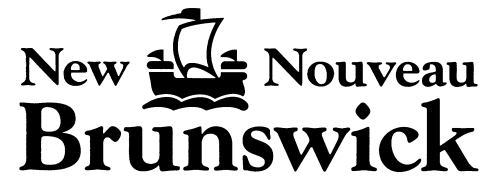




Volume 1
Financial Statements

Public Accounts
for the fiscal year ended 31 March
1998

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



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Financial Statements

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To Her Honour,

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

The undersigned has the honour to submit the Public Accounts of the Province of New Brunswick for the fiscal year ended 31 March 1998.

I am, Your Honour,

original signed by

EDMOND P. BLANCHARD, Q.C.
Minister of Finance

Fredericton, New Brunswick
9 November 1998

The Honourable Edmond P. Blanchard, Q.C.
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 1998.

Respectfully submitted,

original signed by

Edward Mehan, C.M.A.
Comptroller

Fredericton, New Brunswick
9 November 1998

TABLE OF CONTENTS**Audited Financial Statements**

Introduction to Volume I	1
Statement of Responsibility	2
Major Variance Analysis	3
Auditor's Report	8
Statement of Financial Position	10
Statement of Revenue and Expenditure	11
Statement of Cash Flow	12
Statement of Net Debt	13
Notes to the Financial Statements	14
Schedules to the Financial Statements	53

INTRODUCTION VOLUME I

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

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

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

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

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



STATEMENT OF RESPONSIBILITY

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

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

On behalf of the Government:

original signed by

Honourable Edmond P. Blanchard, Q.C.
Minister of Finance

17 September 1998

1997-98 MAJOR VARIANCE ANALYSIS

SURPLUS

The 1997-98 budget estimated a surplus of \$25.6 million. The Statement of Revenue and Expenditure reports an actual surplus of \$61.7 million. The \$36.1 million improvement was because revenue was \$46.2 million above budget, while expenditures were \$10.1 million above budget.

The audit opinion attached to the financial statements expresses two reservations about the reported surplus.

Details of major variances are described below, first for revenue, then for expenditure. In this analysis, comparisons are made between the actual results for 1997-98 and either the 1997-98 budget or the actual results for 1996-97.

REVENUE

Provincial Sources

Taxes on Consumption

Taxes on consumption were \$22.5 million below budget. This was mainly because both federally and provincially administered consumption tax credits were higher than anticipated. Provincially administered tax credits included a 15% sales tax rebate on computer purchases under the Get Connected II program, and a 4% sales tax rebate, to a maximum of \$1,500, on the contract price for new home construction or home renovations.

Revenues from taxes on consumption were \$146.3 million lower than in 1996-97. The main reason for this decline was the restructuring of the Province's tax system to accommodate the Harmonized Sales Tax. Effective 1 April 1997, the Social Services and Education Tax was replaced with the Harmonized Sales Tax. The provincial portion of the Harmonized Sales Tax was established at a rate of 8%. This was a decline in the effective provincial sales tax rate of 3.77%.

Taxes on Income

Revenues from taxes on income were \$63.1 million above budget mainly due to higher than expected corporate income tax revenue. This was because the federal estimates of 1997 taxes attributed a higher share of Corporate Taxable Income to New Brunswick than was anticipated.

Revenues from taxes on income were \$44.5 million lower than in 1996-97. Revenue from both personal and corporate income taxes were lower than in 1996-97. The lower personal income tax revenue was because the personal income tax rate was reduced from 64% to 63% of basic federal tax on 1 January 1997 and from 63% to 61% of basic federal tax on 1 January 1998. Also, the introduction of the New Brunswick Child Tax Benefit and the New Brunswick Working Income Supplement reduced the amount of personal income tax revenue. The lower corporate income tax revenue was because the 1996-97 fiscal year benefited from a significant positive prior year adjustment.

Other Taxes

Revenues from other taxes were \$25.7 million higher than in 1996-97. This was mainly because of the introduction of the Large Corporation Capital Tax. This tax applies to businesses with assets greater than \$5.0 million, and applies a rate of 0.3%. The Province introduced the large corporation capital tax in order to recoup a portion of the tax credits businesses receive under the Harmonized Sales Tax.

Investment Income

Investment income was \$61.1 million below budget, mainly because N.B. Power recorded a net loss rather than the net profit estimated in the budget. The factors contributing to this loss were lower than anticipated nuclear performance, below average rainfall, which affected hydro generation, and the lower Canadian dollar.

Sinking Fund Earnings

Sinking Fund Earnings were \$14.3 million above budget, because the income generated by the investments held by the fund was higher than estimated in the budget.

Federal Sources

Canada Health and Social Transfer

Canada Health and Social Transfer (CHST) revenues were \$75.6 million lower than in 1996-97. The CHST is a single consolidated block transfer which replaced Established Program Financing and the Canada Assistance Plan in 1996-97. The federal government established the funding formula for the CHST. Cash transfers to the Provinces under the CHST formula are considerably less than they would have been under the old fiscal transfer system.

Fiscal Equalization and Stabilization Payments

Equalization revenues were \$73.7 million above budget mainly due to prior year adjustments. Major factors affecting equalization included revised corporate taxable income data, basic federal tax data and retail sales tax data.

Equalization/Stabilization revenues were \$149.0 million higher than in 1996-97. The increase was partly the result of improvements in the standard provinces. The increase in New Brunswick's payments for 1997-98 was primarily due to the positive impacts of revised corporate taxable income data, and to a lesser degree to revised basic federal tax and retail sales tax data.

Harmonization Transitional Payment

Harmonization Transitional Payment revenue was \$80.0 million below budget. This funding was provided by the federal government in order to allow the Province to offset the fiscal impacts of moving from one tax structure to another. The Province has estimated that the value of the fiscal impact on the year ended 31 March 1998 was less than anticipated when the budget was prepared. The transitional funding must be allocated among fiscal years based on need during the four year transition period of 1997-98 to 2000-01.

Conditional Grants - Canada

Conditional Grants from Canada for 1997-98 were \$96.0 million higher than budget. This was mainly because of the in-year transfer of certain labour market development and social housing responsibilities and associated revenue from the federal government to the province.

EXPENDITURE

Education

The Teacher's Pension Plan had savings of \$59.3 million compared to budget. These savings were \$40.0 million higher than 1996-97. The savings were the result of higher investment earnings, and updated plan assumptions.

Fully recoverable expenditures of \$40.6 million were incurred to deliver the Federal Labour Market Development Agreement which was signed in December 1996. Under the new agreement, New Brunswick assumed responsibility for the delivery and design of measures aimed to assist unemployed New Brunswickers return to work.

Agreement was reached, during the year, with the Federal Government to extend the Job Corp Program and incur additional fully recoverable expenditures of \$8.1 million.

Employment Development initiatives, worth \$21.0 million, were originally budgeted under Education. These funds were transferred to the Regional Development Corporation (RDC) during the year. The expenditure is therefore reflected under Economic Development.

Health

Health expenditures were \$5.4 million higher than budget due principally to significant pressures in the long term care program. These were partially offset by under-expenditures in the hospital services program, specifically in the hospital CUPE pension plan.

Expenditures on Health capital projects were \$29.6 million lower than in 1996-97, mainly because the Miramichi hospital was completed in 1996-97.

Physician billings were \$14.4 million higher than in 1996-97 and support services in the long term care program were \$6.6 million higher than in 1996-97.

Economic Development

Expenditures in RDC were \$30.0 million higher than budget. This was because of an extension of the Canada New Brunswick Infrastructure Program worth \$9.1 million, and the expansion of the 1997-98 Rural Experience program worth \$21.0 million which was originally budgeted under Education. This also resulted in expenditures being \$22.0 million higher than 1996-97.

The Strategic Assistance program, which provides assistance to business and industry under the Economic Development Act, was underspent by \$8.5 million at year end.

Provision for losses was \$7.0 million higher than budget.

Economic Development expenditures include \$6.6 million of expenditures for Algonquin Properties Ltd. which was offset by \$6.0 million in revenue.

Municipal Affairs

The Department of Municipalities, Culture and Housing incurred an over expenditure of approximately \$4.8 million because of unforeseen expenditures for financial relief for victims of the January 1998 ice storm and early spring flooding on the Saint John River.

Transportation

Winter maintenance expenditures were \$13.0 million higher than budget because of the length and severity of the winter. Specifically, unseasonable storms occurred in April and May of 1997, a severe ice storm occurred in early January and flood damage arose from the heavy rains in March 1998.

The original capital budget included \$47.4 million in expenditures and \$47.4 million in recoveries relating to the Fredericton - Moncton Highway Project. Due to a change in accounting, it was subsequently decided to offset the recoveries directly against the costs incurred. This resulted in both expenditures and revenues being \$47.4 million less than budget.

Extra expenditures of \$21.6 million were incurred for road construction activity that was carried over from 1996-97 due to weather and scheduling delays.

Central Government

The PSSA (Public Service Superannuation Act) Pension Plan had savings of \$50.0 million compared to budget. These savings were \$33.8 million greater than in 1996-97. The savings were the result of higher investment earnings, and updated plan assumptions.

Due to a change in accounting policy, a liability for future benefits owing to workers who are injured has been recognized. The additional expenditure of the year was \$6.9 million. Also, an expenditure was recorded for the first time for accrued retirement allowances, this expenditure was \$6.7 million.

An extra allowance of \$43.6 million was recorded to provide funding for the aquaculture stock replacement program and to provide for a number of receivables deemed uncollectible.

Service of the Public Debt

Service of the Public Debt was \$23.2 million lower than budget due to lower than anticipated cash requirements, an interest credit from the Fredericton-Moncton highway project and lower than forecast interest rates. The 1997-98 expenditure was \$8.4 million higher than the previous year due to an increase in foreign exchange expense because of the value 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 1998 and the statements of revenue and expenditure, cash flow and net debt for the year then ended. These financial statements are the responsibility of government. My responsibility is to express an opinion on these financial statements based on my audit.

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

I have the following two reservations concerning the financial statements:

Reservation 1. Carrying value of the investment in New Brunswick Power Corporation.

The Province records its investment in government enterprises using the modified equity method of accounting. Accordingly, the financial statements record an investment of \$425.3 million in New Brunswick Power Corporation, which represents the Corporation's reported retained earnings at 31 March 1998. Note 9 to the financial statements shows an asset of \$450.0 million in the books of New Brunswick Power Corporation called Deferred Charges – Nuclear Generating Station. Note 14(a) to the financial statements discusses this deferred charge and refers to it as a contingent liability of the Province. In my opinion, there is insufficient evidence to support the recoverable value of this asset, and the Province should have recognized a reduction in its investment in New Brunswick Power Corporation in the amount of \$450.0 million. If this adjustment had been recognized in these financial statements, investments recorded on the statement of financial position would have been reduced by \$450.0 million.

Reservation 2. Method of recognizing revenue received from Canada relating to the implementation of the Harmonized Sales Tax.

Note 1 to the financial statements describes the method of recognizing adjustment assistance of \$364.0 million received from Canada in connection with the implementation of the Harmonized Sales Tax. In my opinion, the method of accounting described in the note is inappropriate. Government transfers should be recognized in a government's financial statements in the period that the events giving rise to the transfer occur, as long as eligibility criteria have been met. In this case, the agreement with the government of Canada specifies circumstances which would give rise to a repayment of all, or a portion, of the adjustment assistance. In my opinion, the Province should recognize revenue to the extent to which it meets the eligibility criteria and avoids repayment of the assistance. In accordance with the agreement, this would have resulted in revenue of \$132.0 million being recognized in the year ended 31 March 1998. The effect of this would have been to increase revenue from federal sources by \$121.0 million.

The net effect of the above two reservations would be to increase the net debt by \$329.0 million and to change the surplus for the year of \$61.7 million into a deficit for the year of \$267.3 million.

In my opinion, except for the effects of the two reservations described in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the Province as at 31 March 1998 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies set out in Note 1 to the financial statements. As required by section 10 of the Auditor General Act, I report that, in my opinion, these policies have been applied, after giving retroactive effect to the recognition of certain liabilities as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

original signed by

Daryl C. Wilson, FCA
Auditor General

28 July 1998

STATEMENT OF FINANCIAL POSITION
as at 31 March 1998

Schedule	(millions)	
	1998	1997
ASSETS		
1	\$ 216.4	\$ 225.8
2	355.2	378.4
3	26.8	72.0
4	73.9	51.3
	84.6	75.3
5	174.5	152.2
6	460.7	473.2
	532.5	---
Total Assets	\$ 1,924.6	\$ 1,428.2
LIABILITIES		
7	\$ 301.1	\$ 316.7
8	266.1	289.6
9	578.6	497.8
10	11.0	10.4
11	586.2	607.1
12	26.0	21.0
	---	189.7
Total Liabilities	1,582.6	1,062.1
	3,351.6	2,994.4
	9,706.2	9,570.8
	(3,021.1)	(3,098.3)
	6,685.1	6,472.5
	(2,440.0)	(2,304.9)
	4,245.1	4,167.6
Total Liabilities	7,596.7	7,162.0
NET DEBT	(5,672.1)	(5,733.8)
	\$ 1,924.6	\$ 1,428.2

Contingent Liabilities - See Note 14

Commitments - See Note 15

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

original signed by

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

STATEMENT OF REVENUE AND EXPENDITURE
for the fiscal year ended 31 March 1998

Schedule	(millions)			
	1998 Budget (Note 3)	1998 Actual	1997 Actual	
REVENUE				
Provincial Sources				
13	Taxes on Consumption	\$ 813.7	\$ 791.2	\$ 937.5
	Taxes on Property	256.6	244.0	244.5
14	Taxes on Income	958.0	1,021.1	1,065.6
15	Other Taxes	67.4	61.5	35.8
16	Licenses and Permits	93.8	89.5	90.7
17	Royalties	61.1	57.7	57.9
18	Investment Income	240.7	179.6	199.5
19	Other Provincial Revenue	169.8	162.0	137.0
	Sinking Fund Earnings	185.9	200.2	181.2
		2,847.0	2,806.8	2,949.7
Federal Sources				
	Canada Health and Social Transfer	337.0	327.9	403.5
	Fiscal Equalization and Stabilization Payments	979.0	1,052.7	903.7
	Harmonization Transitional Payment	91.0	11.0	---
	Other Unconditional Grants - Canada	1.9	7.7	7.5
20	Conditional Grants - Canada	157.3	253.3	206.1
		1,566.2	1,652.6	1,520.8
	Total Revenue (Note 4)	4,413.2	4,459.4	4,470.5
EXPENDITURE				
Social Services				
21	Education	984.4	963.0	980.5
22	Health	1,301.0	1,306.4	1,316.6
23	Income Assistance	298.1	299.4	302.6
24	Justice	105.5	104.6	105.6
		2,689.0	2,673.4	2,705.3
25	Economic Development	314.4	362.2	328.8
26	Municipal Affairs	193.5	205.0	205.5
27	Transportation	396.1	382.0	394.6
28	Central Government	198.6	202.3	157.2
	Service of the Public Debt (Note 12)	596.0	572.8	564.4
	Total Expenditure (Notes 4 and 17)	4,387.6	4,397.7	4,355.8
	SURPLUS	\$ 25.6	\$ 61.7	\$ 114.7

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

STATEMENT OF CASH FLOW
for the fiscal year ended 31 March 1998

	(millions)	
	1998	1997
OPERATING ACTIVITIES		
Surplus	\$ 61.7	\$ 114.7
Non Cash Items		
Amortization of Premiums, Discounts and Issue Expenses	8.4	7.0
Foreign Exchange Expense	19.7	11.2
Increase in Allowance for Doubtful Accounts	43.7	35.9
Sinking Fund Earnings	(200.2)	(181.2)
Actual Losses Due to Foreign Exchange	(24.8)	(10.9)
Decrease in Pension Liability (Note 13)	(201.7)	(134.6)
Increase (Decrease) in Deferred Revenue	(20.9)	374.0
Capital Asset Acquisitions Charged to Operations	232.0	246.0
Proceeds from Disposal of Capital Assets	(4.3)	(4.3)
Decrease (Increase) in Working Capital (Note 19)	90.5	(62.6)
Net Cash From Operating Activities	<u>4.1</u>	<u>395.2</u>
INVESTING ACTIVITIES		
Purchase of Capital Assets	(232.0)	(246.0)
Proceeds from Disposal of Capital Assets	4.3	4.3
Increase in Investments, Loans and Advances	(15.8)	(9.4)
Net Cash Used in Investing Activities	<u>(243.5)</u>	<u>(251.1)</u>
FINANCING ACTIVITIES		
Proceeds from Issuance of Funded Debt	931.5	525.2
Received from Sinking Fund for Redemption of Debentures and Payment of Exchange	164.5	53.4
Sinking Fund Instalments	(99.3)	(95.0)
Serial Redemptions and Capital Loan Repayments	(2.2)	(2.0)
Funded Debt Matured	(739.5)	(310.2)
Net Cash From Financing Activities	<u>255.0</u>	<u>171.4</u>
INCREASE IN CASH POSITION DURING YEAR	15.6	315.5
CASH POSITION - BEGINNING OF YEAR	<u>(316.7)</u>	<u>(632.2)</u>
CASH POSITION - END OF YEAR	<u>\$ (301.1)</u>	<u>\$ (316.7)</u>
CASH REPRESENTED BY		
Bank Advances and Short Term Borrowing	<u>\$ (301.1)</u>	<u>\$ (316.7)</u>

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

STATEMENT OF NET DEBT
for the fiscal year ended 31 March 1998

	(millions)	
	1998	1997
NET DEBT - BEGINNING OF YEAR		
As Previously Published	\$ (5,444.0)	\$ (5,569.4)
Prior Years' Adjustments (Note 2)		
Retirement Allowance Entitlements	(195.2)	(189.1)
Summer Pay for Teachers	(47.3)	(46.1)
Vacation Pay Entitlements	(16.3)	(15.4)
Workers' Compensation Benefits	(31.0)	(28.5)
As Restated	(5,733.8)	(5,848.5)
SURPLUS	61.7	114.7
NET DEBT - END OF YEAR	\$ (5,672.1)	\$ (5,733.8)

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Provincial Reporting Entity

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

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

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

Modified equity method - This method is used for government enterprises. Government enterprises are defined in note 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;
Group Insurance Trust Fund;
Kingsbrae Horticultural Garden Inc.;
N.B. Agriexport Inc.;
New Brunswick Credit Union Deposit Insurance Corporation;
New Brunswick Highway Corporation;
New Brunswick Housing Corporation;
New Brunswick Investment Management Corporation;
Regional Development Corporation;
Sport Development Trust Fund.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

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

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

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

The following organizations do not meet the accounting criteria for inclusion in the Provincial Reporting Entity. These organizations are therefore reflected in these financial statements using the transaction method:

Hospital Corporations;
Nursing Homes.

b) Significant Accounting Policies

Accrual Accounting

Expenditures are recorded for all goods and services received during the fiscal year except that liabilities for environmental cleanup are recognized when the costs of cleanup have been incurred. Significant commitments for environmental cleanup are disclosed in note 14 to these financial statements.

Revenue from Canada under the Federal-Provincial Fiscal Arrangements and Federal Post-Secondary Education and Health Contributions Act, 1977, and the Canada-New Brunswick Tax Collection Agreement is accrued based on estimates provided by Canada. These estimates are subject to adjustment in future years. Such adjustments are included in revenue when Canada informs the Province of the revisions. The most recent revision included in these financial statements is dated 30 April 1998.

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 1998

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 used 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 is not allocated to other functions except for \$6.3 million of interest subsidies on certain loans issued.

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 assuring the transfer occurred. Liabilities have been established for any transfers due at 31 March 1998 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.

Harmonization Transitional Payment

During the fiscal year ended 31 March 1997, the Province received \$364.0 million from Canada as a Harmonization Transitional Payment. This transition payment is not connected to the Province's overall use or need for funds in specific years of the transition period. The purpose of the transition payment is to allow the Province to offset, over a four year period, the fiscal impacts that will result because of adjustments to the Provincial tax structure required to accommodate harmonization. Determining the extent of these fiscal impacts is difficult, and is based on economic estimates and assumptions.

The Province has estimated that the value of the fiscal impact on the year ended 31 March 1998 was \$11.0 million. This amount has therefore been recognized as revenue in the Statement of Revenue and Expenditure. The balance of the Transitional Payment will be recognized as revenue over the next three fiscal 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 1998

Short Term Investments

Short term investments are recorded at cost.

Allowances

Allowances have been established for accounts receivable, loan guarantees and other possible losses. These allowances are disclosed in the schedules to the financial statements. The increase in these allowances charged to operations for the fiscal year ended 31 March 1998 was \$43.7 million (\$35.9 million 1997).

Concessionary Loans

There are two situations where the Province charges loan disbursements 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 earn a low rate of return are recorded as assets at the original loan amount less any principal payments made to 31 March 1998.

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. Included in deferred revenue is \$353.0 million received from Canada as adjustment assistance for the implementation of the Harmonized Sales Tax.

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 18 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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 1998

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

Foreign Currency Translation

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

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 benefits and risks of ownership of real property leases are considered to have been assumed by the Province if ownership transfers during the lease term or if the lease term is extremely long. The present value of a capital lease is accounted for as an expenditure and the assumption of an obligation. As at 31 March 1998, none of the lease agreements, under which the Province is lessee, are classified as capital leases except for the agreement referred to in note 15 d) which is a capital lease with rental payments contingent upon benefits. The rental payments are therefore being expensed as benefits accrue.

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, the determination of pension expense and the recognition of Harmonization Transitional Payment.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 2 CHANGE IN ACCOUNTING POLICY

During the fiscal year ended 31 March 1998, the Province recognized the following liabilities:

Accrued retirement allowance entitlements;
Accrued summer pay for teachers;
Accrued vacation pay entitlements; and
Liability for Workers' Compensation benefits for Provincial employees.

Recording accrued retirement allowance entitlements increased the Province's opening Net Debt as at 1 April 1997 by \$195.2 million. It also decreased the Province's surplus for the year ended 31 March 1998 by \$6.7 million.

Recording accrued summer pay for teachers increased the Province's opening Net Debt as at 1 April 1997 by \$47.3 million. It also increased the Province's surplus for the year ended 31 March 1998 by \$0.7 million.

Recording accrued vacation pay entitlements increased the Province's opening Net Debt as at 1 April 1997 by \$16.3 million. It also increased the Province's surplus for the year ended 31 March 1998 by \$0.4 million.

In previous years, the Province has reported a portion of its liability for Workers' Compensation benefits for Provincial employees. The change in accounting policy increased the liability reported at 31 March 1997 by \$31.0 million. This increased the Province's opening Net Debt as at 1 April 1997 by \$31.0 million. It also decreased the Province's surplus for the year ended 31 March 1998 by \$6.9 million.

The recognition of these liabilities has been applied retroactively and prior years figures have been restated.

NOTE 3 BUDGET

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 4 BUDGET AND ACTUAL RESULTS BY BUDGETARY ACCOUNT

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

a) Ordinary Account

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

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

<u>Ordinary Revenue by Department</u>	(millions)		
	<u>1998 Budget</u>	<u>1998 Actual</u>	<u>1997 Actual</u>
Advanced Education and Labour	\$ 1.9	\$ 59.1	\$ 3.1
Agriculture and Rural Development	3.2	3.0	4.1
Economic Development and Tourism	4.9	6.0	9.7
Education	18.0	19.5	19.6
Environment	1.5	1.3	1.4
Finance	3,594.7	3,595.0	3,659.4
Fisheries and Aquaculture	6.3	5.4	6.0
Health and Community Services	28.5	34.0	30.2
Human Resources Development - NB	3.4	5.6	8.3
Justice	35.0	33.7	33.9
Maritime Provinces Higher Education Commission	2.3	2.4	2.4
Municipalities, Culture and Housing	43.9	51.2	49.0
Natural Resources and Energy	80.0	77.7	72.0
Office of the Comptroller	0.1	0.1	---
Other Agencies	118.7	70.9	89.1
Regional Development Corporation	15.6	15.5	17.5
Solicitor General	10.8	11.2	10.4
Supply and Services	1.2	1.6	1.3
Transportation	<u>76.4</u>	<u>74.1</u>	<u>87.3</u>
Total Ordinary Revenue	<u>4,046.4</u>	<u>4,067.3</u>	<u>4,104.7</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

<u>Ordinary Expenditure by Department</u>	(millions)		
	<u>1998</u> <u>Budget</u>	<u>1998</u> <u>Actual</u>	<u>1997</u> <u>Actual</u>
Advanced Education and Labour	\$ 120.3	\$ 166.8	\$ 115.6
Agriculture and Rural Development	23.3	22.9	22.7
Economic Development and Tourism	36.8	35.4	32.1
Education	626.4	628.0	623.8
Environment	11.4	11.5	13.0
Executive Council	3.2	3.0	2.8
Finance	18.5	18.1	17.6
Fisheries and Aquaculture	10.9	12.4	10.9
General Government	146.0	91.6	91.1
Health and Community Services	1,285.2	1,290.6	1,269.1
Human Resources Development - NB	296.0	303.6	298.0
Intergovernmental and Aboriginal Affairs	1.4	1.4	1.2
Justice	27.4	26.9	28.0
Legislative Assembly	10.2	10.0	10.1
Maritime Provinces Higher Education Commission	165.6	165.7	172.1
Municipalities, Culture and Housing	190.1	201.5	202.3
Natural Resources and Energy	76.1	77.6	71.9
Office of the Comptroller	4.9	4.9	5.0
Office of the Premier	1.3	1.3	1.1
Regional Development Corporation	57.9	56.4	57.3
Service of the Public Debt	596.0	572.8	564.4
Solicitor General	69.1	71.2	74.1
Supply and Services	76.6	77.0	77.2
Transportation	<u>130.9</u>	<u>143.9</u>	<u>139.9</u>
Total Ordinary Expenditure	<u>3,985.5</u>	<u>3,994.5</u>	<u>3,901.3</u>
Surplus on Ordinary Account	<u>\$ 60.9</u>	<u>\$ 72.8</u>	<u>\$ 203.4</u>

b) Capital Account

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

Expenditures are incurred to acquire or construct physical assets with expected lives of greater than one year. Grants paid to municipalities, educational institutions and government agencies to acquire or construct physical assets are also treated as capital expenditures when the assets are considered to be for long term public benefit. Physical assets include land, buildings, highways, bridges, wharves, ferries, vehicles and equipment. Certain minimum dollar thresholds have been established for practical reasons.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

	1998	(millions) 1998	1997
<u>Capital Recoveries by Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Agriculture and Rural Development	\$ 1.4	\$ 2.7	\$ 1.9
Economic Development and Tourism	---	0.2	---
Municipalities, Culture and Housing	0.2	0.1	0.3
Natural Resources and Energy	---	0.1	0.3
Regional Development Corporation	8.0	6.1	5.7
Supply and Services	---	---	0.1
Transportation	<u>105.7</u>	<u>71.6</u>	<u>84.2</u>
Total Capital Recoveries	<u>115.3</u>	<u>80.8</u>	<u>92.5</u>
 <u>Capital Expenditure by Department</u>			
Agriculture and Rural Development	0.2	0.2	0.2
Economic Development and Tourism	1.5	1.5	0.7
Education	0.9	0.9	2.0
Environment	7.6	7.6	9.7
Health and Community Services	3.5	5.7	11.2
Municipalities, Culture and Housing	1.6	8.1	3.3
Regional Development Corporation	15.9	13.8	13.9
Supply and Services	39.9	42.1	63.4
Transportation	<u>264.0</u>	<u>237.1</u>	<u>255.8</u>
Total Capital Expenditure	<u>335.1</u>	<u>317.0</u>	<u>360.2</u>
Net Capital Expenditure	<u>\$ 219.8</u>	<u>\$ 236.2</u>	<u>\$ 267.7</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

c) Special Purpose Account

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

<u>Special Purpose Revenue by Department</u>	1998 <u>Budget</u>	(millions) 1998 <u>Actual</u>	1997 <u>Actual</u>
Advanced Education and Labour	\$ 0.2	\$ 1.6	\$ 1.8
Agriculture and Rural Development	---	0.2	0.2
Economic Development and Tourism	6.0	7.5	2.6
Education	0.1	4.4	3.8
Environment	14.6	14.6	14.8
Finance	0.1	2.6	0.2
Health and Community Services	1.1	1.2	0.7
Justice	---	0.3	---
Municipalities, Culture and Housing	0.8	14.9	0.8
Natural Resources and Energy	---	0.4	---
Solicitor General	2.1	1.8	1.8
Supply and Services	6.3	5.7	3.0
Transportation	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>
Total Special Purpose Revenue	<u>31.9</u>	<u>55.7</u>	<u>30.2</u>
 <u>Special Purpose Expenditure by Department</u>			
Advanced Education and Labour	0.2	1.5	0.5
Agriculture and Rural Development	---	0.2	0.2
Economic Development and Tourism	5.0	5.7	1.7
Education	0.1	3.8	3.5
Environment	14.3	14.8	14.5
Finance	---	0.1	0.7
Health and Community Services	3.3	1.3	3.8
Justice	---	0.3	0.1
Municipalities, Culture and Housing	0.9	1.0	0.8
Natural Resources and Energy	---	0.2	---
Solicitor General	2.1	1.6	1.7
Supply and Services	6.5	4.4	3.2
Transportation	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>
Total Special Purpose Expenditure	<u>33.0</u>	<u>35.4</u>	<u>31.2</u>
Surplus (Deficit) on Special Purpose Account	<u>\$ (1.1)</u>	<u>\$ 20.3</u>	<u>\$ (1.0)</u>

d) Sinking Fund Earnings

Sinking Fund Earnings are the earnings of the Province's General Sinking Fund, reduced by the amount recognized by the New Brunswick Power Corporation. During the fiscal year ended 31 March 1998, total earnings were \$215.5 million (\$193.1 million in 1997), of which \$15.3 million was recognized by the New Brunswick Power Corporation (\$11.9 million in 1997).

<u>Revenue by Department</u>	1998 <u>Budget</u>	(millions) 1998 <u>Actual</u>	1997 <u>Actual</u>
Sinking Fund Earnings	<u>\$ 185.9</u>	<u>\$ 200.2</u>	<u>\$ 181.2</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

e) Special Operating Agencies

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

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

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

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

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

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

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

	(millions)		
	1998	1998	1997
<u>Revenue by Special Operating Agency</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
New Brunswick Community College	\$ 79.0	\$ 85.3	\$ 88.2
New Brunswick Integrated Justice	3.0	1.1	0.2
New Brunswick Safety Code Services	2.9	3.6	2.7
Regional Development	25.9	60.0	32.1
Vehicle Management	<u>63.8</u>	<u>62.7</u>	<u>64.3</u>
Total Special Operating Agency Revenue	<u>174.6</u>	<u>212.7</u>	<u>187.5</u>
<u>Expenditure by Special Operating Agency</u>			
New Brunswick Community College	79.0	85.0	86.0
New Brunswick Integrated Justice	3.7	1.3	0.2
New Brunswick Safety Code Services	2.9	3.5	2.7
Regional Development	26.0	55.6	33.6
Vehicle Management	<u>63.3</u>	<u>62.1</u>	<u>63.5</u>
Total Special Operating Agency Expenditure	<u>174.9</u>	<u>207.5</u>	<u>186.0</u>
Surplus (Deficit) on Special Operating Agency Account	<u>\$ (0.3)</u>	<u>\$ 5.2</u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

f) Adjustments on Consolidation

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

The adjustments required are as follow:

	(millions)	
	1998	1997
	<u>Actual</u>	<u>Actual</u>
<u>Revenue Consolidation Adjustments</u>		
Algonquin Properties Limited	\$ 6.0	\$ 5.9
Kingsbrae Horticultural Garden Inc.	0.9	0.7
N.B. Agriexport Inc.	0.5	0.5
New Brunswick Investment Management Corporation	<u>2.7</u>	<u>2.7</u>
	<u>10.1</u>	<u>9.8</u>
<u>Expenditure Consolidation Adjustments</u>		
Algonquin Properties Limited	6.6	7.1
Kingsbrae Horticultural Garden Inc.	1.0	0.5
N.B. Agriexport Inc.	0.4	0.7
New Brunswick Investment Management Corporation	2.7	2.7
New Brunswick Biotechnology and Technological Innovation Centre of Excellence Inc.	<u>---</u>	<u>1.5</u>
	<u>10.7</u>	<u>12.5</u>
Net Expenditure on Consolidation	<u>\$ 0.6</u>	<u>\$ 2.7</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

g) Reconciliation to Statement of Revenue and Expenditure

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

	(millions)			
	1998		1997	
	<u>Revenue</u>	<u>Expenditure</u>	<u>Revenue</u>	<u>Expenditure</u>
Ordinary Account	\$ 4,067.3	\$ 3,994.5	\$ 4,104.7	\$ 3,901.3
Capital Account	80.8	317.0	92.5	360.2
Special Purpose Account	55.7	35.4	30.2	31.2
Sinking Fund Earnings	200.2	---	181.2	---
Special Operating Agencies	212.7	207.5	187.5	186.0
Revenues Netted Against Expenditure	9.1	9.1	12.8	12.8
Elimination of Inter-account Transactions	(176.5)	(176.5)	(148.2)	(148.2)
Adjustments on Consolidation	<u>10.1</u>	<u>10.7</u>	<u>9.8</u>	<u>12.5</u>
Total as Reported in Financial Statements	<u>\$ 4,459.4</u>	<u>\$ 4,397.7</u>	<u>\$ 4,470.5</u>	<u>\$ 4,355.8</u>

NOTE 5 BALANCING OF EXPENDITURE AND REVENUE

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

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

The cumulative difference as at 31 March 1998 between revenue and expenditure is as follows:

	(millions)	
	<u>1997 Actual</u>	<u>1998 Actual</u>
Cumulative Difference - Beginning of Year	\$ ---	\$ 125.4
Revenue	4,470.5	4,459.4
Expenditure	<u>4,345.1</u>	<u>4,397.7</u>
Surplus for the year	<u>125.4</u>	<u>61.7</u>
Cumulative Difference - End of Year	\$ 125.4	\$ 187.1

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

The financial statements for the fiscal year ended 31 March 1997 reported a surplus of \$125.4 million. In these financial statements, the 31 March 1997 surplus has been restated to \$114.7 million to reflect the adjustments disclosed in note 2. The Balanced Budget Act stipulates changes in accounting policy are not applied retroactively for the purpose of balancing revenue and expenditure. Therefore, the above table reports a surplus of \$125.4 million for the year ended 31 March 1997.

NOTE 6 LOANS AND ADVANCES

In addition to establishing budgets for the classifications referred to in note 4 to these financial statements, the Province budgets disbursements and recoveries for loans and advances. The budgeted amounts and actual results for the year ended 31 March 1998, and the actual results for the year ended 31 March 1997 are as follows:

	1998	(millions)	
	<u>Budget</u>	<u>1998</u>	<u>1997</u>
		<u>Actual</u>	<u>Actual</u>
<u>Disbursements</u>			
Agricultural Development Act and New Brunswick Crop Insurance Commission	\$ 5.0	\$ 2.9	\$ 2.3
Algonquin Properties Limited	1.7	1.0	2.1
Economic Development Act	45.0	44.7	18.1
Fisheries Development Act	8.0	3.8	2.8
Housing	2.6	1.9	2.5
Other	---	0.1	---
Total Disbursements	<u>62.3</u>	<u>54.4</u>	<u>27.8</u>
<u>Recoveries</u>			
Agricultural Development Act and New Brunswick Crop Insurance Commission	1.3	0.5	2.9
Economic Development Act	5.8	15.0	5.9
Finance	0.8	0.7	0.6
Fisheries Development Act	5.4	5.4	7.5
Health	0.5	0.5	0.4
Housing	2.1	2.8	3.1
Other	---	0.1	<u>0.1</u>
Total Recoveries	<u>15.9</u>	<u>25.0</u>	<u>20.5</u>
Net Loans and Advances	<u>\$ 46.4</u>	<u>\$ 29.4</u>	<u>\$ 7.3</u>

NOTE 7 SPECIAL PURPOSE ACCOUNTS

Special Purpose Account revenue earned but not spent accumulates as a surplus in that account and may be spent in future years for the purposes specified. At 31 March 1998, the accumulated surplus in all Special Purpose Accounts totaled \$33.6 million (\$13.3 million 1997). This total is recorded as a reduction in net debt.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

	1997 Accumulated <u>Surplus</u>	(millions)		Accumulated <u>Surplus</u>
		<u>Revenue</u>	<u>Expenditure</u>	
Advanced Education and Labour				
International Projects	\$ 1.4	\$ 1.6	\$ 1.5	\$ 1.5
Johann Wordel Account	0.1	---	---	0.1
New Brunswick Community College Scholarship Account	0.2	---	---	0.2
Agriculture and Rural Development				
Kingsbrae Horticultural Garden	---	0.2	0.2	---
Economic Development and Tourism				
Redevelopment of the Miramichi Region	0.9	7.5	5.7	2.7
Education				
Fred Magee Account	0.2	0.1	---	0.3
CMEC-School Achievement Indicators Program	---	0.1	0.1	---
Self Sustaining Accounts	0.7	4.2	3.7	1.2
Environment				
Environmental Trust Fund	1.6	14.6	14.8	1.4
Finance				
Group Insurance Trust Fund	2.4	2.5	---	4.9
Strait Crossing Finance Inc.	---	0.1	0.1	---
Health and Community Services				
Hospital Liability Protection Account	1.3	0.3	0.7	0.9
Medical Research Assistance Account	2.9	0.4	0.1	3.2
Third Party Contributions	---	0.1	0.1	---
WHSCC Compensation	---	0.4	0.4	---
Justice				
Family Support	---	0.3	0.3	---
Municipalities, Culture and Housing				
Arts Development Trust Fund	0.8	0.4	0.4	0.8
CMHC Funding	---	13.8	---	13.8
Library Account	---	0.3	0.2	0.1
Sport Development Trust Fund	0.1	0.4	0.4	0.1
Natural Resources and Energy				
Wildlife Conservation	---	0.4	0.2	0.2
Solicitor General				
Municipal Police Assistance Account	0.1	0.6	0.6	0.1
Victim Services Account	0.2	1.2	1.0	0.4
Supply and Services				
Land Management Account	---	3.0	1.6	1.4
Public/Private Partnership Projects	0.2	0.1	0.2	0.1
Renovation of Old Government House	---	2.6	2.6	---
Transportation				
Suspended Driver - Alcohol Re-education Program	---	0.3	0.3	---
National Safety Code Agreement	0.2	0.2	0.2	0.2
	<u>\$ 13.3</u>	<u>\$ 55.7</u>	<u>\$ 35.4</u>	<u>\$ 33.6</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 8 SPECIAL OPERATING AGENCIES

Special Operating Agency account revenue earned but not spent in any year, accumulates as a surplus in that account and may be spent in future years. As at 31 March 1998, the accumulated surplus in all Special Operating Agency accounts totaled \$11.7 million (\$6.5 million 1997). This total is recorded as a reduction in net debt. The following table summarizes the change in the accumulated Special Operating Agency surplus.

	1997 Accumulated <u>Surplus</u>	(millions)		Accumulated <u>Surplus</u>
		<u>Revenue</u>	<u>Expenditure</u>	
Advanced Education and Labour				
New Brunswick Community College	\$ 2.4	\$ 85.3	\$ 85.0	\$ 2.7
New Brunswick Safety Code Services	---	3.6	3.5	0.1
Justice				
New Brunswick Integrated Justice	0.4	1.1	1.3	0.2
Regional Development Corporation				
Regional Development	2.6	60.0	55.6	7.0
Transportation				
Vehicle Management	<u>1.1</u>	<u>62.7</u>	<u>62.1</u>	<u>1.7</u>
	<u>\$ 6.5</u>	<u>\$ 212.7</u>	<u>\$ 207.5</u>	<u>\$ 11.7</u>

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.

Lotteries Commission of New Brunswick (Lotteries)	31-03-98
New Brunswick Liquor Corporation (Liquor)	31-03-98
New Brunswick Municipal Finance Corporation (Municipal Finance)	31-12-97
New Brunswick Power Corporation (Power)	31-03-98
Workplace Health, Safety and Compensation Commission (WHSCC)	31-12-97

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)					
	<u>Lotteries</u>	<u>Liquor</u>	<u>Municipal Finance</u>	<u>Power</u>	<u>WHSCC</u>	<u>Total</u>
<u>Assets</u>						
Cash and Equivalents	\$ ---	\$ 0.3	\$ 0.7	\$ 4.3	\$ 444.3	\$ 449.6
Receivables	7.7	1.6	4.0	184.0	70.2	267.5
Prepays	---	0.1	---	5.0	---	5.1
Inventories	---	10.0	---	76.6	---	86.6
Deferred Charges	---	4.2	---	151.6	---	155.8
Deferred Charges - Nuclear Generating Station	---	---	---	450.0	---	450.0
Fixed Assets	---	10.9	---	3,251.7	7.9	3,270.5
Other Assets	---	---	328.5	73.8	0.3	402.6
Total Assets	<u>\$ 7.7</u>	<u>\$ 27.1</u>	<u>\$ 333.2</u>	<u>\$4,197.0</u>	<u>\$ 522.7</u>	<u>\$ 5,087.7</u>
<u>Liabilities</u>						
Short Term Loans	\$ ---	\$ ---	\$ ---	\$ 293.1	\$ ---	\$ 293.1
Payables	---	8.5	4.0	190.1	11.2	213.8
Reserves	---	---	---	213.7	---	213.7
Long Term Debt	---	7.0	328.5	258.9	498.7	1,093.1
Debt Funded by the Province	---	---	---	2,815.9	---	2,815.9
Total Liabilities	<u>---</u>	<u>15.5</u>	<u>332.5</u>	<u>3,771.7</u>	<u>509.9</u>	<u>4,629.6</u>
<u>Equity</u>						
Retained Earnings	<u>7.7</u>	<u>11.6</u>	<u>0.7</u>	<u>425.3</u>	<u>12.8</u>	<u>458.1</u>
Total Equity	<u>---</u>	<u>11.6</u>	<u>0.7</u>	<u>425.3</u>	<u>12.8</u>	<u>458.1</u>
Total Liabilities and Equity	<u>\$ 7.7</u>	<u>\$ 27.1</u>	<u>\$ 333.2</u>	<u>\$4,197.0</u>	<u>\$ 522.7</u>	<u>\$ 5,087.7</u>
<u>Net Income</u>						
Revenue	\$ 85.9	\$ 237.8	\$ 25.2	\$1,162.3	\$ 134.9	\$ 1,646.1
Operating Expenses	(1.2)	(152.5)	(0.1)	(839.8)	(128.1)	(1,121.7)
Interest Expense	---	---	(25.1)	(343.7)	---	(368.8)
Net Income	<u>\$ 84.7</u>	<u>\$ 85.3</u>	<u>\$ ---</u>	<u>\$ (21.2)</u>	<u>\$ 6.8</u>	<u>\$ 155.6</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.

NOTES TO THE FINANCIAL STATEMENTS

31 March 1998

Lotteries Commission of New Brunswick

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

New Brunswick Liquor Corporation

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

New Brunswick Municipal Finance Corporation

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

New Brunswick Power Corporation

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

Workplace Health, Safety and Compensation Commission

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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 Granted	Borrowing	Balance
	<u>1997</u>	During the	During the	<u>1998</u>
		Year	Year	
Loan Act 1991	\$ 5.5	\$ ---	\$ ---	\$ 5.5
Loan Act 1995	148.4	---	148.4	---
Loan Act 1996	485.0	---	251.6	233.4
Loan Act 1997	<u>---</u>	<u>450.0</u>	<u>---</u>	<u>450.0</u>
	<u>\$638.9</u>	<u>\$450.0</u>	<u>\$400.0</u>	<u>\$688.9</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 1998, bank advances and short term borrowing amounted to \$301.1 million.

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

b) Borrowing by the Municipal Finance Corporation

The New Brunswick Municipal Finance Corporation has authority under the New Brunswick Municipal Finance Corporation Act to provide financing for municipalities and municipal enterprises. As at 31 December 1997, long term debt owed by the corporation was \$328.5 million.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 11 FUNDED DEBT OUTSTANDING

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

(millions)					
<u>Fiscal</u> <u>Year of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate (%)</u> <u>Range</u>	<u>Currency</u> <u>Amount</u>	<u>Total</u> <u>Funded</u> <u>Debt</u>	<u>Borrowing for</u> <u>NB Power</u> <u>Corporation</u>	<u>Funded Debt</u> <u>for Provincial</u> <u>Purposes</u>
1998-99	5.5-7.6	US \$ 62.0	\$ 87.8	\$ (65.2)	
	7.2-10.5	CAN \$ 401.7	<u>401.7</u>	<u>---</u>	
			<u>489.5</u>	<u>(65.2)</u>	\$ 424.3
1999-2000	7.2-12.7	CAN \$ 415.0	<u>415.0</u>	<u>(100.0)</u>	315.0
2000-2001	5.0	Yen 1,128.0	12.0	---	
	7.4	Sfr 130.0	120.8	---	
	7.6-13.4	CAN \$ 626.8	<u>626.8</u>	<u>(251.0)</u>	
			<u>759.6</u>	<u>(251.0)</u>	508.6
2001-2002	5.0	Yen 1,128.0	12.0	---	
	9.3-17.5	CAN \$ 575.6	<u>575.6</u>	<u>(250.0)</u>	
			<u>587.6</u>	<u>(250.0)</u>	337.6
2002-2003	7.1	US \$ 257.0	364.1	(170.0)	
	5.0	Yen 1,128.0	12.0	--	
	8.0-16.5	CAN \$ 823.8	<u>823.8</u>	<u>(500.0)</u>	
			<u>1,199.9</u>	<u>(670.0)</u>	529.9
2003-2004 & After	6.5-9.8	US \$ 1,336.5	1,893.3	(764.9)	
	5.0	Yen 8,616.0	91.6	---	
	5.6	Sfr 100.0	92.9	---	
	5.6-14.1	CAN \$4,176.8	<u>4,176.8</u>	<u>(920.0)</u>	
			<u>6,254.6</u>	<u>(1,684.9)</u>	4,569.7
Funded Debt before Sinking Fund Investments			9,706.2	(3,021.1)	6,685.1
Less: Sinking Fund Investments			<u>2,645.2</u>	<u>(205.2)</u>	2,440.0
Funded Debt Outstanding			<u>\$7,061.0</u>	<u>\$(2,815.9)</u>	\$4,245.1

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 1998, the equity of the General Sinking Fund accumulated for the repayment of Provincial Debt was \$2,440.0 million (\$2,304.9 million 1997). Some of the assets of this Fund are bonds and debentures issued or guaranteed by the Province of New Brunswick. The net book value of these investments at 31 March 1998 was \$1,375.3 million (\$1,264.9 million 1997).

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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.

<u>Fiscal Year of Maturity</u>	<u>Amount Payable in Original</u>	<u>Amount Payable Per Financial Swap Agreement</u>	<u>Canadian Dollar Equivalent</u>
		(millions)	
		1998	
1998-1999	Yen 5,000.0	CAN \$ 46.0	\$ 46.0
2000-2001	US \$ 15.6	CAN \$ 23.8	23.8
2002-2003	Yen 3,000.0	CAN \$ 30.6	30.6
2003-2004	Yen 5,000.0	CAN \$ 59.8	59.8
2004-2005	Yen 5,000.0	US \$ 47.5	67.3
2004-2005	Yen 5,000.0	CAN \$ 71.2	71.2
2004-2005	Yen 4,000.0	CAN \$ 55.1	55.1
2004-2005	Yen 3,000.0	CAN \$ 41.1	41.1
2006-2007	CAN \$ 95.1	Sfr 100.0	<u>92.9</u>
			<u>\$487.8</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>
1998-1999	\$101.6
1999-2000	93.4
2000-2001	89.0
2001-2002	81.6
2002-2003	75.4

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 12 DEBT CHARGES

The total provincial cost of interest, exchange, amortization and related expenses is \$368.8 million (\$406.8 million 1997), which consists of:

	(millions)	
	<u>1998</u>	<u>1997</u>
Interest	\$821.6	\$825.1
Foreign Exchange Expense	19.7	11.2
Other Expenses	<u>9.6</u>	<u>7.8</u>
	850.9	844.1
Interest Recovery for Debt Incurred for the New Brunswick Power Corporation	(264.0)	(269.0)
Interest Subsidy Costs Charged to Various Expenditure Functions	(6.3)	(6.1)
Capitalization of Interest	<u>(7.8)</u>	<u>(4.6)</u>
Service of the Public Debt	572.8	564.4
Interest Subsidy Costs Charged to Various Expenditure Functions	6.3	6.1
Pension Interest Charged to Various Expenditure Functions	(10.1)	17.5
Sinking Fund Earnings	<u>(200.2)</u>	<u>(181.2)</u>
	<u>\$368.8</u>	<u>\$406.8</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. Pension funds distinct from the Consolidated Fund exist for each of these pension plans, except for the Members' Superannuation Plan, Members' Pension Plan and the Ombudsman Plan.

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

Public Service Superannuation Plan (Public Service)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

Teachers' Pension Plan (Teachers')

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

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

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

Judges' Superannuation Plan (Judges')

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

Pension benefits are equal to 60% of the final salary integrated with the Canada Pension Plan. Pension benefits are indexed annually to a maximum of 5%.

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

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

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

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

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

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

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

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

There are no current contributors to the plan.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

Normal retirement age is 65. Unreduced pension benefits are available at age 63 with 5 years continuous employment. Effective 5 May 1994 until a new contract is negotiated, members are eligible for unreduced benefits if they retire at age 60 with 5 years continuous employment. Reduced benefits are available on retirement at age 55 with 5 years continuous employment.

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

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

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

Normal retirement is at age 65. Unreduced pension benefits are available at age 63 with 5 years continuous employment. Reduced benefits are available on retirement at age 55 with 5 years continuous employment.

Ombudsman Plan (Ombudsman)

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

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

Early Retirement / Workforce Adjustment Program (Early Retirement)

The Province has obligations under various early retirement initiatives. Under the most recent program offered, which expired at 31 March 1998, certain employees were eligible for special retirement provisions if their jobs were lost due to budget reductions or restructuring. Employees could retire as early as age 55 with an unreduced pension. In addition, they were eligible to purchase up to 3 years of pension credits at a cost of 5 weeks pay for every year purchased. If an employee retired before age 55, options to use retiring allowance or severance benefits to bridge to age 55 were also available.

b) Pension Liability

With the exception of the Hospitals - Certain plan which is a defined benefit plan with a fixed employer contribution, and the Part-Time plan, which is a defined contribution plan, the Province is liable for any excess of accrued pension benefits over pension fund assets. The Provincial share of the estimated pension liability for all pension plans is \$1,050.1 million (\$1,251.8 million 1997). This estimate is based on actuarial valuations using the projected unit credit method, calculated as at the dates listed below. This method estimates the present value of retirement benefits associated with the period of employee service to the valuation date. The actuarial valuations were based on a number of assumptions about future events, such as rates of return on assets, wage and salary increases and employee turnover and mortality. Section i) of this note lists some of the actuarial assumptions used. Section j) lists selected information about plan members.

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

<u>Plan</u>	<u>Date</u>
Public Service	01/04/98
Teachers'	01/04/98
Judges'	31/03/92
Members'	01/04/96
Hospitals - C.U.P.E.	01/01/97
Schools - Management	01/01/93
Schools - G.L.T.&S.	01/01/97
Schools S.&C.	01/01/97
Ombudsman	---
Hospitals - Certain	---
Early Retirement	31/03/96

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

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

Plan	(millions)					
	1998			1997		
	Estimated Accrued Benefits	Value of Assets	Actuarial Pension Liability (Surplus)	Unamortized Pension Adjustments and Valuation Allowance	Pension Liability (Surplus)	Pension Liability (Surplus)
Public Service	\$ 2,316.1	\$ 2,634.6	\$ (318.5)	\$ 639.7	\$ 321.2	\$ 420.1
Teachers'	2,349.4	2,533.9	(184.5)	815.1	630.6	756.2
Judges'	27.5	16.3	11.2	2.0	13.2	13.3
Members'	30.1	---	30.1	---	30.1	28.8
Hospitals - C.U.P.E.	162.9	250.9	(88.0)	78.8	(9.2)	(6.0)
Schools - Management	10.4	18.0	(7.6)	1.8	(5.8)	(5.8)
Schools - G.L.T.& S.	83.5	132.8	(49.3)	49.3	---	(5.9)
Schools - S.& C.	13.3	23.3	(10.0)	6.7	(3.3)	(2.8)
Early Retirement	62.3	---	62.3	---	62.3	53.9
	5,055.5	5,609.8	(554.3)	1,593.4	1,039.1	1,251.8
Allocated to NB Power	476.9	498.7	(21.8)	10.8	(11.0)	---
	<u>\$ 4,578.6</u>	<u>\$ 5,111.1</u>	<u>\$ (532.5)</u>	<u>\$ 1,582.6</u>	<u>\$ 1,050.1</u>	<u>\$ 1,251.8</u>

The value of assets in all plans exceeds the value of accrued benefits by \$532.5 million at 31 March 1998. 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 \$1,050.1 million for accounting purposes. The difference of \$1,582.6 million is being amortized over future years. This ensures that past improvements to the financial position of the plans are only recognized as evidence of their existence becomes reliable.

c) Funding

Pursuant to the Public Service Superannuation Act, the Consolidated Fund and certain government agencies will, in each fiscal year until the benefits under that Act are fully funded as determined by an actuarial valuation, pay an amount into the Public Service Superannuation Fund that is in addition to the employer contribution for current service costs. The additional amount paid during the fiscal year ended 31 March 1998 was \$38.2 million as follows:

Consolidated Fund	\$ 29.7
New Brunswick Liquor Corporation	0.9
New Brunswick Power Corporation	7.4
Workplace Health, Safety and Compensation Commission	0.2

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

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

Pursuant to the Teachers' Pension Act, the Province will, in each fiscal year until the benefits under that Act are fully funded as determined by an actuarial valuation, pay an amount into the Teachers' Pension Fund that is in addition to the employer contribution for current service costs. The additional amount paid during the fiscal year ended 31 March 1998 was \$54.9 million. In each subsequent fiscal year the additional amount to be paid will be the amount paid in the previous fiscal year increased (or decreased) by the aggregate of 2% plus the average percentage change in the Consumer Price Index.

As at 31 March 1998 the Public Service plan was 113.8% funded and the Teachers' plan was 107.9% funded on an actuarial basis using the assumptions disclosed in this note. These are not the same assumptions used to determine funding contribution requirements. Neither plan was fully funded at 31 March 1998 on a funding basis.

d) Change in Pension Liability

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

<u>Plan</u>	(millions)						
	<u>Employers' Share of Pension Benefits Earned</u>	<u>Pension Interest</u>	<u>Amortization of Adjustments</u>	<u>Valuation Adjustment</u>	<u>Total Pension Expense</u>	<u>Employer Pension Contribution</u>	<u>Increase (Decrease) in Pension Liability</u>
Public Service	\$30.1	\$(10.3)	\$(50.1)	\$ ---	\$(30.3)	\$68.6	\$(98.9)
Teachers'	26.2	2.1	(71.8)	---	(43.5)	82.1	(125.6)
Judges'	0.6	1.0	---	---	1.6	1.7	(0.1)
Members'	0.7	2.4	---	---	3.1	1.8	1.3
Hospitals - C.U.P.E.	2.5	(6.7)	1.0	---	(3.2)	---	(3.2)
Schools -Management	---	(0.4)	(1.4)	1.8	---	---	---
Schools - G.L.T.&S.	1.4	(3.3)	0.2	9.5	7.8	1.9	5.9
Schools - S. & C.	0.3	(0.6)	(0.4)	0.6	(0.1)	0.4	(0.5)
Ombudsman	0.2	---	---	---	0.2	0.2	---
Hospitals - Certain	8.3	---	---	---	8.3	8.3	---
Part Time	1.4	---	---	---	1.4	1.4	---
Early Retirement	<u>7.3</u>	<u>4.7</u>	<u>---</u>	<u>---</u>	<u>12.0</u>	<u>3.6</u>	<u>8.4</u>
	79.0	(11.1)	(122.5)	11.9	(42.7)	170.0	(212.7)
Allocated to NB Power	<u>5.4</u>	<u>(1.0)</u>	<u>(1.2)</u>	<u>---</u>	<u>3.2</u>	<u>14.2</u>	<u>(11.0)</u>
	<u>\$73.6</u>	<u>\$(10.1)</u>	<u>\$(121.3)</u>	<u>\$11.9</u>	<u>\$(45.9)</u>	<u>\$155.8</u>	<u>\$(201.7)</u>

Total pension benefits of \$166.7 million were earned by employees during the fiscal year. Employees contributed \$82.5 million toward these benefits. The value of pension benefits charged to agencies was \$10.6 million. The employers' share of pension benefits earned was \$73.6 million.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

e) Experience Gains and Losses

Experience gains or losses are amortized to pension expense over the estimated average remaining service life of active contributors. The following table summarizes the experience gains or losses for each plan:

Plan	Estimated Average Remaining Service Life of Active Contributors (years)	(millions)			
		31 March 1997 Unamortized Experience Gains	New Experience Gains	Amortization of Experience Gains	31 March 1998 Unamortized Experience Gains
Public Service	16.0	\$337.5	\$102.1	\$(33.0)	\$406.6
Teachers'	14.0	428.1	124.9	(48.9)	504.1
Judges'	11.0	0.3	1.7	---	2.0
Hospitals - C.U.P.E.	15.0	57.6	3.1	(4.5)	56.2
Schools - G.L.T.&S.	15.0	20.4	7.9	(2.0)	26.3
Schools - S.&C.	18.0	1.5	1.3	(0.2)	2.6
Schools - Management	21.0	---	1.4	(1.4)	---
		845.4	242.4	(90.0)	997.8
Allocated to NB Power		12.0	---	(1.2)	10.8
		<u>\$833.4</u>	<u>\$242.4</u>	<u>\$(88.8)</u>	<u>\$987.0</u>

f) 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 1997 Unamortized Value of Changes to Assumptions	Value of New Changes to Assumptions	Amortization of Changes to Assumptions	31 March 1998 Unamortized Value of Changes to Assumptions
Public Service	16.0	\$ 85.1	\$ 165.1	\$(17.1)	\$233.1
Teachers'	14.0	120.2	217.3	(26.5)	311.0
Hospitals - C.U.P.E.	15.0	18.0	14.3	(2.4)	29.9
Schools - G.L.T. & S.	15.0	10.7	3.9	(1.1)	13.5
Schools - S. & C.	18.0	2.8	0.9	(0.2)	3.5
		<u>\$236.8</u>	<u>\$401.5</u>	<u>\$(47.3)</u>	<u>\$591.0</u>

For each of these plans, changes were made to both the long term and short term assumptions about the rate of return on assets and the annual wage and salary increases. The termination rate assumption was changed for both the Public Service and the Teachers' plans.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

g) Amendments to Pension Plan Provisions

Amendments made to the various pension plans are being amortized to pension expense over the term of the related collective agreements, if any. If there is not a related collective agreement, the value of the amendment is immediately reflected in revenue or expenditure.

(millions)					
Plan	Amortization Period (years)	31 March 1997 Unamortized Plan Amendments	Value of New Plan Amendments	Amortization of Plan Amendments	31 March 1998 Unamortized Plan Amendments
Teachers'	2.4	\$ (3.6)	\$---	\$3.6	\$ ---
Hospitals - C.U.P.E.	3.5	(13.2)	(2.0)	7.9	(7.3)
Schools - G.L.T.&S.	4.0	<u>(3.3)</u>	<u>---</u>	<u>3.3</u>	<u>---</u>
		<u>\$(20.1)</u>	<u>\$(2.0)</u>	<u>\$14.8</u>	<u>\$(7.3)</u>

h) Valuation Allowance

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

Plan	(millions) 31 March 1998 Valuation Allowance
Schools - Management	\$ 1.8
Schools - G.L.T.&S.	9.5
Schools - S. & C.	<u>0.6</u>
	<u>\$ 11.9</u>

i) Actuarial Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

Long Term Assumptions

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

Short Term Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

j) Member Data

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

Plan	Number of Active Contributors	Number of Pensioners	Average Annual Salary of Contributors	Average Annual Pension
Public Service	16,219	7,560	\$ 40,160	\$ 12,872
Teachers'	8,490	4,754	44,984	21,794
Judges'	25	28	101,152	38,788
Hospitals - C.U.P.E.	3,837	1,351	23,753	4,566
Schools - Management	---	54	---	9,977
Schools - G.L.T.& S.	1,919	813	22,411	5,031
Schools - S.&C.	487	93	20,848	3,137
Members'	54	76	37,406	26,453

Ministers earn an additional average salary of \$30,844.

NOTE 14 CONTINGENT LIABILITIES

a) New Brunswick Power Corporation Deferred Charge

In its 31 March 1998 financial statements, the New Brunswick Power Corporation has reported a deferred charge asset for the Point Lepreau nuclear generating station. The value of this deferred charge is \$450.0 million. The Corporation has indicated that it must identify and designate future revenues to allow for recovery of this deferred charge. The Corporation has also reported that if a revenue stream can not be identified, the deferred charge will be written off against its income.

The Province's 31 March 1998 financial statements report an investment in the New Brunswick Power Corporation with a carrying value of \$425.3 million. If the Corporation can not identify a revenue stream that will completely recover its nuclear generating station deferred charge, then the Province's investment would have to be reduced. The amount of any investment impairment will only be confirmed once the Corporation has identified its revenue source.

As at the date of preparing these financial statements, the Province can not estimate the amount of any asset impairment that might exist. The likelihood that an impairment will be confirmed in the future is also not determinable. Therefore, as at 31 March 1998, the Province has not recorded any reduction in the carrying value of its investment in the New Brunswick Power Corporation. The Province expects that the Corporation will identify its revenue stream during the fiscal year ended 31 March 1999. If an impairment in the Province's investment in the Corporation is confirmed, the impairment will be recorded at that time.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

b) Legal Action

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

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

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

c) 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 1998, the total contingent liability in respect of these guarantees was \$56.4 million (\$81.2 million 1997), of which the Province has recognized \$11.0 million as a liability in the Statement of Financial Position (\$10.4 million 1997).

	(millions)	
	Authorized Limit	Contingent Liability
Agricultural Development Act	\$ 1.4	\$ 1.1
Economic Development Act	36.6	33.5
Employment Development Act	4.0	3.6
Farm Machinery Loans Act	0.4	0.1
Fisheries Development Act	2.0	1.7
Livestock Incentives Act	3.1	0.8
Nursing Homes Act	11.6	11.6
Regional Development Corporation Act	4.0	<u>4.0</u>
		56.4
Less: Allowance for Losses on Guaranteed Loans		<u>11.0</u>
		<u>\$45.4</u>

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

d) Environmental Responsibility

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

N.B. Coal (a wholly owned subsidiary of New Brunswick Power Corporation) has an environmental responsibility to treat acidic water drainage from an inactive mine. Cost of treatment for the fiscal year ended 31 March 1998 was \$0.5 million (\$0.5 million 1997).

The Province of New Brunswick is committed to assisting municipalities with the closure and remediation of local dumps and landfills in the Province. This is an ongoing initiative which is expected to take several years to complete. In the year ended 31 March 1998, the Province spent \$1.0 million on dump closures. The estimated Provincial share of the remaining costs of this cleanup is \$6.5 million (\$15.5 million in 1997).

The Province is also responsible to close dumps located in Local Service Districts. This is being completed over several years. Closure costs in the year ended 31 March 1998 totalled \$0.2 million. The cost to close the remaining dumps is estimated at \$1.1 million.

e) 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.

NOTE 15 COMMITMENTS

a) Operating Leases

Space and Equipment Rental

The total future minimum payments under various operating lease agreements, including those of government enterprises, for the rental of space and equipment amounts to \$369.5 million (\$305.2 million 1997). Minimum annual lease payments in each of the next five years are as follows:

<u>Fiscal Year</u>	<u>(millions)</u>
1998-1999	\$ 40.4
1999-2000	36.5
2000-2001	32.1
2001-2002	27.8
2002-2003	23.3

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

Fredericton-Moncton Highway

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

NBHC will lease land it owns to the New Brunswick (F-M) Project Company Inc. which will own all improvements to these lands, in particular the four lane toll highway, and sublease the improvements back to NBHC. NBHC is responsible for making the sublease payments to the New Brunswick (F-M) Project Company Inc. Under these agreements NBHC will be required to make total lease payments of approximately \$1,585.0 million, including principal and interest. This amount will be paid through 49 equal semi-annual payments estimated to be \$32.3 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.

b) Nursing Homes

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

Total long term debt of these nursing homes at 31 March 1998 amounted to approximately \$75.3 million (\$77.1 million 1997). Of the \$75.3 million nursing home debt, the Province has issued guarantees totalling approximately \$11.6 million (\$11.9 million 1997) which is included as a contingent liability.

c) Authorized Capital Projects

The 31 March 1998 estimated amount required to complete authorized major construction projects of schools, hospitals, other buildings, roads and bridges, and to meet capital grant obligations is \$79.0 million (\$150.9 million 1997). This includes projects that will be cost shared with the Government of Canada. Most of these projects are expected to be completed within three years.

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

d) Other Commitments

Human Resources Development - New Brunswick

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

During the fiscal year ended 31 March 1998 benefits of \$4.2 million were identified and accrued. Sufficient benefits needed to repay Andersen Consulting are expected to accrue over the next four years. Operation and maintenance of the technology used in this project have been contracted separately.

NOTE 16 UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 17 EXPENDITURE BY PRIMARY CLASSIFICATION

The expenditures by primary classification are as follows:

	(millions)	
	<u>1998</u>	<u>1997</u>
Personal Services	\$ 979.8	\$ 506.5
Other Services	364.1	289.2
Materials and Supplies	129.2	117.6
Property and Equipment	239.8	266.0
Contributions, Grants and Subsidies to or on behalf of:		
School Districts	---	574.3
Hospitals	629.8	648.5
Municipalities and Local Service Districts	151.0	163.4
Individuals	761.3	699.3
Nursing Homes	104.2	98.0
Other	373.0	378.1
Debt and Other Charges	<u>665.5</u>	<u>614.9</u>
	<u>\$4,397.7</u>	<u>\$4,355.8</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. The expenditures of former school boards had been reflected as Contributions, Grants and Subsidies. Effective 1 April 1997, the former school boards began using the Province's financial information system. Their expenditures are now allocated to all primary classifications.

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

NOTES TO THE FINANCIAL STATEMENTS
31 March 1998

NOTE 18 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>1998</u>	<u>1997</u>
<u>Cost Method:</u>		
Margaret R. Lynds Bequest	\$ 0.1	\$ 0.1
Mental Health Trust Fund	0.6	0.6
New Brunswick Power Corporation Sinking Fund	152.6	159.3
Viscount Bennett Bequest	<u>0.2</u>	<u>0.2</u>
	<u>\$ 153.5</u>	<u>\$ 160.2</u>
<u>Market Value Method:</u>		
Judges' Superannuation Trust Fund	\$ 16.3	\$ 12.7
Pension Plan for the Management Employees of New Brunswick School Boards	18.0	16.3
Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Boards	132.8	116.6
Pension Plan for Secretarial and Clerical Employees of New Brunswick School Boards	23.3	19.4
Pension Plan for C.U.P.E. Employees of New Brunswick Hospitals	250.9	230.9
Public Service Superannuation Fund	2,634.6	2,201.4
Teachers' Pension Trust Fund	<u>2,533.9</u>	<u>2,131.9</u>
	<u>\$5,609.8</u>	<u>\$4,729.2</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 1998

NOTE 19 CHANGE IN PROVINCIAL BORROWING

The Province's funded debt issued for Provincial purposes increased \$77.5 million during the year (decreased \$58.1 million in 1997), after deducting the value of the sinking fund. Bank Advances and Short Term Borrowing decreased by \$15.6 million (\$315.5 million in 1997). Total borrowing was therefore \$61.9 million higher at 31 March 1998 than it was at 31 March 1997.

The following table shows how total borrowing increased \$61.9 million.

	(millions)	
	<u>1998</u>	_____
Surplus	\$ 61.7	\$114.7
Decrease in Pension Liability	(201.7)	(134.6)
Increase (Decrease) in Deferred Revenue	(20.9)	374.0
Increase in Investments, Loans and Advances	(15.8)	(9.4)
Decrease (Increase) in Other Current Assets and Liabilities	<u>124.1</u>	<u>(24.5)</u>
Decrease (Increase) in Borrowing Before Foreign Exchange Adjustments	(52.6)	320.2
Foreign Exchange Adjustments	<u>(9.3)</u>	<u>53.4</u>
(Increase) Decrease in Borrowing	<u>\$ (61.9)</u>	<u>\$373.6</u>

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

	(millions)	
	<u>1998</u>	<u>1997</u>
Accounts and Interest Receivable	\$ (8.5)	\$ (18.2)
Taxes Receivable	4.1	(28.8)
Inventories	45.1	(43.9)
Prepaid and Deferred Charges	(12.6)	(0.1)
Accounts Payable	(23.5)	12.6
Accrued Expenditures	80.8	9.9
Deposits Held in Trust	<u>5.1</u>	<u>5.9</u>
Decrease (Increase) in Working Capital	90.5	(62.6)
Increase in Allowance for Doubtful Accounts	43.7	35.9
Decrease (Increase) in Premiums and Discounts on Issue of Debt	<u>(10.1)</u>	<u>2.2</u>
Decrease (Increase) in Other Current Assets and Liabilities	<u>\$124.1</u>	<u>\$(24.5)</u>

NOTE 20 COMPARATIVE FIGURES

Prior year figures have been restated because of the changes in accounting policy disclosed in note 2. Certain other figures for the prior year have also been restated to conform with the 1998 presentation of the financial statements.

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)	
	1998	1997
SCHEDULE 1		
ACCOUNTS AND INTEREST RECEIVABLE		
Accounts Receivable		
Canada - Conditional Grants		
Atlantic Freight Transition Program	\$ 4.5	\$ 6.4
Canada Assistance Plan	0.7	2.3
Canada Mortgage and Housing Corporation	28.9	28.9
Canada/New Brunswick Highway Improvement Program	0.8	1.2
Crop Insurance	---	1.2
Disaster Financial Assistance Program	2.8	4.2
Economic and Regional Development Agreement	3.4	10.4
Infrastructure Program	1.4	2.5
New Brunswick Works	0.6	0.7
Official Languages in Education Program	5.1	5.3
Refund of Harmonized Sales Tax Paid	10.5	---
Strategic Highway Improvement Program	0.2	5.6
Vocational Rehabilitation of Disabled Persons	4.7	6.4
Other Agreements	2.4	5.6
Canada - Unconditional Grants		
Fiscal Equalization	---	21.2
Receivables of Government Departments		
Advanced Education and Labour	10.0	7.3
Economic Development and Tourism	2.6	3.2
Education	10.2	9.8
Finance	13.8	13.2
Health and Community Services	20.1	6.4
Human Resources Development - NB	19.7	15.4
Justice	7.9	9.2
Municipalities, Culture and Housing	42.7	40.2
Natural Resources and Energy	8.8	5.3
Supply and Services	3.7	4.1
Transportation	10.7	7.6
Other Departments	4.3	4.7
Guarantee Payouts	29.8	17.6
Working Capital Advances	8.2	7.6
Other	2.4	2.2
Interest Receivable		
Agricultural Development Act	0.5	0.4
Economic Development Act	4.3	3.6
Fisheries Development Act	18.8	17.8
Other	1.6	0.7
	286.1	278.2
Less: Allowance for Doubtful Accounts	69.7	52.4
	\$ 216.4	\$ 225.8

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)	
	1998	1997
SCHEDULE 2		
TAXES RECEIVABLE		
Gasoline and Motive Fuels Tax	\$ 13.9	\$ 13.9
Real Property Tax	294.8	316.8
Royalties and Stumpage on Timber	11.5	10.7
Sales Tax	83.3	83.9
Tobacco Tax	4.4	4.4
Other	0.2	0.3
	<hr/> 408.1	<hr/> 430.0
Less: Allowance for Doubtful Accounts	52.9	51.6
	<hr/> <u>\$ 355.2</u>	<hr/> <u>\$ 378.4</u>
 SCHEDULE 3		
INVENTORIES		
Construction and Maintenance Materials	\$ 9.4	\$ 10.2
Educational Textbooks	2.2	2.2
Machine Repair Parts	5.2	5.7
Properties Held for Sale	5.2	48.8
Stationery and Supplies	1.1	1.2
Veterinary Supplies	0.7	0.6
Other Supplies	3.0	3.3
	<hr/> \$ 26.8	<hr/> \$ 72.0
 SCHEDULE 4		
PREPAID AND DEFERRED CHARGES		
Unamortized Premiums, Discounts, and Issue Expenses on Debentures	\$ 52.3	\$ 42.3
Other	21.6	9.0
	<hr/> <u>\$ 73.9</u>	<hr/> <u>\$ 51.3</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)					
	1998			1997		
	Amount	Allowance for Doubtful Accounts	Net	Amount	Allowance for Doubtful Accounts	Net
SCHEDULE 5						
LOANS AND ADVANCES						
Agriculture and Rural Development						
Agricultural Development Act	\$ 11.2	\$ 5.3	\$ 5.9	\$ 8.9	\$ 2.1	\$ 6.8
New Brunswick Crop Insurance Commission	---	---	---	6.4	5.7	0.7
Economic Development and Tourism						
Economic Development Act	115.9	19.8	96.1	80.4	15.6	64.8
Provincial Holdings Ltd.	21.9	10.3	11.6	27.1	14.3	12.8
Education						
Loans to Students	0.2	0.2	---	0.2	0.2	---
Environment						
Water and Sewerage Systems	0.4	---	0.4	0.5	---	0.5
Executive Council						
La Fondation du quotidien francophone	4.0	---	4.0	4.0	---	4.0
Finance						
Municipalities - Department of Regional Industrial Expansion Agreements	3.8	0.6	3.2	4.5	---	4.5
Fisheries and Aquaculture						
Fisheries Development Act	71.5	42.6	28.9	74.3	41.9	32.4
Health and Community Services						
Saint John Regional Laundry	1.1	---	1.1	1.6	---	1.6
Municipalities, Culture and Housing						
Loans to Municipalities	0.2	---	0.2	0.3	---	0.3
New Brunswick Housing Act	21.0	3.0	18.0	21.8	3.1	18.7
Other Loans	0.2	0.2	---	0.2	0.2	---
Regional Development Corporation						
Fundy Trail Trust	5.0	---	5.0	5.0	---	5.0
Supply and Services						
Other Loans	0.1	---	0.1	0.1	---	0.1
Transportation						
Unsatisfied Judgements	9.5	9.5	---	9.3	9.3	---
	<u>\$ 266.0</u>	<u>\$ 91.5</u>	<u>\$ 174.5</u>	<u>\$ 244.6</u>	<u>\$ 92.4</u>	<u>\$ 152.2</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)	
	1998	1997
SCHEDULE 6		
INVESTMENTS		
Investment in Government Enterprises		
Lotteries Commission of New Brunswick	\$ 7.7	\$ 7.0
New Brunswick Liquor Corporation	10.9	10.0
New Brunswick Municipal Finance Corporation	0.7	0.7
New Brunswick Power Corporation	425.3	446.5
Workplace Health, Safety and Compensation Commission	12.8	6.0
	<hr/>	<hr/>
	457.4	470.2
Other Long Term Investments	3.3	3.0
	<hr/>	<hr/>
	\$ 460.7	\$ 473.2
	<hr/> <hr/>	<hr/> <hr/>
 SCHEDULE 7		
BANK ADVANCES AND SHORT TERM BORROWING		
Bank Overdrafts	\$ 75.7	\$ 57.3
Treasury Bill 0% Payable on Demand	1.0	1.0
Treasury Bills 3.88% - 5.18% Maturing 1 April 1998 - 11 February 1999	849.6	623.2
	<hr/>	<hr/>
	926.3	681.5
	<hr/>	<hr/>
Less:		
Cash	48.1	68.7
Short Term Investments	577.1	296.1
	<hr/>	<hr/>
	625.2	364.8
	<hr/>	<hr/>
	\$ 301.1	\$ 316.7
	<hr/> <hr/>	<hr/> <hr/>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)	
	1998	1997
SCHEDULE 8		
ACCOUNTS PAYABLE		
Accounts Payable for Goods and Services		
Advanced Education and Labour	\$ 16.0	\$ 14.0
Agriculture and Rural Development	3.9	4.5
Economic Development and Tourism	8.7	11.6
Education	17.4	15.0
Environment	1.2	2.5
Finance	13.7	11.1
Fisheries and Aquaculture	3.2	1.9
Health and Community Services	57.8	71.2
Human Resources Development - NB	5.7	3.3
Maritime Provinces Higher Education Commission	---	8.4
Municipalities, Culture and Housing	13.0	13.3
Natural Resources and Energy	3.4	3.5
Office of the Comptroller	11.1	6.6
Solicitor General	13.3	16.5
Supply and Services	10.5	13.1
Transportation	24.2	27.6
Other Departments	7.3	3.3
Due to Canada		
Department of Regional Industrial Expansion	3.7	4.7
Other Agreements	1.9	7.0
New Brunswick Housing Corporation - Third Parties	48.7	49.4
Other	1.4	1.1
	<u>\$ 266.1</u>	<u>\$ 289.6</u>
 SCHEDULE 9		
ACCRUED EXPENDITURES		
Accrued Interest		
Funded Debt	\$ 149.4	\$ 149.4
Outstanding Treasury Bills	6.0	2.5
Other	0.9	0.9
	156.3	152.8
Accrued Salaries Payable	93.3	84.4
Health and Community Services	27.4	20.7
Holdbacks on Contracts	7.0	8.4
Land Expropriation	1.2	1.2
Liability for Injured Workers	37.9	31.0
Retirement Allowances	201.9	195.2
Other	53.6	4.1
	<u>\$ 578.6</u>	<u>\$ 497.8</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)	
	1998	1997
SCHEDULE 10		
ALLOWANCE FOR LOSSES		
Advanced Education and Labour	\$ 4.1	\$ 3.5
Agriculture and Rural Development	0.1	0.1
Economic Development and Tourism	6.8	6.8
	<u>\$ 11.0</u>	<u>\$ 10.4</u>
SCHEDULE 11		
DEFERRED REVENUE		
Harmonization Transitional Payment	\$ 353.0	\$ 364.0
Highway Improvement Recoveries	0.3	13.7
Motor Vehicle and Operators' Licenses	33.0	30.6
Real Property Taxes	185.8	180.7
Redevelopment of the Miramichi Region - Grant	8.6	8.6
Renovation of Old Government House - Grant	2.1	4.1
Other	3.4	5.4
	<u>\$ 586.2</u>	<u>\$ 607.1</u>
SCHEDULE 12		
DEPOSITS HELD IN TRUST		
Administrator of Estates of Patients in Psychiatric Facilities	\$ 0.5	\$ 0.5
Contractors' Deposits	1.0	0.8
Court of Queen's Bench	3.1	2.1
Employee Contributions for Early Retirement Benefits	6.2	4.3
Mining Licenses - Non-Performance Renewal Fees	1.9	1.9
New Brunswick Crop Reinsurance Fund	0.5	0.3
Sale of Property for Taxes	0.8	0.7
Scholarship Trusts	1.6	1.4
Tenants' Security Deposits	8.1	7.9
Other	2.3	1.1
	<u>\$ 26.0</u>	<u>\$ 21.0</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)		
	<u>1998</u> <u>Budget</u>	<u>1998</u> <u>Actual</u>	<u>1997</u> <u>Actual</u>
SCHEDULE 13			
TAXES ON CONSUMPTION			
Gasoline and Motive Fuels Tax	\$ 169.0	\$ 165.3	\$ 165.3
Harmonized Sales Tax	595.8	583.4	---
Social Services and Education Tax	---	---	729.1
Tobacco Tax	47.0	42.4	40.9
Other	1.9	0.1	2.2
	<u>\$ 813.7</u>	<u>\$ 791.2</u>	<u>\$ 937.5</u>
SCHEDULE 14			
TAXES ON INCOME			
Corporate Income Tax	\$ 133.0	\$ 206.3	\$ 236.6
Mining Tax	4.0	4.4	3.9
Personal Income Tax	821.0	810.4	825.1
	<u>\$ 958.0</u>	<u>\$ 1,021.1</u>	<u>\$ 1,065.6</u>
SCHEDULE 15			
OTHER TAXES			
Financial Corporation Capital Tax	\$ 9.1	\$ 8.5	\$ 8.2
Insurance Premium Tax	25.6	24.4	24.7
Large Corporation Capital Tax	30.0	25.7	---
Other	2.7	2.9	2.9
	<u>\$ 67.4</u>	<u>\$ 61.5</u>	<u>\$ 35.8</u>
SCHEDULE 16			
LICENSES AND PERMITS			
Angling Licenses	\$ 1.8	\$ 1.8	\$ 1.9
Corporations - Annual Filing Fees	1.7	1.7	1.7
Corporations - Letters Patent	1.1	1.0	1.0
Hunting Licenses	2.6	2.3	2.4
Liquor Licensing Board	5.4	2.8	5.0
Motor Vehicle Licenses	73.2	70.6	70.7
Other	8.0	9.3	8.0
	<u>\$ 93.8</u>	<u>\$ 89.5</u>	<u>\$ 90.7</u>
SCHEDULE 17			
ROYALTIES			
Forest	\$ 46.8	\$ 46.9	\$ 43.5
Mines	14.3	10.8	14.4
	<u>\$ 61.1</u>	<u>\$ 57.7</u>	<u>\$ 57.9</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)		
	<u>1998 Budget</u>	<u>1998 Actual</u>	<u>1997 Actual</u>
SCHEDULE 18			
INVESTMENT INCOME			
Lottery Revenues	\$ 103.5	\$ 85.7	\$ 85.9
New Brunswick Liquor Corporation	86.0	85.3	83.4
New Brunswick Power Corporation	23.7	(21.2)	(19.4)
Workplace Health, Safety and Compensation Commission	9.6	6.8	25.1
Other Investment Income	17.9	23.0	24.5
	<u>\$ 240.7</u>	<u>\$ 179.6</u>	<u>\$ 199.5</u>
SCHEDULE 19			
OTHER PROVINCIAL REVENUE			
Sales of Goods and Services	\$ 102.5	\$ 119.3	\$ 111.2
Other Revenue	67.3	42.7	25.8
	<u>\$ 169.8</u>	<u>\$ 162.0</u>	<u>\$ 137.0</u>
SCHEDULE 20			
CONDITIONAL GRANTS - CANADA			
Vocational Treatment and Rehabilitation of Disabled Persons	\$ 3.1	\$ 4.9	\$ 3.3
Canada Assistance Plan	1.0	2.7	7.3
Canada Mortgage and Housing Corporation	21.3	36.1	25.3
Canadian Job Strategy - Job Entry	1.9	0.4	1.1
Economic Development	21.8	14.2	20.2
Highway Improvements	58.1	77.1	83.8
Infrastructure Program	5.0	8.7	11.2
Job Corps	---	8.1	8.2
Labour Force Development Agreement	---	1.1	1.1
Labour Market Development Agreement	---	44.0	---
New Brunswick Works	1.8	1.3	3.0
Official Languages in Education Agreement	16.2	14.2	14.5
Young Offenders Act	4.4	4.9	4.0
Other	22.7	35.6	23.1
	<u>\$ 157.3</u>	<u>\$ 253.3</u>	<u>\$ 206.1</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)		
	<u>1998 Budget</u>	<u>1998 Actual</u>	<u>1997 Actual</u>
SCHEDULE 21			
EDUCATION			
Advanced Education and Labour	\$ 142.3	\$ 171.2	\$ 146.9
Education	627.4	632.7	628.9
General Government	27.1	(31.4)	9.4
Maritime Provinces Higher Education Commission	165.6	165.7	172.1
Supply and Services	22.0	24.8	23.2
	<u>\$ 984.4</u>	<u>\$ 963.0</u>	<u>\$ 980.5</u>
SCHEDULE 22			
HEALTH			
Health and Community Services	\$ 1,292.0	\$ 1,297.9	\$ 1,284.0
Supply and Services	9.0	8.5	32.6
	<u>\$ 1,301.0</u>	<u>\$ 1,306.4</u>	<u>\$ 1,316.6</u>
SCHEDULE 23			
INCOME ASSISTANCE			
General Government	\$ 2.1	\$ 4.5	\$ 3.2
Human Resources Development - NB	296.0	294.9	299.4
	<u>\$ 298.1</u>	<u>\$ 299.4</u>	<u>\$ 302.6</u>
SCHEDULE 24			
JUSTICE			
General Government	\$ 2.0	\$ 1.6	\$ 1.0
Justice	30.5	28.5	28.3
Solicitor General	71.6	73.6	76.2
Supply and Services	1.4	0.9	0.1
	<u>\$ 105.5</u>	<u>\$ 104.6</u>	<u>\$ 105.6</u>

SCHEDULES TO THE FINANCIAL STATEMENTS
31 March 1998

	(millions)		
	<u>1998 Budget</u>	<u>1998 Actual</u>	<u>1997 Actual</u>
SCHEDULE 25			
ECONOMIC DEVELOPMENT			
Agriculture and Rural Development	\$ 23.4	\$ 24.6	\$ 25.9
Economic Development and Tourism	44.9	44.2	34.7
Environment	33.3	34.0	33.0
Fisheries and Aquaculture	11.2	12.4	11.1
General Government	45.4	44.5	44.4
Natural Resources and Energy	76.2	75.4	71.9
Regional Development Corporation	53.2	62.2	63.6
Regional Development Corporation - Special Operating Agency	26.0	55.6	33.6
Supply and Services	0.8	9.3	10.6
	<u>\$ 314.4</u>	<u>\$ 362.2</u>	<u>\$ 328.8</u>
SCHEDULE 26			
MUNICIPAL AFFAIRS			
General Government	\$ 0.2	\$ 0.2	\$ 0.2
Municipalities, Culture and Housing	193.0	204.5	205.0
Supply and Services	0.3	0.3	0.3
	<u>\$ 193.5</u>	<u>\$ 205.0</u>	<u>\$ 205.5</u>
SCHEDULE 27			
TRANSPORTATION			
General Government	\$ 0.3	\$ ---	\$ ---
Transportation	395.8	382.0	394.6
	<u>\$ 396.1</u>	<u>\$ 382.0</u>	<u>\$ 394.6</u>
SCHEDULE 28			
CENTRAL GOVERNMENT			
Executive Council	\$ 3.2	\$ 3.0	\$ 2.8
Finance	19.3	20.6	18.4
General Government	68.7	70.4	31.1
Intergovernmental and Aboriginal Affairs	1.4	1.4	1.2
Legislative Assembly	10.2	9.9	10.1
New Brunswick Investment Management Corporation	---	2.7	2.7
Office of the Comptroller	4.9	4.9	5.0
Office of the Premier	1.3	1.3	1.2
Supply and Services	89.6	88.1	84.7
	<u>\$ 198.6</u>	<u>\$ 202.3</u>	<u>\$ 157.2</u>