1	0.1	---
General Government				
Active Community School Sport Project	---	0.2	---	0.2
Arts Development Trust Fund	0.1	0.7	0.8	---
Historic Places	---	0.4	0.4	---
Sport Development Trust Fund	0.1	0.5	0.5	0.1
Health and Wellness				
Hospital Liability Protection Account	0.3	1.2	1.0	0.5
Medical Research Assistance Account	3.1	0.1	0.1	3.1
Justice				
Child Centered Family Justice Fund	0.4	0.4	0.5	0.3
Natural Resources				
Grand Lake Meadows	---	0.3	---	0.3
Wildlife Trust Fund	1.3	1.1	1.1	1.3
Trail Management Trust Fund	0.5	1.0	0.8	0.7
Recoverable Projects	---	0.1	0.1	---
Public Safety				
Municipal Police Assistance Account	0.2	0.7	0.5	0.4
National Safety Code Agreement	0.1	0.3	0.3	0.1
Suspended Driver – Alcohol Re-education Program	0.1	0.3	0.4	---
Victim Services Account	0.4	1.2	1.5	0.1
Supply and Services				
Land Management Account	7.7	1.1	2.6	6.2
Public/Private Partnership Projects	0.2	---	---	0.2
Renovation of Old Government House	0.3	---	---	0.3
Training and Employment Development				
Johann Wordel Account	0.1	---	---	0.1
New Brunswick Community College Scholarship Account	0.2	0.4	0.1	0.5
Recoverable Projects	2.3	0.1	0.1	2.3
	<u>\$ 68.0</u>	<u>\$ 40.7</u>	<u>\$ 36.5</u>	<u>\$ 72.2</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 7 SPECIAL OPERATING AGENCIES

Revenue may be generated by the Special Operating Agencies or from transfers from other budgetary accounts. Expenditures are incurred by the agencies in delivering the programs they offer and may be of a capital or operating nature.

Special Operating Agency account revenue earned but not spent in any year, accumulates as a surplus in that account and may with permission from Board of Management be spent in future years. At 31 March 2004, the accumulated surplus in all Special Operating Agency accounts totaled \$22.9 million (\$18.4 million 2003). This total is recorded as a reduction in net debt. The following table summarizes the change in the accumulated Special Operating Agency surplus during the 2004 fiscal year.

	2003 Accumulated <u>Surplus</u>	(millions) 2004		Accumulated <u>Surplus</u>
		<u>Revenue</u>	<u>Expenditure</u>	
Public Safety				
New Brunswick Safety Code Services	\$ 0.4	\$ 4.5	\$ 4.0	\$ 0.9
Regional Development Corporation				
Regional Development Corporation	6.7	25.7	28.6	3.8
Tourism and Parks				
Mactaquac Golf Course	0.7	0.8	0.7	0.8
Training and Employment Development				
New Brunswick Community College	5.9	106.8	106.4	6.3
Transportation				
Vehicle Management	<u>4.7</u>	<u>69.5</u>	<u>63.1</u>	<u>11.1</u>
	<u>\$ 18.4</u>	<u>\$ 207.3</u>	<u>\$ 202.8</u>	<u>\$ 22.9</u>

NOTE 8 OBLIGATIONS UNDER CAPITAL LEASES

The total future principal and interest payments for capital leases amount to \$1,847.5 million (\$1,892.7 million 2003). That amount includes \$865.8 million (\$873.7 million 2003) in principal and \$981.7 million (\$1,019.0 million 2003) in interest.

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

<u>Fiscal Year</u>	<u>(millions)</u>
2004-2005	\$ 77.2
2005-2006	76.7
2006-2007	76.7
2007-2008	76.3
2008-2009	76.3

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 9 GOVERNMENT ENTERPRISES

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

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

Algonquin Golf Limited	31-12-03
Lotteries Commission of New Brunswick (Lotteries)	31-03-04
New Brunswick Liquor Corporation (Liquor)	31-03-04
New Brunswick Municipal Finance Corporation (Municipal Finance)	31-12-03
New Brunswick Power Corporation (Power)	31-03-04

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)					
	Algonquin Golf			Municipal		
	<u>Limited</u>	<u>Lotteries</u>	<u>Liquor</u>	<u>Finance</u>	<u>Power</u>	<u>Total</u>
<u>Assets</u>						
Cash and Equivalents	\$ ---	\$ ---	\$ 0.3	\$ 0.4	\$ 7.0	\$ 7.7
Receivables	---	0.8	1.7	5.2	181.0	188.7
Prepays	---	---	0.7	---	3.0	3.7
Inventories	0.1	---	17.3	---	96.0	113.4
Deferred Charges	---	---	1.9	---	120.0	121.9
Fixed Assets	6.0	---	10.4	---	3,146.0	3,162.4
Other Assets	---	---	---	<u>421.9</u>	<u>176.0</u>	<u>597.9</u>
Total Assets	<u>\$ 6.1</u>	<u>\$ 0.8</u>	<u>\$ 32.3</u>	<u>\$ 427.5</u>	<u>\$ 3,729.0</u>	<u>\$ 4,195.7</u>
<u>Liabilities</u>						
Short Term						
Indebtedness	\$ ---	\$ ---	\$ ---	\$ ---	\$ 477.0	\$ 477.0
Payables	2.4	---	16.4	5.1	271.0	294.9
Reserves	1.8	---	---	---	293.0	294.8
Long Term Debt	4.3	---	3.3	421.4	148.7	577.7
Debt Funded by the Province	<u>--</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>2,734.3</u>	<u>2,734.3</u>
Total Liabilities	<u>8.5</u>	<u>---</u>	<u>19.7</u>	<u>426.5</u>	<u>3,924.0</u>	<u>4,378.7</u>
<u>Equity</u>						
Retained Earnings	<u>(2.4)</u>	<u>0.8</u>	<u>12.6</u>	<u>1.0</u>	<u>(195.0)</u>	<u>(183.0)</u>
Total Equity	<u>(2.4)</u>	<u>0.8</u>	<u>12.6</u>	<u>1.0</u>	<u>(195.0)</u>	<u>(183.0)</u>
Total Liabilities and Equity	<u>\$ 6.1</u>	<u>\$ 0.8</u>	<u>\$ 32.3</u>	<u>\$ 427.5</u>	<u>\$ 3,729.0</u>	<u>\$ 4,195.7</u>
<u>Net Income</u>						
Revenue	\$ 1.6	\$ 119.3	\$ 318.6	\$ 23.2	\$ 1,311.0	\$ 1,773.7
Expenses	(2.1)	(2.6)	(200.0)	(0.1)	(1,112.0)	(1,316.8)
Interest Expense	<u>(0.3)</u>	<u>---</u>	<u>---</u>	<u>(23.0)</u>	<u>(217.0)</u>	<u>(240.3)</u>
Net Income	<u>\$ (0.8)</u>	<u>\$ 116.7</u>	<u>\$ 118.6</u>	<u>\$ 0.1</u>	<u>\$ (18.0)</u>	<u>\$ 216.6</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Algonquin Golf Limited

Algonquin Golf Limited was incorporated on 29 May 1998 under the *New Brunswick Business Corporation Act*. Its purpose is to re-develop and operate the golf course formerly owned by Algonquin Properties Limited. The first year of operations was 2000, the course opened on 1 July 2000.

Lotteries Commission of New Brunswick

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

New Brunswick Liquor Corporation

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

New Brunswick Municipal Finance Corporation

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

New Brunswick Power Corporation

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 10 BORROWING AUTHORITY

a) Balance of Borrowing Authority under the *Provincial Loans Act*

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

	(millions)			
	Balance	Authority	Borrowing	Balance
	<u>2003</u>	Granted	During the	<u>2004</u>
		During the	Year	
		<u>Year</u>	<u>Year</u>	
<i>Loan Act 2001</i>	\$ 380.8	\$ ---	\$ 286.8	\$ 94.0
<i>Loan Act 2003</i>	<u>---</u>	<u>400.0</u>	<u>---</u>	<u>400.0</u>
	<u>\$ 380.8</u>	<u>\$ 400.0</u>	<u>\$ 286.8</u>	<u>\$ 494.0</u>

Under the authority of section 2 of the *Provincial Loans Act*, the maximum temporary indebtedness of the Province is \$1,400.0 million. At 31 March 2004, the cash position of the Province net of bank advances and short term borrowing was \$9.8 million.

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

b) Borrowing by the Municipal Finance Corporation

The New Brunswick Municipal Finance Corporation has authority under the *New Brunswick Municipal Finance Corporation Act* to provide financing for municipalities and municipal enterprises. As at 31 December 2003, long term debt owed by the corporation was \$421.4 million.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 11 FUNDED DEBT OUTSTANDING

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

(millions)					
Fiscal Year of Maturity	Interest Rate (%) Range	Currency Amount	Total Funded Debt	Borrowing for NB Power Corporation	Funded Debt for Provincial Purposes
2004-2005	7.5-7.6	US \$247.5	\$ 329.2	\$ ---	
	2.7-14.1	CAN \$320.5	<u>320.5</u>	<u>(36.0)</u>	
			<u>649.7</u>	<u>(36.0)</u>	\$ 613.7
2005-2006	6.5	US \$150.0	196.6	---	
	3.0-12.6	CAN \$682.1	<u>682.1</u>	<u>(436.0)</u>	
			<u>878.7</u>	<u>(436.0)</u>	442.7
2006-2007	5.6	Sfr 100.0	104.4	---	
	3.4-10.0	CAN \$766.5	<u>766.5</u>	<u>(106.0)</u>	
			<u>870.9</u>	<u>(106.0)</u>	764.9
2007-2008	3.8-11.1	CAN \$892.6	<u>892.6</u>	<u>(355.3)</u>	537.3
2008-2009	4.3-10.4	CAN \$1,011.3	<u>1,011.3</u>	<u>(150.0)</u>	861.3
2009-2010 & After	6.8-9.8	US \$800.0	1,048.4	(589.7)	
	5.2-11.1	CAN \$6,232.2	<u>6,232.2</u>	<u>(1,425.0)</u>	
			<u>7,280.6</u>	<u>(2,014.7)</u>	5,265.9
Funded Debt before Sinking Fund Investments			11,583.8	(3,098.0)	8,485.8
Less: Sinking Fund Investments			<u>4,079.9</u>	<u>(363.7)</u>	<u>3,716.2</u>
Funded Debt Outstanding			<u>\$ 7,503.9</u>	<u>\$ (2,734.3)</u>	<u>\$ 4,769.6</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Pursuant to section 12 of the *Provincial Loans Act*, the Minister of Finance maintains a General Sinking Fund for the repayment of funded debt either at maturity or upon redemption in advance of maturity. At 31 March 2004, the equity of the General Sinking Fund accumulated for the repayment of Provincial Debt was \$3,716.2 million (\$3,543.0 million 2003). Some of the assets of this Fund are bonds and debentures issued or guaranteed by the Province of New Brunswick. The provincial net book value of these investments at 31 March 2004 was \$1,565.6 million (\$1,376.3 million 2003).

Because government enterprises are included in the reporting entity through modified equity accounting, long term debt issued directly by those enterprises is not included in the amount of Funded Debt Outstanding. Note 9 to these financial statements discloses the long term debt obligations of government enterprises.

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

Fiscal Year of Maturity	(millions)			
	Amount Payable in Original Currency	2004	Amount Payable Per Financial Swap Agreement	Canadian Dollar Equivalent
2004-2005	Yen 5,000.0	US \$ 47.5		\$ 62.2
2004-2005	Yen 5,000.0	CAN \$ 71.2		71.2
2004-2005	Yen 4,000.0	CAN \$ 55.1		55.1
2004-2005	Yen 3,000.0	CAN \$ 41.1		41.1
2006-2007	CAN \$ 95.1	Sfr 100.0		104.4
2007-2008	US \$ 500.0	CAN \$ 791.5		791.5
				<u>\$ 1,125.5</u>

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

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

<u>Fiscal Year</u>	<u>(millions)</u>
2004-2005	\$ 124.5
2005-2006	115.9
2006-2007	107.3
2007-2008	98.6
2008-2009	83.9

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 12 DEBT CHARGES

The total cost of interest, exchange, amortization and related expenses is \$445.8 million (\$445.8 million 2003), which consists of:

	(millions)	
	<u>2004</u>	<u>2003</u>
Interest	\$ 766.2	\$ 799.1
Interest on Fredericton – Moncton Highway Capital Lease	58.1	55.8
Interest on Other Capital Leases	2.3	2.4
Foreign Exchange Expense	(40.3)	35.4
Other Expenses	<u>2.1</u>	<u>3.3</u>
	788.4	896.0
Interest Recovery for Debt Incurred for the New Brunswick Power Corporation	<u>(205.5)</u>	<u>(235.1)</u>
Service of the Public Debt	582.9	660.9
Sinking Fund Earnings	<u>(222.5)</u>	<u>(243.0)</u>
Debt Charges before Pension Interest	360.4	417.9
Pension Interest Charged	<u>85.4</u>	<u>27.9</u>
	<u>\$ 445.8</u>	<u>\$445.8</u>

NOTE 13 PENSION PLANS

a) Description

Employees of the Province and certain other entities, as well as members of the Legislative Assembly, are entitled to receive pension benefits. The Pension plans under which these benefits are received are as follows:

<u>Plan Name</u>	<u>Date of Latest Actuarial Valuation for Accounting Purposes</u>
Public Service Superannuation Plan (PSSA)	01 April 2003
Teachers' Pension Plan (TPA)	01 April 2003
<i>Provincial Court Act and Provincial Court Judges' Pension Act (Judges')</i>	01 April 2003
Members' Superannuation Plan and Members' Pension Plan (Members')	01 April 1996
Pension Plan for Canadian Union of Public Employees of New Brunswick Hospitals (H-CUPE)	---
Pension Plan for Management Employees of New Brunswick School Districts (Sch-Mgt)	01 January 2002
Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts (GLTS)	01 January 2000
Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts (CUPE 2745)	01 January 2000
Ombudsman Plan (Ombud)	---
Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals (H – CBE)	---
Pension Plan for Part-time and Seasonal Employees (Part-time)	---
Early Retirement / Workforce Adjustment Program (Early Ret)	01 April 1999

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Pension funds distinct from the Consolidated Fund exist for each of these pension plans, except the Members' Superannuation Plan, Members' Pension Plan and the Ombudsman Plan.

The pension expense and liability relating to NB Power employees belonging to the Public Service Superannuation Plan are fully accounted for in the financial statements of NB Power. The schedules in this note have been adjusted to reflect this.

The following is a summary of the contribution levels and basic member benefits for each pension plan. Complete plan descriptions are contained in the specific plan documentation.

Plan	Contributions		Employer	Benefits			
	Employee			Unreduced Benefits	Reduced Benefits	Basic Benefit	Annual Benefit Indexing
	Earnings Up to YMPE	Earnings Above YMPE					
PSSA	5.80%	7.50%	Determined by an actuary required to fund current service costs.	Age 60 with 5 years service.	Age 55 with 5 years service.	2.0% of salary times years service. Integrated with CPP.	Up to 5.00%
TPA	7.30%	9.00%	Equal to Employee.	Sum of age and years of service 87; 35 years service; or age 65 with 5 years service; or age 60 with 20 years service.	Sum of age and service total 80 or age 60 with 5 years service.	2.0% of salary times years service. Integrated with CPP.	Up to 4.75%
Sch –Mgt	This plan is being curtailed. There are no current contributors to the plan		N/A	Age 60 with 5 continuous years service.	At age 55 with 5 continuous years service.	2.0% of salary times years service. Integrated with CPP.	Up to 3.00%
CUPE 2745	4.50%	6.00%	No more than 95% of employee contributions.	Age 60 with 5 years continuous employment.	Age 55 with 5 years continuous employment.	1.3% to 2.0% of salary times years service. Integrated with CPP.	Up to 2.00%
GLTS	4.50%	6.00%	Not less than 95% of employee contributions.	Age 60 with 5 years continuous service.	Age 55 with 5 years continuous employment.	1.4% to 2.0% of salary times years service. Integrated with CPP.	Up to 2.00%
Judges' a) <i>Provincial Court Act</i>	7.00%	N/A	Determined by an actuary.	Age 60 with 25 years service or at age 65 with 10 years service.	N/A	60% of salary Integrated with CPP.	Up to 6.00%
b) <i>Provincial Court Judges' Pension Act</i>	7.00%	N/A	Determined by an actuary.	Age 60 with 2 years service.	2 years service.	2.75% per year of service up to 65% of salary. Not integrated with CPP.	Up to 5.00%

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

<u>Plan</u>	<u>Contributions</u>			<u>Benefits</u>			
	<u>Employee</u>		<u>Employer</u>	<u>Unreduced Benefits</u>	<u>Reduced Benefits</u>	<u>Basic Benefit</u>	<u>Annual Benefit Indexing</u>
	<u>Earnings Up to YMPE</u>	<u>Earnings Above YMPE</u>					
H - CUPE	5.15%	6.00%	Currently on a contribution holiday.	Age 60 with 5 years continuous service.	Age 55 with 5 years continuous employment.	1.4% to 1.75% of salary times years service. Integrated with CPP.	Up to 2.00%.
H - CBE	5.185%	6.61%	Equal to employee contributions.	Age 60 with 5 years continuous service. Normal retirement at age 65.	Age 55 with 5 years continuous employment.	2.0% of salary times years service. Integrated with CPP.	Up to 4.00%.
Part-Time	2.00%, 3.25% or 4.50%	N/A	Equal to employee contributions.	Normal retirement age 65.	N/A	Defined contribution plan.	N/A
Ombud	This plan has no active members and exists solely to pay benefits to past Ombudsmen or their beneficiaries. The current and future Ombudsmen are members of either the Judges' or PSSA Plan.						
Early Ret	The Province has obligations under various early retirement initiatives.						
Members'	<p>a) Members' Superannuation Plan Applies to Members of the Legislative Assembly who were MLA's prior to enactment of the <i>Members' Pension Act</i>. Members contribute 9% of MLA's indemnity plus 6% of Minister's salary. Province contributes amount equal to excess of pension payments over member contributions plus interest. Eligible for benefits upon ceasing to be an MLA with at least 10 sessions service. Basic MLA benefits equal 4.5% of average indemnity times number sessions up to final year's indemnity. Basic Minister's benefits equal 3% of Ministers' average salary times years service as a Minister.</p> <p>b) Members' Pension Plan Members contribute lesser of amount under MSP and maximum deductible RPP contributions per <i>Income Tax Act</i>. Province contributes amount equal to excess of pension payments over member contributions plus interest. Eligible for benefits at age 60 upon ceasing to be an MLA with minimum 8 sessions service. Supplementary allowance at age 55 with minimum 8 sessions service. Basic MLA benefits equal 2% of average indemnity times sessions served. Additional supplementary allowance of 125% of basic MLA's pension. Basic Ministers' benefits equal 2% of Ministers' average salary times years service as Minister. Additional supplementary allowance of 50% of basic Ministers' pension amount.</p>						

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

b) Pension Liability

With the exception of the H - CBE plan and the H - CUPE plan which are defined benefit plans with fixed employer contributions, and the Part-Time plan, which is a defined contribution plan, the Province is liable for any excess of accrued pension benefits over pension fund assets. The Provincial share of the estimated pension liability for all pension plans is \$271.5 million (\$362.1 million 2003). This estimate is based on actuarial valuations for accounting purposes using the projected unit credit method, calculated as at the dates listed above. This method estimates the present value of retirement benefits associated with the period of employee service to the valuation date. These actuarial valuations were based on a number of assumptions about future events, such as rates of return on assets, wage and salary increases and employee turnover and mortality. Section g) of this note lists some of the actuarial assumptions used. Section h) lists selected information about plan members.

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

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

Plan	(millions)					
	2004				2003	
	Estimated Accrued Benefits	Value of Assets	Actuarial Pension Liability (Surplus)	Unamortized Pension Adjustments and Valuation Allowance	Pension Liability (Surplus)	Pension Liability (Surplus)
PSSA	\$ 2,724.5	\$ 2,685.3	\$ 39.2	\$ 18.4	\$ 20.8	\$ 49.1
TPA	3,253.6	3,099.6	154.0	29.4	124.6	187.4
Judges'	28.2	22.6	5.6	(9.5)	15.1	15.3
Members'	36.3	---	36.3	---	36.3	35.3
H - CUPE	---	33.5	(33.5)	---	(33.5)	(35.5)
Sch - Mgt	14.1	12.8	1.3	---	1.3	1.5
GLTS	164.9	194.3	(29.4)	(16.5)	(12.9)	(12.0)
CUPE 2745	31.4	38.4	(7.0)	1.1	(8.1)	(6.4)
Early Ret	127.9	---	127.9	---	127.9	127.4
	<u>\$ 6,380.9</u>	<u>\$ 6,086.5</u>	<u>\$ 294.4</u>	<u>\$ 22.9</u>	<u>\$ 271.5</u>	<u>\$ 362.1</u>

The value of accrued benefits in all plans exceeds the value of assets by \$294.4 million at 31 March 2004. However, because the calculation of this excess includes estimates of future events and market values of assets, the Statement of Financial Position reports a liability of \$271.5 million for accounting purposes. The difference of \$22.9 million is being amortized over future years.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

c) Change in Pension Liability

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

(millions)							
Plan	Employers' Share of Pension Benefits Earned	Pension Interest	Amortization of Adjustments	Valuation Adjustment	Total Pension Expense	Employer Pension Contribution	Increase (Decrease) in Pension Liability
PSSA	\$ 35.0	\$ 32.5	\$ (14.5)	\$ ---	\$ 53.0	\$ 81.3	\$ (28.3)
TPA	32.1	44.5	(39.0)	---	37.6	100.4	(62.8)
Judges'	0.8	0.6	(1.4)	---	---	0.2	(0.2)
Members'	0.7	2.9	---	---	3.6	2.6	1.0
H – CUPE	6.3	(4.3)	---	---	2.0	---	2.0
Sch –Mgt	---	0.3	(0.5)	---	(0.2)	---	(0.2)
GLTS	3.3	(1.3)	(0.1)	(0.5)	1.4	2.3	(0.9)
CUPE 2745	0.6	(0.5)	0.2	(1.5)	(1.2)	0.5	(1.7)
Ombud	0.2	---	---	---	0.2	0.2	---
H – CBE	12.3	---	---	---	12.3	12.3	---
Part-time	4.8	---	---	---	4.8	4.8	---
Early Ret	---	<u>10.7</u>	---	---	<u>10.7</u>	<u>10.2</u>	<u>0.5</u>
	<u>\$ 96.1</u>	<u>\$ 85.4</u>	<u>\$ (55.3)</u>	<u>\$ (2.0)</u>	<u>\$ 124.2</u>	<u>\$ 214.8</u>	<u>\$ (90.6)</u>

Total pension benefits of \$180.6 million were earned by employees during the fiscal year. Employees contributed \$75.2 million toward these benefits. The value of pension benefits charged to agencies was \$9.3 million. The employers' share of pension benefits earned was \$96.1 million.

d) Experience Adjustments

Experience gains or losses are generally amortized to pension expense over the estimated average remaining service life of active contributors. The balance of experience gains on assets that arose prior to 1994 in the Public Service and Teachers' plans are being amortized over 5 years commencing in 1999. The following table summarizes the experience gains or losses for each plan:

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Plan	Estimated Average Remaining Service Life of Active Contributors (years)	(millions)			
		31 March 2003 Unamortized Experience Adjustments	New Experience (Gains) Losses	Amortization of Experience Adjustments	31 March 2004 Unamortized Experience Adjustments
PSSA	16.0	\$ 380.7	\$ (349.2)	\$ 5.4	\$ 36.9
TPA	16.0	510.2	(391.1)	19.7	138.8
Judges'	9.5	(7.6)	(3.3)	1.4	(9.5)
Sch – Mgt	---	---	(0.5)	0.5	---
GLTS	12.0	14.3	(12.6)	0.1	1.8
CUPE 2745	15.0	<u>3.5</u>	<u>(1.9)</u>	<u>(0.2)</u>	<u>1.4</u>
		<u>\$ 901.1</u>	<u>\$ (758.6)</u>	<u>\$ 26.9</u>	<u>\$ 169.4</u>

e) Changes to Actuarial Assumptions

Changes to actuarial assumptions are amortized to pension expense over the estimated average remaining service life of active contributors. The following table summarizes the value of estimation adjustments arising from changes to actuarial assumptions for each plan:

Plan	Estimated Average Remaining Service Life of Active Contributors (years)	(millions)			
		31 March 2003 Unamortized Value of Changes to Assumptions	New Changes to Assumptions	Amortization of Changes to Assumptions	31 March 2004 Unamortized Value of Changes to Assumptions
PSSA	16.0	\$ (27.6)	\$ ---	\$ 9.1	\$ (18.5)
TPA	16.0	<u>(157.5)</u>	<u>28.8</u>	<u>19.3</u>	<u>(109.4)</u>
		<u>\$ (185.1)</u>	<u>\$ 28.8</u>	<u>\$ 28.4</u>	<u>\$ (127.9)</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

f) Valuation Allowance

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

<u>Plan</u>	(millions) 31 March 2004 <u>Valuation Allowance</u>
GLTS	\$ (18.3)
CUPE 2745	<u>(0.3)</u>
	<u>\$ (18.6)</u>

g) Actuarial Assumptions

Calculation of the Province's employee pension obligations and related pension expenditure is based on long and short term actuarial assumptions except the Judges' Plan where only long term assumptions are used.

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

Long Term Assumptions

<u>Plan</u>	<u>Rate of Return on Assets (%)</u>	<u>Annual Wage and Salary Increase (%)</u>	<u>Inflation (%)</u>	<u>Rate of Pension Escalation after Retirement (%)</u>
PSSA	7.90	4.00 plus promotional increase between 0.20 and 1.00	3.50	3.30 to 3.40
TPA	7.90	4.00 plus promotional increase between 0.25 and 1.50	3.50	3.20 to 3.40
Judges'	7.90	4.50	3.50	3.30 to 3.40
Sch – Mgt	8.16	4.75	4.00	2.00
GLTS	7.90	4.00	3.50	2.00
CUPE 2745	7.90	4.00	3.50	2.00
Members'	8.16	4.75	4.00	4.00

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

Short Term Assumptions

<u>Plan</u>	<u>Rate of Return on Assets (%)</u>	<u>Annual Wage and Salary Increase (%)</u>	<u>Inflation (%)</u>	<u>Rate of Pension Escalation after Retirement (%)</u>
PSSA	7.90	2.00 to 3.00	2.00 to 3.00	1.70 to 2.70
TPA	7.90	2.00 to 3.00	2.00 to 3.00	1.70 to 2.75
Sch – Mgt	7.90	1.50 to 4.00	2.00 to 3.50	2.00
GLTS	7.90	2.00 to 3.00	2.00 to 3.00	2.00
CUPE 2745	7.90	2.00 to 3.00	2.00 to 3.00	2.00
Members'	N/A	0.00 to 4.00	2.00 to 3.50	2.00 to 3.50

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

h) Member Data

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

<u>Plan</u>	<u>Number of Active Contributors</u>	<u>Number of Pensioners</u>	<u>Average Annual Salary of Contributors</u>	<u>Average Annual Pension</u>
PSSA	19,458	9,860	\$ 49,252	\$ 15,599
TPA	9,319	6,740	52,465	26,607
Judges'	29	27	151,561	46,735
Sch – Mgt	---	75	---	11,278
GLTS	2,067	1,067	26,192	7,024
CUPE 2745	636	138	24,014	4,427
Members'	55	90	40,844	29,017

Ministers earn an additional average salary of \$37,127.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 14 CONTINGENT LIABILITIES

a) Guaranteed Loans

The Province has guaranteed certain debt of entities external to the Provincial Reporting Entity under the authority of various statutes. At 31 March 2004, the total contingent liability in respect of these guarantees was \$339.3 million (\$246.7 million 2003), of which the Province has recognized \$75.8 million as a liability in the Statement of Financial Position (\$50.2 million 2003).

	(millions)	
	Authorized <u>Limit</u>	Contingent <u>Liability</u>
<i>Adult Education and Training Act</i>	\$ 0.3	\$ 0.3
<i>Agricultural Development Act</i>	0.1	0.1
<i>Economic Development Act</i>	131.9	124.8
<i>Employment Development Act</i>	5.3	5.3
<i>Fisheries Development Act</i>	13.1	6.5
<i>Livestock Incentives Act</i>	2.2	1.5
<i>Nursing Homes Act</i>	10.6	10.6
<i>Regional Development Corporation Act</i>	4.0	3.4
<i>Youth Assistance Act</i>	186.8	<u>186.8</u>
		339.3
Less: Allowance for Losses (Schedule 10)		<u>75.8</u>
		<u>\$ 263.5</u>

b) Environmental Responsibility

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

c) Insurance

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 15 COMMITMENTS

a) Operating Leases

The total future minimum payments under various operating lease agreements, including those of government enterprises, for the rental of space and equipment amounts to \$392.0 million (\$398.5 million 2003). Minimum annual lease payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
2004-2005	\$ 47.5
2005-2006	41.6
2006-2007	39.1
2007-2008	35.9
2008-2009	32.1

b) Nursing Homes

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

Total long term debt of these nursing homes at 31 March 2004 amounted to approximately \$95.4 million (\$96.9 million 2003). Of the \$95.4 million nursing home debt, the Province has issued guarantees totalling approximately \$10.6 million (\$10.6 million 2003) which is included as a contingent liability.

c) Authorized Capital Projects

The 31 March 2004 estimated amount required to complete authorized major construction projects of schools, hospitals, other buildings, roads and bridges, and to meet capital grant obligations is \$180.7 million (\$751.1 million 2003). This includes projects that will be cost shared with the Government of Canada.

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 16 EXPENDITURE BY PRIMARY CLASSIFICATION

The expenditures by primary classification are as follows:

	(millions)	
	<u>2004</u>	<u>2003</u>
Personal Services	\$ 1,919.4	\$ 1,743.0
Other Services	997.3	1,002.5
Materials and Supplies	117.9	117.2
Property and Equipment	285.2	247.9
Contributions, Grants and Subsidies to or on behalf of:		
Municipalities and Local Service Districts	145.1	137.7
Individuals	894.0	858.8
Nursing Homes	125.1	122.4
Other	435.2	426.8
Debt and Other Charges	<u>663.8</u>	<u>714.3</u>
	<u>\$ 5,583.0</u>	<u>\$ 5,370.6</u>

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 17 TRUST FUNDS

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

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

	(millions)	
	<u>2004</u>	<u>2003</u>
<u>Cost Method:</u>		
Margaret R. Lynds Bequest	\$ 0.1	\$ 0.1
Mental Health Trust Fund	0.8	0.8
New Brunswick Power Corporation Sinking Fund	39.5	35.7
Viscount Bennett Bequest	<u>0.2</u>	<u>0.2</u>
	<u>\$ 40.6</u>	<u>\$ 36.8</u>
 <u>Market Value Method:</u>		
Judges' Superannuation Fund	\$ 22.6	\$ 18.5
Pension Plan for the Management Employees of New Brunswick School Districts	12.8	12.4
Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts	194.3	172.8
Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts	38.4	33.6
Public Service Superannuation Fund	2,685.3	2,131.1
Teachers' Pension Trust Fund	<u>3,099.6</u>	<u>2,522.4</u>
	<u>\$ 6,053.0</u>	<u>\$ 4,890.8</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 18 TANGIBLE CAPITAL ASSETS

The Province has a significant investment in tangible capital assets that have a useful life of greater than one year. Tangible capital assets are recorded as an expenditure in the period acquired and are not included as assets in the Statement of Financial Position. These assets are a key component in the delivery of programs and provide on-going value to the public.

The Province's net investment in Tangible Capital Assets over the past five years has been:

	(millions)				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Purchase of Capital Assets	\$ 233.6	\$ 201.0	\$ 198.8	\$ 154.7	\$ 1,160.3
Proceeds from Disposal of Capital Assets	<u>(2.0)</u>	<u>(3.6)</u>	<u>(2.4)</u>	<u>(2.1)</u>	<u>(3.0)</u>
	<u>\$ 231.6</u>	<u>\$ 197.4</u>	<u>\$ 196.4</u>	<u>\$ 152.6</u>	<u>\$ 1,157.3</u>

Details of certain tangible capital assets are as follows:

a) **Vehicles and Equipment**

	(millions)			
	<u>2004</u>		<u>2003</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Vehicles and Equipment	\$ 186.5	\$ 115.1	\$ 71.4	\$ 76.8

b) **Capital Leases**

	(millions)
	<u>Cost</u>
Fredericton to Moncton Highway	\$ 903.8
Moncton North School	8.2
Miramichi Youth Facility	13.6

b) **Land and Buildings**

	<u>Estimated Number</u>
Number of Provincially Owned Properties	11,451

NOTES TO THE FINANCIAL STATEMENTS
31 March 2004

NOTE 19 COMPARATIVE FIGURES

Certain figures for the prior year have been restated to conform with the 2004 presentation of the financial statements.

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)	
	2004	2003
SCHEDULE 1		
ACCOUNTS AND INTEREST RECEIVABLE		
Accounts Receivable		
General Receivables	\$ 231.2	\$ 200.1
Canada - Conditional Grants		
Canada Mortgage and Housing Corporation	26.9	27.5
Canada/New Brunswick Highway Improvement Program	11.5	9.6
Disaster Financial Assistance Program	33.3	31.8
Infrastructure Program	4.9	2.9
Official Languages	36.1	23.2
Refund of Harmonized Sales Tax Paid	8.0	10.9
Regional Economic Development Agreement	4.5	0.6
Other Agreements	5.2	4.2
Canada - Unconditional Grants		
Canada Health and Social Transfer	1.9	10.8
Guarantee Payouts	32.0	32.7
Working Capital Advances	5.3	5.1
Other	1.9	2.2
Interest Receivable		
Agricultural Development Act	0.7	1.5
Economic Development Act	9.1	8.8
Fisheries Development Act	12.5	13.2
Other	8.5	6.8
Consolidated Entities	42.8	47.4
	476.3	439.3
Less: Allowance for Doubtful Accounts	118.5	113.3
	\$ 357.8	\$ 326.0

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)	
	2004	2003
SCHEDULE 2		
TAXES RECEIVABLE		
Gasoline and Motive Fuels Tax	\$ 21.9	\$ 20.0
Real Property Tax	384.0	374.3
Royalties and Stumpage on Timber	28.0	18.2
Sales Tax	107.7	85.4
Tobacco Tax	11.3	9.0
Other	0.3	0.1
	553.2	507.0
Less: Allowance for Doubtful Accounts	86.6	89.5
	\$ 466.6	\$ 417.5
 SCHEDULE 3		
INVENTORIES		
Construction and Maintenance Materials	\$ 9.5	\$ 8.2
Educational Textbooks	1.6	2.3
Machine Repair Parts	6.1	6.1
Properties Held for Sale	3.1	2.4
Stationery and Supplies	1.7	1.6
Veterinary Supplies	0.8	0.8
Other Supplies	6.6	8.5
Consolidated Entities	13.9	13.3
	\$ 43.3	\$ 43.2
 SCHEDULE 4		
PREPAID AND DEFERRED CHARGES		
Unamortized Premiums, Discounts, and Issue Expenses on Debentures	\$ 55.9	\$ 57.9
Other	63.3	64.0
Consolidated Entities	(8.0)	3.7
	\$ 111.2	\$ 125.6

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

(millions)

	2004			2003		
	Amount	Allowance for Doubtful Accounts	Net	Amount	Allowance for Doubtful Accounts	Net
SCHEDULE 5						
LOANS AND ADVANCES						
Business New Brunswick						
<i>Agricultural Development Act</i>	\$ 21.7	\$ 15.4	\$ 6.3	\$ 20.3	\$ 14.0	\$ 6.3
<i>Economic Development Act</i>	124.1	57.1	67.0	155.7	70.0	85.7
<i>Fisheries Development Act</i>	48.8	37.5	11.3	54.4	40.4	14.0
N. B. Agriexport Inc.	0.5	---	0.5	0.5	---	0.5
Provincial Holdings Ltd.	6.7	2.3	4.4	8.1	2.5	5.6
Education						
Loans to Students	0.2	0.2	---	0.2	0.2	---
Environment and Local Government						
Water and Sewerage Systems	0.4	---	0.4	0.4	---	0.4
Other Loans	0.2	0.2	---	0.2	0.2	---
Executive Council						
La Fondation du quotidien francophone	4.0	4.0	---	4.0	4.0	---
Family and Community Services						
<i>New Brunswick Housing Act</i>	32.7	2.5	30.2	31.8	2.5	29.3
Finance						
Loans to Municipalities	0.5	---	0.5	0.5	---	0.5
Municipalities - Department of Regional Industrial Expansion Agreements	1.1	0.6	0.5	1.4	0.6	0.8
Health and Wellness						
Veterans' Affairs Units	11.5	---	11.5	12.0	---	12.0
Public Safety						
City of Moncton	1.4	---	1.4	1.7	---	1.7
Unsatisfied Judgements	9.5	9.5	---	9.5	9.5	---
Regional Development Corporation						
Fundy Trail Endowment Fund	3.8	---	3.8	3.6	---	3.6
Adjustments on Consolidation	(11.5)	---	(11.5)	(12.0)	---	(12.0)
	\$ 255.6	\$ 129.3	\$ 126.3	\$ 292.3	\$ 143.9	\$ 148.4

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)	
	2004	2003
SCHEDULE 6		
INVESTMENTS		
Investment in Government Enterprises		
Algonquin Golf Limited	\$ (2.5)	\$ (1.6)
Lotteries Commission of New Brunswick	0.8	1.3
New Brunswick Liquor Corporation	11.8	13.6
New Brunswick Municipal Finance Corporation	1.0	0.9
New Brunswick Power Corporation	<u>(196.1)</u>	<u>(178.1)</u>
	<u>(185.0)</u>	<u>(163.9)</u>
Other Long Term Investments	3.6	3.3
Consolidated Entities	<u>35.0</u>	<u>61.0</u>
	<u>\$ (146.4)</u>	<u>\$ (99.6)</u>
SCHEDULE 7		
CASH NET OF SHORT TERM BORROWING / BANK		
ADVANCES AND SHORT TERM BORROWING		
Cash	\$ 17.8	\$ 28.4
Short Term Investments	724.0	327.2
Consolidated Entities	<u>99.3</u>	<u>169.1</u>
	<u>841.1</u>	<u>524.7</u>
Less:		
Bank Overdrafts	47.0	78.2
Treasury Bills 0% Maturing 21 June 2004	24.0	20.0
Treasury Bills 2.02% - 2.69% Maturing 5 April 2004 - 15 September 2004	<u>760.3</u>	<u>453.3</u>
	<u>831.3</u>	<u>551.5</u>
	<u>\$ 9.8</u>	<u>\$ (26.8)</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)	
	2004	2003
SCHEDULE 8		
ACCOUNTS PAYABLE		
Accounts Payable for Goods and Services by		
Government Departments	\$ 307.0	\$ 300.5
Due to Canada		
Department of Regional Industrial Expansion	0.6	0.8
Equalization and Canada Health and Social Transfer	185.4	33.8
Other Agreements	0.2	0.2
New Brunswick Housing Corporation - Third Parties	43.5	44.5
Other	0.6	1.0
Consolidated Entities	121.2	128.6
	\$ 658.5	\$ 509.4
 SCHEDULE 9		
ACCRUED EXPENDITURES		
Accrued Interest		
Funded Debt	\$ 155.8	\$ 162.8
Outstanding Treasury Bills	2.4	1.2
Other	72.8	65.5
	231.0	229.5
Accrued Salaries Payable	108.3	88.7
Health	29.5	20.2
Holdbacks on Contracts	7.5	7.5
Liability for Injured Workers	89.6	83.2
Retirement Allowances	222.6	214.7
Other	67.4	57.0
Consolidated Entities	24.5	9.3
	\$ 780.4	\$ 710.1

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)	
	2004	2003
SCHEDULE 10		
ALLOWANCE FOR LOSSES		
Business New Brunswick	\$ 40.0	\$ 19.9
Education	35.1	30.1
Training and Employment Development	0.2	0.2
Consolidated Entities	0.5	---
	\$ 75.8	\$ 50.2
SCHEDULE 11		
DEFERRED REVENUE		
Canada Health and Social Transfer	\$ 0.2	\$ 15.3
Motor Vehicle and Operators' Licenses	34.0	33.7
Real Property Taxes	242.9	226.1
Other	12.9	11.9
Consolidated Entities	4.5	0.9
	\$ 294.5	\$ 287.9
SCHEDULE 12		
DEPOSITS HELD IN TRUST		
Administrator of Estates of Patients in Psychiatric Facilities	\$ 0.3	\$ 0.3
Contractors' Deposits	1.2	1.7
Court of Queen's Bench	5.5	5.1
Employee Contributions for Early Retirement Benefits	1.2	2.3
Family Support Order Services	0.6	0.4
Mining Licenses - Non-Performance Renewal Fees	1.3	1.3
New Brunswick Crop Reinsurance Fund	2.2	2.2
Sale of Property for Taxes	1.0	0.8
Scholarship Trusts	2.5	2.2
Tenants' Security Deposits	12.1	11.4
Metallic Minerals Tax Act	7.9	---
Other	10.0	10.1
	\$ 45.8	\$ 37.8
SCHEDULE 13		
OBLIGATIONS UNDER CAPITAL LEASES		
Moncton North School	\$ 8.0	\$ 8.4
Miramichi Youth Facility	18.2	18.4
New Brunswick Highway Corporation	837.0	843.8
Consolidated Entities	2.6	3.1
	\$ 865.8	\$ 873.7

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)		
	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
SCHEDULE 14			
TAXES ON CONSUMPTION			
Gasoline and Motive Fuels Tax	\$ 237.3	\$ 234.9	\$ 222.1
Harmonized Sales Tax	734.7	803.1	736.0
Tobacco Tax	95.2	101.3	91.9
Other	0.1	0.1	0.1
	<u>\$ 1,067.3</u>	<u>\$ 1,139.4</u>	<u>\$ 1,050.1</u>
SCHEDULE 15			
TAXES ON INCOME			
Corporate Income Tax	\$ 142.3	\$ 111.1	\$ 134.9
Mining Tax	5.0	2.2	5.7
Personal Income Tax	924.1	952.3	910.9
	<u>\$ 1,071.4</u>	<u>\$ 1,065.6</u>	<u>\$ 1,051.5</u>
SCHEDULE 16			
OTHER TAXES			
Financial Corporation Capital Tax	\$ 8.8	\$ 9.8	\$ 8.3
Insurance Premium Tax	41.3	42.2	34.3
Large Corporation Capital Tax	36.4	47.4	38.7
Other	4.0	4.1	3.7
	<u>\$ 90.5</u>	<u>\$ 103.5</u>	<u>\$ 85.0</u>
SCHEDULE 17			
LICENSES AND PERMITS			
Angling Licenses	\$ 1.4	\$ 1.5	\$ 1.5
Credit Unions - Assessment	0.2	0.2	0.2
Hunting Licenses	2.1	1.9	2.0
Liquor Licenses	3.4	3.1	3.4
Mines	0.9	0.8	0.7
Motor Vehicle	80.6	78.0	78.8
Public Health Inspection	0.7	0.8	0.7
Security Frauds Prevention Act	5.5	6.1	5.8
Trusts - Annual Filing Fees	0.2	0.1	0.2
Water, Air Quality and Industrial Waste Control	1.6	1.7	1.6
Other	7.9	9.9	8.1
	<u>\$ 104.5</u>	<u>\$ 104.1</u>	<u>\$ 103.0</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)		
	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
SCHEDULE 18			
ROYALTIES			
Forest	\$ 55.4	\$ 62.9	\$ 53.1
Mines	8.0	7.5	6.9
	<u>\$ 63.4</u>	<u>\$ 70.4</u>	<u>\$ 60.0</u>
SCHEDULE 19			
INVESTMENT INCOME			
Algonquin Golf Limited	\$ ---	\$ (0.8)	\$ (0.7)
Fiscal Stabilization Fund	---	5.2	5.6
Lottery Revenues	116.7	116.7	109.1
New Brunswick Liquor Corporation	117.0	118.6	110.1
New Brunswick Power Corporation	40.0	(18.0)	(77.4)
Workplace Health, Safety and Compensation Commission (WHSCC)	8.5	---	---
Other Investment Income	24.9	31.0	30.0
	<u>\$ 307.1</u>	<u>\$ 252.7</u>	<u>\$ 176.7</u>
SCHEDULE 20			
OTHER PROVINCIAL REVENUE			
Sales of Goods and Services			
Institutional	\$ 89.4	\$ 99.6	\$ 96.2
Intergovernmental	7.2	8.1	7.0
Leases and Rentals	18.2	18.5	18.1
Provincial Parks	2.1	2.3	2.3
General	107.2	110.0	109.6
Fines and Penalties	4.0	2.9	3.2
Other Revenue	36.1	30.2	30.7
	<u>\$ 264.2</u>	<u>\$ 271.6</u>	<u>\$ 267.1</u>
SCHEDULE 21			
CONDITIONAL GRANTS - CANADA			
Economic Development	\$ 24.6	\$ 22.7	\$ 21.7
Education	21.0	32.4	30.8
Employment Development	102.1	108.3	106.6
Family and Community Services	34.2	34.3	35.2
General Government Services	---	12.2	12.4
Health	31.4	41.2	28.7
Protection Services	8.4	7.9	7.9
Resources	1.2	0.9	0.4
Transportation	44.4	49.8	38.4
	<u>\$ 267.3</u>	<u>\$ 309.7</u>	<u>\$ 282.1</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)		
	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
SCHEDULE 22			
EDUCATION			
Education	\$ 801.0	\$ 807.6	\$ 783.4
General Government	49.8	41.2	21.3
Maritime Provinces Higher Education Commission	187.0	179.7	181.8
New Brunswick Distance Education Network	0.4	0.9	0.4
Supply and Services	33.0	34.2	33.3
	<u>\$ 1,071.2</u>	<u>\$ 1,063.6</u>	<u>\$ 1,020.2</u>
SCHEDULE 23			
HEALTH			
General Government	\$ 3.0	\$ 2.0	\$ 7.5
Health and Wellness	537.7	550.4	508.2
Regional Health Authorities	1,091.7	1,148.7	1,061.7
	<u>\$ 1,632.4</u>	<u>\$ 1,701.1</u>	<u>\$ 1,577.4</u>
SCHEDULE 24			
FAMILY AND COMMUNITY SERVICES			
Family and Community Services	\$ 711.0	\$ 710.4	\$ 694.4
General Government	3.4	5.1	3.6
	<u>\$ 714.4</u>	<u>\$ 715.5</u>	<u>\$ 698.0</u>
SCHEDULE 25			
PROTECTION SERVICES			
General Government	\$ 0.7	\$ 0.2	\$ 0.2
Justice	41.8	45.2	42.8
Public Safety	102.1	99.8	98.0
Supply and Services	1.0	0.5	6.2
	<u>\$ 145.6</u>	<u>\$ 145.7</u>	<u>\$ 147.2</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)		
	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
SCHEDULE 26			
ECONOMIC DEVELOPMENT			
Business New Brunswick	\$ 26.8	\$ 32.2	\$ 32.3
General Government	14.9	34.7	18.8
Regional Development Corporation	47.2	42.0	36.1
Regional Development Corporation - Special Operating Agency	23.1	28.6	35.0
Tourism and Parks	27.2	28.1	27.9
	<u>\$ 139.2</u>	<u>\$ 165.6</u>	<u>\$ 150.1</u>
SCHEDULE 27			
EMPLOYMENT DEVELOPMENT AND LABOUR			
General Government	\$ 0.6	\$ 0.6	\$ 0.6
Supply and Services	2.0	2.0	2.0
Training and Employment Development	231.7	225.8	217.4
	<u>\$ 234.3</u>	<u>\$ 228.4</u>	<u>\$ 220.0</u>
SCHEDULE 28			
RESOURCE SECTOR			
Agriculture, Fisheries and Aquaculture	\$ 29.0	\$ 28.9	\$ 30.2
Energy	2.6	2.1	2.6
Environment	20.9	20.5	19.7
Forest Protection Limited	9.6	10.0	4.3
General Government	0.3	3.3	0.3
Natural Resources	91.4	98.0	88.3
New Brunswick Tire Stewardship Board	---	2.6	---
Supply and Services	---	0.1	0.2
	<u>\$ 153.8</u>	<u>\$ 165.5</u>	<u>\$ 145.6</u>
SCHEDULE 29			
TRANSPORTATION			
General Government	\$ 0.3	\$ 1.6	\$ 1.2
Supply and Services	---	0.4	0.3
Transportation	337.2	346.5	313.8
	<u>\$ 337.5</u>	<u>\$ 348.5</u>	<u>\$ 315.3</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 2004

	(millions)		
	<u>2004</u> <u>Budget</u>	<u>2004</u> <u>Actual</u>	<u>2003</u> <u>Actual</u>
SCHEDULE 30			
CENTRAL GOVERNMENT			
Algonquin Properties Ltd	\$ 10.6	\$ 8.1	\$ 8.4
Executive Council	4.9	4.7	4.5
Finance	81.1	78.4	81.0
General Government	163.2	146.4	120.2
Intergovernmental Affairs	2.2	2.1	2.0
Legislative Assembly	14.4	21.0	14.3
Local Government	41.0	38.2	37.0
New Brunswick Investment Management Corporation	6.6	8.5	7.0
Office of the Comptroller	5.1	4.6	4.9
Office of Human Resources	6.0	5.6	5.4
Office of the Premier	1.2	1.1	1.2
Service New Brunswick	53.1	48.4	49.6
Supply and Services	96.9	99.1	100.4
	<u>\$ 486.3</u>	<u>\$ 466.2</u>	<u>\$ 435.9</u>