

Public Accounts

VOLUME 2 – AGENCIES AND FUNDS

Province of Nova Scotia

for the fiscal year 1998-1999

THE HONOURABLE NEIL J. LEBLANC, MINISTER OF FINANCE





PUBLIC ACCOUNTS
OF THE
PROVINCE OF NOVA SCOTIA
FOR THE
Fiscal Year Ended March 31
1999

VOLUME 2 - AGENCIES AND FUNDS

PRINTED BY ORDER OF THE LEGISLATURE



Nova Scotia

HALIFAX, N.S.
1999

PROVINCE OF NOVA SCOTIA
TABLE OF CONTENTS
AGENCIES AND FUNDS

Annapolis Valley Regional School Board	4
Art Gallery of Nova Scotia	20
Bedford Waterfront Development Corporation	30
Cape Breton Health Care Complex	38
Cape Breton Victoria Regional School Board	49
Central Regional Health Board	64
Check Inns Limited	76
Chignecto-Central Regional School Board	78
Collège de l'Acadie	93
Conseil scolaire acadien provincial	105
Eastern Regional Health Board	118
Environmental Trust Fund	130
Fisheries and Aquaculture Development Fund	133
Halifax-Dartmouth Bridge Commission	137
Halifax Regional School Board	145
Highway 104 Western Alignment Corporation	161
Housing Development Corporation	171
Housing Development Fund	178
Industrial Expansion Fund	183
Insured Prescription Drug Plan Trust Fund	190
Izaak Walton Killam Grace Health Centre	194
Law Reform Commission	205
Members' Retiring Allowances Act	207
Northern Regional Health Board	211
Nova Scotia Alcohol & Gaming Authority	221
Nova Scotia Arts Council	225
Nova Scotia Business Development Corporation	236
Nova Scotia Community College	243
Nova Scotia Crop and Livestock Insurance Commission	251
Nova Scotia Farm Loan Board	258
Nova Scotia Film Development Corporation	262
Nova Scotia Freedom of Information & Protection of Privacy Review Office	269
Nova Scotia Gaming Corporation	274
Nova Scotia Gaming Foundation	293
Nova Scotia Harness Racing Incorporated	297
Nova Scotia Hospital	302

Nova Scotia Innovation Corporation	311
Nova Scotia Legal Aid Commission	323
Nova Scotia Liquor Commission	331
Nova Scotia Municipal Finance Corporation	336
Nova Scotia Police Commission	344
Nova Scotia Power Finance Corporation	350
Nova Scotia Primary Forest Products Marketing Board	357
Nova Scotia Resources Limited	362
Nova Scotia Talent Trust	371
Nova Scotia Teachers' Pension	375
Nova Scotia Utility and Review Board	383
Novaco Limited	391
Provincial Community Pasture Board	394
Provincial Drug Distribution Program	398
Provincial Resort Hotels	403
Public Archives of Nova Scotia	405
Public Service Superannuation Fund	413
Public Trustee Trust Funds	421
Queen Elizabeth II Health Sciences Centre	426
Resource Recovery Fund Board Inc.	440
Sherbrooke Restoration Commission	449
Southwest Regional School Board	456
Strait Regional School Board	476
Sydney Environmental Resources Limited	488
Sydney Steel Corporation	492
Tidal Power Corporation	498
Trade Centre Limited	500
Transportation Trust Fund	507
Upper Clements Family Theme Park Limited	508
Victims' Assistance Fund	511
Waterfront Development Corporation Limited	512
Western Regional Health Board	520
Workers' Compensation Board of Nova Scotia	531

AUDITORS' REPORT

To the Chairman and Members of the
Annapolis Valley Regional School Board

We have examined the Consolidated, Operating Fund, Capital Fund, Reserve Fund and Trust Fund balance sheets of the Annapolis Valley Regional School Board as at March 31, 1999 and the statements of operations for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Kentville, Nova Scotia
June 10, 1999

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
as at March 31, 1999**

ASSETS	1999	1998
Cash	\$ 5,550	\$ 5,550
Receivables		
Province of Nova Scotia	1,544,661	1,143,512
Gov't of Canada	806,262	891,249
Other school boards	315,979	356,310
Municipalities	668	613,421
Other	912,298	613,957
Current portion of note	108,756	108,756
Due from Trust Funds	20,009	19,418
Prepaid expenses	332,833	203,260
Inventories	117,173	113,842
Deferred charges - service awards	460,314	356,751
	<u>4,624,503</u>	<u>4,426,026</u>
Restricted cash & investments (Note 2)	27,394	28,006
Note receivable (Note 3)	32,627	141,383
Deferred charges - long term-services awards (Note 4)	425,996	749,011
Fixed assets at cost		
School property & equipment (Note 1)	84,812,652	83,510,499
School buses & other vehicles (Note 1)	4,290,065	4,089,672
	<u>\$ 94,213,237</u>	<u>\$ 92,944,597</u>

LIABILITIES

Current		
Bank Indebtedness	\$ 3,509,057	\$ 6,183,565
Payables and accruals		
Trade	623,514	505,954
Other	544,782	211,030
Deferred Revenue	664,843	140,579
Commitment to Early Retirement Program (Note 5)	---	2,611,195
	<u>5,342,196</u>	<u>9,652,323</u>
Commitment to Early Retirement Program (Note 5)	18,526,149	12,382,663
Term Debt		
Board debenture debt (Note 6)	89,014	235,004
Capital Lease (Note 6)	401,983	---
	<u>24,359,342</u>	<u>22,269,990</u>

EQUITY

Investment in Capital Assets	88,605,935	87,365,167
Surplus (Deficit) - Non Restricted	(389,301)	(1,842,198)
Surplus - Restricted (Cafeteria)	27,394	28,006
Reserves	130,231	117,490
Deficiency in Early Retirement Program	(18,526,149)	(14,993,858)
Trust funds (Note 7)	---	---
	<u>69,848,110</u>	<u>70,674,607</u>
	<u>\$ 94,207,452</u>	<u>\$ 92,944,597</u>

Contingencies (Note 8)
Commitments (Note 10)

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Statement of Operations
for the year ended March 31, 1999**

		1999		1998 Actual
Revenue	Page	Budget	Actual	
Province of Nova Scotia	12	\$ 69,772,175	\$ 68,565,719	\$ 65,919,680
Government of Canada	12	874,247	808,408	806,122
Appropriations from Councils	13	14,183,940	14,183,941	12,808,814
Board Operations	13	1,749,790	3,282,268	2,290,089
Transfer from Reserves	10	---	6,048	140,620
Transfer from Surplus	5	---	---	659,859
		86,580,152	86,846,384	82,625,184
 Expenditures				
Regional Board Management	14	2,274,480	2,201,952	2,067,100
School Admin. & Instruction	15	57,640,000	57,578,972	57,445,826
School Cafeterias	16	985,637	1,049,605	954,906
Property Services	16	6,771,772	6,816,257	6,896,940
Pupil Transportation	17	5,828,082	6,128,211	5,755,744
Special Education	18	8,958,113	9,091,746	8,415,778
Adult Education	18	1,193,247	1,475,667	1,205,615
Federal Programs	19	56,400	51,098	133,008
Capital Purchases	19	815,100	818,313	1,424,353
Debt Service Costs	19	162,885	162,877	168,112
Prior Year's Deficit		1,894,436	1,842,198	---
		86,580,152	87,216,896	84,467,382
Excess (deficiency) of revenue over expenditures before transfer to reserves		---	(370,512)	(1,842,198)
Transfer to reserves	10	---	18,789	---
Excess (deficiency) of revenue over expenditure.		\$ ---	\$ (389,301)	\$ (1,842,198)

**Statement of Continuity of Surplus (Deficit)
for the year ended March 31, 1999**

	1999	1998
Balance beginning of period	\$ (1,842,198)	\$ 659,859
Transfer to current operations	1,842,198	(659,859)
	\$ ---	\$ ---
Excess (deficiency) of revenue over expenditures	\$ (389,301)	\$ (1,842,198)
Balance, end of period.	\$ (389,301)	\$ (1,842,198)
Analysis of surplus (deficit):		
Non-restricted.	\$ (389,301)	\$ (1,842,198)

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
as at March 31, 1999**

		ASSETS	
		1999	1998
Current			
Cash	\$	5,550	\$ 5,550
Receivables			
Province of Nova Scotia		1,186,304	737,144
Government of Canada		806,262	891,249
Due from other Boards		315,979	356,310
Due from Municipalities		668	613,421
Other		912,298	613,957
Note Receivable		108,756	108,756
Due from Capital Fund		358,357	406,368
Due from Trust Funds		20,009	19,419
Inventories, at cost		117,173	113,842
Prepaid expenses		332,833	203,260
Deferred Charges - Service Awards		460,314	356,751
		<u>4,624,503</u>	<u>4,426,027</u>
Note receivables (Note 3)		32,627	141,383
Deferred charges - long term-Services Awards (Note 4)		425,996	749,011
Restricted cash & Investments (Note 2)		27,394	28,006
	\$	<u><u>5,110,520</u></u>	\$ <u><u>5,344,427</u></u>

LIABILITIES

Current			
Bank Indebtedness	\$	3,509,057	\$ 6,183,565
Payables and accruals			
Trade		623,514	505,954
Other		544,782	211,030
Deferred Revenue		664,843	140,580
Commitment to ERP (Note 5)		---	2,611,195
		<u>5,342,196</u>	<u>9,652,324</u>
Due to Reserve Fund		130,231	117,490
Commitment of ERP (Note 5)		18,526,149	12,382,663
		<u>23,998,576</u>	<u>22,152,477</u>

EQUITY

Surplus - Restricted (Cafeteria)		27,394	28,006
Surplus (Deficit) - Non Restricted		(389,301)	(1,842,198)
Deficiency in ERP		<u>(18,526,149)</u>	<u>(14,993,858)</u>
		<u>(18,888,056)</u>	<u>(16,808,050)</u>
	\$	<u><u>5,110,520</u></u>	\$ <u><u>5,344,427</u></u>

Contingencies (Note 8)
Commitments (Note 10)

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Capital Fund Balance Sheet
as at March 31, 1999**

ASSETS		1999	1998
Accounts Receivable			
Due from Province of NS	\$	358,357	\$ 406,368
Fixed assets, at cost			
Land, buildings and improvements (Note 1)		76,781,698	76,033,954
Equipment and furnishings.		8,025,169	7,476,545
School buses and other vehicles		4,290,065	4,089,672
	\$	<u>89,455,289</u>	<u>\$ 88,006,539</u>
Due to operating fund.	\$	358,357	\$ 406,368
Term debt			
Board debenture debt (Note 6).		89,014	235,004
Capital Lease (Note 6)		401,983	---
EQUITY			
Investment in capital assets		<u>88,605,935</u>	<u>87,365,167</u>
	\$	<u>89,455,289</u>	<u>\$ 88,006,539</u>

**Statement of Continuity of Investment in Capital Assets
for the year ended March 31, 1999**

Balance, beginning of period	\$	<u>87,365,167</u>	<u>\$ 85,244,398</u>
Capital Expenditures:			
Land, Buildings & Improvements			
Capital Grant, L E Shaw Project		157,638	435,447
Capital Grant, Middleton Bus Garage		133,886	277,606
Capital Grant Renovation Projects		66,833	---
		<u>358,357</u>	<u>713,053</u>
Capital expenditures from operating:			
School buses		282,285	430,240
Equipment and furnishings		550,824	270,515
Land, building & Improvements		387,187	723,598
		<u>1,220,296</u>	<u>1,424,353</u>
Capital Lease - Equipment.		(401,983)	---
Retirement of debt:			
Redemption of district Board Debenture Debt		145,990	138,362
Retirement of fixed assets:			
Equipment and furnishings.		---	(30,000)
School buses		(81,892)	(124,999)
		<u>1,240,768</u>	<u>2,120,769</u>
Balance, end of period	\$	<u>88,605,935</u>	<u>\$ 87,365,167</u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Reserve Fund Balance Sheet
as of March 31, 1999**

ASSETS

	1999	1998
Cash	\$ ---	\$ ---
Due from Operating Fund	<u>130,231</u>	<u>117,490</u>
	\$ <u><u>130,231</u></u>	\$ <u><u>117,490</u></u>

EQUITY

Reserves for program enhancement:		
School Bus Disposal (Drapes)	\$ 9,132	\$ 15,180
KCDSB History	2,000	2,000
Teacher Education Fund	116,385	97,596
Prof. Development - Kings	<u>2,714</u>	<u>2,714</u>
	\$ <u><u>130,231</u></u>	\$ <u><u>117,490</u></u>

**Statement of Continuity of Reserves
For the year ended March 31, 1999**

	Balance at March 31, 1998	Transfers from Operating	Transfers to Operating	Balance at March 31, 1999
School Bus Disposal	\$ 15,180	\$ ---	\$ 6,048	\$ 9,132
KCDSB History	2,000	---	---	2,000
Minority Language	---	---	---	---
Teacher Education Fund	97,596	18,789	---	116,385
Instruction Supplies	---	---	---	---
KWITSS	---	---	---	---
Science Fair	---	---	---	---
Prof. Development - Kings	<u>2,714</u>	---	---	<u>2,714</u>
	\$ <u><u>117,490</u></u>	\$ <u><u>18,789</u></u>	\$ <u><u>6,048</u></u>	\$ <u><u>130,231</u></u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Trust Funds Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Cash	\$ 489,890	\$ 381,555
Investments, at cost	3,700	3,700
Due from (to) operating account	<u>(20,009)</u>	<u>(19,418)</u>
	\$ <u><u>473,581</u></u>	\$ <u><u>365,837</u></u>

EQUITY

Trust funds (Note 7)	\$ <u><u>473,581</u></u>	\$ <u><u>365,837</u></u>
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**Statement of Trust Funds
for the year ended March 31, 1999**

Balance, beginning of period	\$ 365,837	\$ 291,092
Donations received	152,900	105,371
Interest earned	23,444	13,439
Foundation Transfer	---	39,656
Disbursements	<u>(68,600)</u>	<u>(83,721)</u>
Balance, end of period	\$ <u><u>473,581</u></u>	\$ <u><u>365,837</u></u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Revenues
for the year ended March 31, 1999**

	1999		
	Budget	Actual	1998 Actual
PROVINCE OF NOVA SCOTIA			
General Formula	\$ 55,784,968	\$ 55,784,967	\$ 51,757,127
Pupil transportation	5,117,875	4,981,500	4,981,500
Special education	4,698,757	4,654,534	4,697,121
Textbook Allocation	750,618	750,618	750,618
French special project	12,515	21,532	34,427
French Immersion.	21,086	33,334	---
Bus purchase grant	600,600	600,600	600,600
Special grant.	899,506	---	250,000
Emergency capital grants	220,000	224,000	484,000
Capital debt	55,250	54,634	59,825
ERP grant	---	---	2,293,935
Other.	1,611,000	1,460,000	10,527
	<u>\$ 69,772,175</u>	<u>\$ 68,565,719</u>	<u>\$ 65,919,680</u>
GOVERNMENT OF CANADA			
Human Resources Development	\$ 572,163	\$ 470,725	\$ 394,603
Native students	85,000	110,975	81,383
Secretary of State:			
Minority Language	43,650	43,650	60,959
French Special Projects	46,587	21,529	35,586
French Immersion.	64,614	83,335	---
Co-Op Education	8,400	8,725	46,658
Other.	53,833	69,469	186,933
	<u>\$ 874,247</u>	<u>\$ 808,408</u>	<u>\$ 806,122</u>
APPROPRIATIONS FROM COUNCILS			
Mandatory			
Town of Annapolis Royal	\$ 85,150	\$ 85,150	\$ 80,765
Town of Berwick	330,744	330,744	289,749
Town of Bridgetown.	111,243	111,243	112,972
Town of Hantsport.	166,312	166,313	160,303
Town of Kentville.	748,873	748,873	700,667
Town of Middleton	244,185	244,185	229,872
Town of Windsor	454,773	454,773	471,063
Town of Wolfville.	484,754	484,754	392,855
Municipality of Annapolis.	2,306,161	2,306,161	2,119,151
Municipality of Kings	7,695,442	7,695,442	6,798,200
Municipality of West Hants.	1,556,303	1,556,303	1,453,217
	<u>\$ 14,183,940</u>	<u>\$ 14,183,941</u>	<u>\$ 12,808,814</u>
BOARD OPERATIONS			
Investment interest.	\$ ---	\$ 69,478	\$ ---
Cafeterias.	985,637	1,055,102	950,624
Adult Education Fees & Revenues.	417,448	741,574	474,425
Tuition	20,000	22,628	17,691
Facility and Bus Rental	28,000	29,743	55,756
Sale of Assets.	5,000	352	10,473
Other Fees & revenues	293,705	1,363,391	781,120
	<u>\$ 1,749,790</u>	<u>\$ 3,282,268</u>	<u>\$ 2,290,089</u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
for the year ended March 31, 1999**

1999

	Budget		Actual		1998 Actual
REGIONAL BOARD MANAGEMENT					
Salaries and Wages	\$ 1,162,022	\$	1,126,183	\$	1,059,751
Board Member expense.	100,200		105,000		115,151
Employee benefits.	123,743		128,086		129,542
Supplies and materials.	114,000		117,746		122,662
Telephone	68,600		35,164		71,995
Travel and conference - staff.	59,500		53,310		51,660
Travel and conference - board	62,400		49,931		62,334
Insurance.	95,669		96,141		84,808
Professional fees	110,000		123,182		88,920
Contracted Services	50,500		56,281		33,774
Office Rental & Maintenance.	136,875		141,610		41,686
Advertising and Promotion.	47,000		45,614		38,493
Equipment Contracts.	2,500		3,629		5,118
Elections	---		---		29,988
NSSBA & Other Dues & Fees.	90,171		89,007		82,685
In-Service & Prof. Development	33,800		10,636		10,113
Bank charges.	---		46		15,178
Other	17,500		20,386		23,242
	\$ <u>2,274,480</u>	\$	\$ <u>2,201,952</u>	\$	\$ <u>2,067,100</u>

SCHOOL ADMINISTRATION & INSTRUCTION

Salaries and Wages					
Administration.	\$ 4,717,504	\$	4,623,013	\$	4,549,040
Instructional.	40,386,812		39,344,128		38,315,863
Substitutes.	1,679,500		1,603,073		1,879,225
Sabbatical.	326,929		292,072		---
Library.	615,207		646,662		568,398
Guidance.	871,689		869,228		760,184
Clerical.	1,448,909		1,400,484		1,396,685
Other.	842,360		1,089,318		879,556
Employee Benefits	3,165,285		3,184,152		3,071,310
Professional Development.	303,535		317,056		177,849
Service Awards.	356,751		437,761		392,325
Supplies and Materials.	1,141,582		1,480,462		1,558,270
Inservice training.	119,400		124,520		32,728
Conference grants.	133,074		97,488		63,847
Travel and conferences.	132,500		144,707		162,086
Telephone	190,374		289,040		201,006
Early Retirement Payments.	---		---		2,379,480
Computer Services.	132,000		386,605		215,376
Textbook Allocation.	750,618		750,618		750,618
Library books and aids	79,096		63,426		43,584
Other	246,875		435,159		48,396
	\$ <u>57,640,000</u>	\$	\$ <u>57,578,972</u>	\$	\$ <u>57,445,826</u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
for the year ended March 31, 1999**

1999

	Budget		Actual		1998 Actual
SCHOOL CAFETERIAS					
Salaries and Wages	\$ 347,481	\$	338,653	\$	276,780
Employee Benefits	38,156		34,552		27,983
Food and materials.	600,000		676,400		649,823
Other	---		---		320
	<u>\$ 985,637</u>	\$	<u>1,049,605</u>	\$	<u>954,906</u>
PROPERTY SERVICES					
Salaries and wages.	\$ 2,006,178	\$	2,095,813	\$	2,041,921
Employee benefits	271,503		297,413		283,766
Supplies and materials.	723,700		695,657		757,295
In-Service & Prof. Development	1,000		4,222		426
Travel and conferences.	58,000		53,544		61,350
Insurance	179,018		179,018		191,979
Utilities.	1,932,500		1,678,819		1,925,961
Contracted services - Maintenance.	243,000		285,798		403,325
Contracted services - Custodial.	1,323,873		1,258,923		1,197,396
Telephone	18,000		15,060		26,233
Computer Services.	---		---		2,801
Other Expenses	15,000		251,990		4,487
	<u>\$ 6,771,772</u>	\$	<u>6,816,257</u>	\$	<u>6,896,940</u>
PUPIL TRANSPORTATION					
Salaries and Wages	\$ 1,611,657	\$	1,706,948	\$	1,661,764
Employee benefits	220,703		210,833		164,576
Vehicle operating:					
Gas and oil.	175,770		151,763		152,538
Tires.	42,400		47,908		31,340
Repairs and maintenance	127,100		170,057		120,362
License and insurance.	42,100		41,837		62,285
Supplies and materials	126,400		81,364		114,831
Maintenance and utilities:					
Garages.	48,400		29,420		59,933
Bus Site maintenance.	1,000		2,573		101
Travel & conferences.	15,200		16,531		13,340
Contract conveyance.	3,414,437		3,680,017		3,310,000
Inservice training	4,500		5,900		4,458
Extra-curricular (Recoveries)	(37,000)		(54,377)		49,405
Telephone	10,300		5,557		10,811
Other	25,115		31,880		---
	<u>\$ 5,828,082</u>	\$	<u>6,128,211</u>	\$	<u>5,755,744</u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
for the year ended March 31, 1999**

1999

	Budget		Actual		1998 Actual
SPECIAL EDUCATION					
Salaries and Wages	\$ 8,147,370	\$	\$ 8,245,038	\$	\$ 7,602,700
Employee Benefits	664,371		657,658		699,057
Supplies and materials.	36,372		75,686		44,824
Travel and conferences.	51,000		51,445		44,326
Telephone.	9,000		6,160		8,723
In Service & Prof. Development.	15,000		15,764		8,518
Other	35,000		39,995		7,630
	<u>\$ 8,958,113</u>	\$	<u>\$ 9,091,746</u>	\$	<u>\$ 8,415,778</u>
 ADULT EDUCATION					
Salaries and wages.	\$ 819,655	\$	\$ 939,836	\$	\$ 868,997
Employee benefits	45,784		62,050		55,080
Supplies and materials.	93,599		196,437		122,795
Travel and conferences.	22,992		29,657		17,670
Facility Rental	89,314		131,711		70,185
Telephone.	14,753		15,556		24,696
Inservice & Prof. Development	5,500		16,992		10,443
Computer Services.	35,000		27,549		2,858
Advertising & Promotion.	15,000		19,850		18,214
Other	51,650		36,029		14,677
	<u>\$ 1,193,247</u>	\$	<u>\$ 1,475,667</u>	\$	<u>\$ 1,205,615</u>
 FEDERAL PROGRAMS					
Co-op Education.	\$ 8,400	\$	\$ 9,235	\$	\$ 63,462
Reading Recovery	48,000		41,863		69,546
	<u>\$ 56,400</u>	\$	<u>\$ 51,098</u>	\$	<u>\$ 133,008</u>
 DEBT SERVICE COSTS					
Principal	\$ 145,990	\$	\$ 145,990	\$	\$ 138,362
Interest.	16,895		16,887		29,750
	<u>\$ 162,885</u>	\$	<u>\$ 162,877</u>	\$	<u>\$ 168,112</u>
 CAPITAL PURCHASES					
Repair and renovations.	\$ 545,000	\$	\$ 483,997	\$	\$ 723,598
Furniture and equipment.	1,200		52,031		270,515
Transportation - buses.	268,900		282,285		430,240
	<u>\$ 815,100</u>	\$	<u>\$ 818,313</u>	\$	<u>\$ 1,424,353</u>

The accompanying notes are an integral part of these financial statements.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

**Notes to the Financial Statements
March 31, 1999**

1. Summary of significant accounting policies

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Department of Education School Board Financial Handbook.

Financial statement presentation

The financial statements to the Board have been prepared in accordance with the fund basis of accounting.

Basis of accounting

The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis. Teachers' salaries and those of non-teaching employees are recorded on the cash basis. No provision is made for the accrual of service award credits earned. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

School property, equipment, buses and other vehicles

School property, equipment and buses taken over from the Kings County District School Board which were previously transferred from the Kings County Amalgamated School Board and the Town of Hantsport have been recorded at costs to the Amalgamated Board and the Town respectively. Assets taken over from the Annapolis District School Board and Hants West District School Board which were formerly held by municipal units are recorded at their transferred amount.

Under the previous district school board agreements for the Annapolis and Hants West District School Boards, all school buildings and land on hand at December 31, 1981 remain assets of the municipal units but are under the operational control of the Board until such time as the Board no longer requires the asset for school board purposes. At that time control will revert back to the municipal units.

All major capital additions to school buildings on hand at December 31, 1981 and any new school construction commencing after that date are assets of the Board. As a result, the Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the school board under the circumstances notes above, a portion of the proceeds will be payable to the school board. In the event of the destruction of a building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the school board.

All capital additions and acquisitions since December 31, 1981 have been recorded at actual cost. Depreciation is not being recorded on the school buildings, equipment, buses or other vehicles.

2. Restricted cash and investments

Schedule of restricted cash and investments:	1999	1998
Operating fund (pg. 6)		
Surplus - Restricted (Cafeterias)	\$ 27,394	\$ 28,006

3. Note receivable

The board has a 9.75% note receivable maturing in June, 2000. Principal repayments are due in the following fiscal years:

1999-2000	\$	108,756
2000-2001	\$	32,627

4. Deferred charges - Teacher Service Awards

Under the terms of the agreements with the local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who meets specified conditions on termination of employment. The amount of the award is based on a calculation using the teacher's annual salary and length of service. Currently there are three different formulae in use within the region based on the contracts previously in effect in the former district school boards. No estimate of accrued total liability has been determined pending the negotiation of a single consolidated collective agreement for the region.

As a result of the Early Retirement Program, the Province has directed that service award expenses should be expensed in the year in which they would normally be due rather than at the early retirement date when they have actually been paid. As a result the Board has recorded deferred charges totaling \$886,310 to be expensed as follows:

1999-2000	\$	460,314
2000-2001	\$	314,541
2001-2002	\$	111,455

No provision has been made for accrued service award credits and no funds have been set aside for the payment of future awards.

5. Early Retirement Program

On July 22, 1994, regulations governing the Nova Scotia Teachers' Early Retirement (1994-98) program were enacted by the Province of Nova Scotia. This program entitles teachers who meet the eligibility criteria to retire at a date preceding their normal retirement date.

This program operates and is accounted for in the following manner. For each program participant the Board records the present value of the prescribed obligation with a corresponding deferred expenditure amount. In respect of each participant, the obligation is being repaid in monthly instalments; payments are charged to operations. In addition, both the deferred expenditure account and the obligation are reduced by the extent of the principal retired.

For the fiscal year ending March 31, 1999, the Board has been granted a payment holiday and, as a result, no amount has been included in its 1998-1999 expenditures.

As at March 31, 1999, there were 208 teachers who had retired under the Early Retirement Program. The Board has recognized the remaining liability associated with these retirements in the amount of \$18,526,149 as a March 31, 1999.

6. Board debenture debt

<u>Kings County District School Board Debenture</u>	1999	1998
Paid out during the year	\$ ---	\$ 50,000

Municipal Finance Corporation Debenture

Interest rates varying from 8.25% to 8.50%, original principal \$354,669 issued May 2, 1995. Repayable in 4 annual installments. The Board is committed to the following payments

May 2, 1999	89,014	185,004
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Interest is payable semi-annually on the outstanding principal.

Total Board Debenture Debt	\$ <u>89,014</u>	\$ <u>235,004</u>
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Lease Liability

During 1998-99 the Annapolis Valley Regional School Board entered into two Capital Lease Agreements for equipment purchases. They total \$401,983 and will be repaid over a 36 month period commencing April 1, 1999 as follows:

1999-2000	\$ 136,442
2000-2001	\$ 151,535
2001-2002	\$ 114,006

7. Trust funds

The Annapolis Valley Regional School Board manages a number of trust funds primarily for the generation of scholarships and awards. The following is a summary of the trusts and their activity during the year. Effective April 1, 1997 the Board incorporated the activities of the former Kings County District School Board Foundation. These are now carried as a separate Trust Account.

ANNAPOLIS VALLEY REGIONAL SCHOOL BOARD

Managed Trust Funds:

	March 31, <u>1998</u>	<u>Additions</u>	<u>Interest</u>	Disburse- <u>ments</u>	March 31, <u>1999</u>
ACES Trust	\$ 4,773	---	215	1,000	3,988
ARRA Library Trust	5,131	70	261	---	5,462
Atkinson Trust	2,181	225	107	350	2,163
Bateman Trust	1,034	---	58	46	1,047
Beals Trust	48,784	44,378	3,980	2,300	94,842
Beattie Trust	10,332	---	518	400	10,450
Blackburn Trust	3,157	266	94	3,475	42
Borden Trust	3,306	---	178	100	3,384
Carter Trust	6,864	---	367	250	6,981
Coldwell Trust	5,106	---	271	200	5,177
Cummings Trust	12,420	---	627	---	13,047
Dalton Trust	13,652	1,015	696	500	14,863
DeEll Trust	---	50,000	2,100	---	52,100
Haskell Trust	19,974	1,000	1,051	1,000	21,025
Hibbard Trust	10,359	---	519	450	10,427
Hudgins Trust	414	---	20	18	416
Inglis Trust	20,594	---	1,028	400	21,222
Jones - BRES	5,076	5,722	942	2,897	8,843
Jones-BRHS	19,036	5,722	1,166	5,386	20,538
Johnson Trust	11,034	---	546	450	11,130
KCDSB Trust(Warner)	5,163	---	255	300	5,118
Lyons Trust	4,697	---	253	200	4,750
MacNutt Trust	29,775	600	1,610	1,000	30,985
Mitchell Trust	1,245	---	72	50	1,267
MRHS40 th Ann. Trust	10,722	---	531	515	10,738
Neily Trust	374	---	23	---	397
Nixon Trust	4,586	200	235	250	4,771
Harry E. Parker Trust	2,914	---	142	200	2,856
Rena B. Parker Trust	37,446	---	1,868	1,600	37,714
Quartermain Trust	911	720	43	1,480	194
Rainforth Trust	---	390	12	---	402
Sinnott Trust	10,242	---	557	---	10,799
Earle Spicer Trust	22,182	---	993	800	22,375
Funds held temporarily for redistribution:					
Foundation	<u>32,353</u>	<u>42,592</u>	<u>2,106</u>	<u>42,983</u>	<u>34,068</u>
	\$ <u>365,837</u>	\$ <u>152,900</u>	\$ <u>23,444</u>	\$ <u>68,600</u>	\$ <u>473,581</u>

8. Contingencies

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

9. Pension Plan

The Board contributes to Registered Retirement Savings Plans and Registered Pension Plans on behalf on the non-teaching employees. The Boards teachers are covered by a pension plan established by the Province pursuant to the Teacher's Pension Act.

10. Commitments

Facility Rental

On March 5, 1997 the Annapolis Valley Regional School Board accepted a proposal from the Western Kings Memorial Health Centre for the provision of 17,000 square feet of office space to house the regional school board's administrative operations. Subsequently the Board also approved the acquisition of a further 1,000 square feet. The Board has entered into a 10 year lease for the facility and is committed to the following lease payments:

1999-2000	\$	126,000
2000-2001	\$	135,000
2001-2002	\$	135,000
2002-2003	\$	144,000 + prior year CPI
2003-2004	Prior year rate + prior year CPI	
2004-2005	Prior year rate + prior year CPI	
2005-2006	Prior year rate + prior year CPI	
2006-2007	Prior year rate + prior year CPI	

Grant Advance

During 1997-98 the Department of Education and Culture provided the Annapolis Valley Regional School Board with an additional operating grant in the amount of \$250,000. At the end of 1998-99 the Department forgave \$142,500 of this amount. The remaining \$107,500 will be recovered over a three year period commencing in as follows:

1999-2000	\$	41,422
2000-2001	\$	33,039
2001-2002	\$	33,039

P-3 Operating Expenses

During 1998-99 the Board opened the new Horton High School. This school was built under a Public Private Partnership arrangement with the Province of Nova Scotia as the lessee. The lease contains both a capital and operating component and all payments are made by the Province to the private partner. Since school boards are generally responsible for school operating expenses, the Province intends to recover a portion of the operating lease payment from the school board. As there are going to be a significant number of leased schools in the next few years, it has been agreed by the Province to establish a province wide rate for this recovery from school boards. At year end this rate had not been established so a settlement amount of \$318,025 for the period September 1, 1998 to March 31, 1999 was agreed to by the Province and board staff. It is expected that the costs for 1999-2000 will be in the range of \$600,000.

11. Comparative Figures

Certain of the 1998 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current board.

AUDITOR'S REPORT

To the Governors and Members of the
Art Gallery of Nova Scotia

We have audited the financial statements of the Art Gallery of Nova Scotia consisting of the following:

Art Gallery of Nova Scotia	- Combined Balance Sheet as at March 31, 1999
Gallery, Gallery Shop and Western Branch	- Balance Sheet as at March 31, 1999
Gallery	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1999
Gallery Shop	- Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1999
Western Branch	- Statement of Revenue, Expenditures and Deficit for the year ended March 31, 1999
Endowment Fund	- Balance Sheet as at March 31, 1999 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1999
Acquisition Fund	- Balance Sheet as at March 31, 1999 - Statement of Revenue, Expenditures and Surplus for the year ended March 31, 1999

These financial statements are the responsibility of the Gallery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In common with many charitable organizations, the Art Gallery of Nova Scotia derives revenues from donation receipts, special events, corporate campaigns, admissions and other income, the completeness of which is not susceptible of conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded revenues might be necessary to revenue, excess (deficiency) of revenue over expenditures for the year or surplus (deficit).

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the revenue described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Art Gallery of Nova Scotia as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Halifax, Canada
May 25, 1999

ERNST & YOUNG LLP
Chartered Accountants

ART GALLERY OF NOVA SCOTIA

**Combined Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash and cash equivalents	\$ 188,790	\$ 391,147
Accounts receivable	122,387	115,746
Inventory	159,623	100,726
Prepaid expenses	---	968
	<u>470,800</u>	<u>608,587</u>
Investments (Market value - \$3,053,273; 1998 - \$2,455,735)	2,927,857	2,021,178
	<u>\$ 3,398,657</u>	<u>\$ 2,629,765</u>

LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities	\$ 142,582	\$ 137,140
Deferred revenue	31,700	8,000
Phase II expansion	1,957,325	---
	<u>2,131,607</u>	<u>145,140</u>
Surplus - Gallery	3,160	2,432
Surplus - Gallery Shop	149,548	63,931
Deficit - Western Branch	(133,067)	(48,001)
Surplus - Endowment Fund	1,236,091	2,457,252
Surplus - Acquisition Fund	11,318	9,011
	<u>1,267,050</u>	<u>2,484,625</u>
	<u>\$ 3,398,657</u>	<u>\$ 2,629,765</u>

**Gallery, Gallery Shop and Western Branch
Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash and cash equivalents	\$ 32,428	\$ ---
Accounts receivable	93,696	110,014
Due from Acquisition Fund	9,830	9,562
Inventory	149,880	86,524
Prepaid expenses	---	968
	<u>285,834</u>	<u>207,068</u>

LIABILITIES AND SURPLUS		
Current		
Bank indebtedness	\$ ---	\$ 24,165
Accounts payable and accrued liabilities	117,953	126,112
Due to Endowment Fund	116,540	30,429
Deferred revenue	31,700	8,000
	<u>266,193</u>	<u>188,706</u>
Surplus - Gallery	3,160	2,432
Surplus - Gallery Shop	149,548	63,931
Deficit - Western branch	(133,067)	(48,001)
	<u>19,641</u>	<u>18,362</u>
	<u>\$ 285,834</u>	<u>\$ 207,068</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Gallery
Statement of Revenue, Expenditures and Surplus
for the year ended March 31, 1999**

	1999	1998
Revenue		
Province of Nova Scotia (Note 2)		
- Operating	\$ 1,204,000	\$ 1,204,000
Special grants (Note 2)	210,250	85,884
Contribution from Endowment Fund	225,000	85,000
Sponsorships	60,720	117,348
Other income	53,665	45,935
Special events	43,441	34,752
Public Education Programs	41,071	31,615
Memberships	34,884	32,243
Admission	30,786	25,785
Donations		
- Arts appeal	25,729	30,696
- Other	7,820	---
Corporate campaign	14,471	26,576
Interest	9,368	5,744
Phase II expansion fees	7,500	12,000
Contribution from Gallery Shop	5,000	20,000
	<u>1,973,705</u>	<u>1,757,578</u>
Expenditures (Schedule)		
Salaries and benefits	787,301	720,023
Building operations	552,670	492,118
Program development	434,650	389,900
Administration	167,407	126,835
Miscellaneous	12,543	11,450
Printing and publications	12,312	20,681
Technology/capital purchases	6,094	---
	<u>1,972,977</u>	<u>1,761,007</u>
Excess of revenue over expenditures for the year	728	(3,429)
Surplus, beginning of year	2,432	5,861
Surplus, end of year	<u>\$ 3,160</u>	<u>\$ 2,432</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Gallery
Schedule of Expenditures
for the year ended March 31, 1999**

	1999	1998
Salaries and Benefits		
Salaries and employee benefits	\$ 787,301	\$ 750,023
Program Development		
Programs	314,971	228,185
Development/Public relations	97,061	69,214
Workshop supplies	15,648	6,196
Collections management and gallery services	3,746	8,074
Vehicle	1,812	5,777
Conservation lab	1,246	1,546
Maud Lewis event	166	70,908
	<u>434,650</u>	<u>389,900</u>
Building Operations		
Utilities	213,555	182,012
Security	159,978	129,623
Climate control	96,907	96,988
Building maintenance and cleaning	39,894	40,755
Insurance	33,475	25,891
Elevator maintenance	6,502	5,690
Building repairs	2,359	11,159
	<u>552,670</u>	<u>492,118</u>
Administration		
Stationery and postage	53,159	42,960
Telephone	33,073	29,657
Travel	29,524	22,516
Professional fees	21,993	7,823
Equipment rental	9,654	3,824
Administration promotional	7,969	5,917
Memberships	5,471	3,770
Equipment maintenance	4,515	8,135
Delivery administration	2,049	2,233
	<u>167,407</u>	<u>126,835</u>
Technology/Capital Purchases		
Training and development	4,799	---
Technology/capital purchases	1,295	---
	<u>6,094</u>	<u>---</u>
Printing and Publication		
Printing and publication	10,757	19,574
Photography	1,555	1,107
	<u>12,312</u>	<u>20,681</u>
Miscellaneous		
Miscellaneous	9,867	7,636
Bank charges	2,676	3,814
	<u>12,543</u>	<u>11,450</u>
Total Expenditures	<u>\$ 1,972,977</u>	<u>\$ 1,791,007</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Gallery Shop
Statement of Revenue, Expenditures and Surplus
for the year ended March 31, 1999**

	1999	1998
Revenue		
Art and craft sales	\$ 176,791	\$ 219,042
Art and craft sales on consignment	91,860	47,536
Books, notes and posters	28,361	33,200
	<u>297,012</u>	<u>299,778</u>
Cost of sales	104,755	188,928
Gross profit	<u>192,257</u>	<u>110,850</u>
 Expenditures		
Salaries and employee benefits.	51,240	55,252
Office and administration.	24,883	14,819
Promotional	18,425	---
Members' discount.	5,092	6,391
	<u>99,640</u>	<u>76,462</u>
 Excess of gross profit over expenditures for the year		
	92,617	34,388
Surplus, beginning of year.	63,931	49,543
Contribution to Gallery	(5,000)	(20,000)
Contribution to Acquisition Fund	(2,000)	---
Surplus, end of year	<u>\$ 149,548</u>	<u>\$ 63,931</u>

**Western Branch
Statement of Revenue, Expenditures and Deficit
for the year ended March 31, 1999**

Revenue		
Donations	\$ 82,900	\$ 105,039
Special grants	3,333	---
Auction Yarmouth	---	15,090
Interest	1,304	243
	<u>87,537</u>	<u>120,372</u>
 Expenditures		
Capital purchases	165,317	150,811
Professional fees	3,544	---
Building operations	2,177	---
Miscellaneous	1,181	63
Building Fundraising	384	17,499
	<u>172,603</u>	<u>168,373</u>
 Deficiency of revenue over expenditures for the year		
	(85,066)	(48,001)
Deficit, beginning of year.	(48,001)	---
Deficit, end of year	<u>\$ (133,067)</u>	<u>\$ (48,001)</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Endowment Fund
Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current (Note 3)		
Cash and cash equivalents	\$ 143,834	\$ 411,571
Accounts receivable	17,270	1,326
Due from Western Branch	<u>124,040</u>	<u>42,429</u>
	285,144	455,326
Investments (market value - \$3,053,273; 1998 - \$2,455,735)	<u>2,927,857</u>	<u>2,021,178</u>
	<u>\$ 3,213,001</u>	<u>\$ 2,476,504</u>

LIABILITIES AND SURPLUS

Current		
Accounts payable	\$ 12,085	\$ 7,252
Due to Gallery	7,500	12,000
Phase II expansion	<u>1,957,325</u>	<u>---</u>
	1,976,910	19,252
Restricted surplus	286,000	573,802
Unrestricted surplus	<u>950,091</u>	<u>1,883,450</u>
	<u>1,236,091</u>	<u>2,457,252</u>
	<u>\$ 3,213,001</u>	<u>\$ 2,476,504</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Endowment Fund
Statement of Revenue, Expenditures and Surplus
for the year ended March 31, 1999**

	1999	1998
Revenue (Note 3)		
Phase II expansion	\$ 1,136,083	\$ 646,625
Investment income	735,900	35,809
Marian deWitt Endowment	31,515	15,590
Life memberships	16,750	23,750
Oyler project	12,000	---
Gallery endowments	830	7,923
Heirloom Discovery Days	---	2,532
	<u>1,933,078</u>	<u>732,229</u>
Expenditures (Note 3)		
Phase II expansion	2,862,193	72,823
Oyler project	14,791	---
Trustee fees (Note 3)	12,113	39,695
Gallery Endowment expenses	10,202	3,452
Promotion and public relations	8,437	3,667
Receptions	5,872	4,960
Administration	2,941	2,462
Printing and postage	2,655	2,198
Rent	1,000	12,000
Miscellaneous	969	1,000
Life membership servicing	66	10,000
	<u>2,921,239</u>	<u>152,257</u>
Deficiency of revenue over expenditures for the year	(988,161)	579,972
 Surplus, beginning of year	 <u>2,457,252</u>	 <u>2,019,280</u>
	<u>1,469,091</u>	<u>2,599,252</u>
 Contribution to Gallery	 (225,000)	 (85,000)
Contribution to Acquisition Fund	(8,000)	(57,000)
Restricted surplus	<u>(286,000)</u>	<u>(573,802)</u>
 Unrestricted surplus, end of year	 <u>950,091</u>	 <u>1,883,450</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

**Acquisition Fund
Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash	\$ 12,528	\$ 3,741
Accounts receivable	11,421	4,406
Inventory	9,743	14,202
Due from Gallery Shop	2,000	---
	<u>\$ 35,692</u>	<u>\$ 22,349</u>
LIABILITIES AND SURPLUS		
Current		
Accounts payable	\$ 12,544	\$ 3,776
Due to Gallery	11,030	9,562
Due to Western Branch	800	---
	<u>24,374</u>	<u>13,338</u>
Surplus	11,318	9,011
	<u>\$ 35,692</u>	<u>\$ 22,349</u>

**Statement of Revenue, Expenditures and Surplus
for the year ended March 31, 1999**

Revenue		
Donations:		
Other	\$ 38,322	\$ 25,145
Friends of the Gallery	15,000	9,000
Art Sales and Rental Society	8,700	16,000
Grants	25,400	26,000
Contribution from Endowment fund	8,000	57,000
Arts Appeal	3,795	1,071
Contribution from Gallery Shop	2,000	---
Interest	363	618
Maud Lewis House	352	13,884
	<u>101,932</u>	<u>148,718</u>
Expenditures		
Acquisitions	71,842	75,857
Administration	7,304	12,998
Insurance	5,000	5,000
Appraisal and professional fees	4,998	12,370
Miscellaneous	3,926	1,635
Permanent collection exhibit	2,936	---
Promotion	2,234	2,471
Shipping	651	1,537
Maud Lewis House	412	21,566
Bank charges	322	566
	<u>99,625</u>	<u>134,000</u>
Excess of revenue over expenditures for the year	2,307	14,718
Surplus (deficit), beginning of year	9,011	(5,707)
Surplus, end of year	<u>\$ 11,318</u>	<u>\$ 9,011</u>

See accompanying notes

ART GALLERY OF NOVA SCOTIA

Gallery, Gallery Shop, Endowment Fund, Acquisition Fund

**Notes to Financial Statements
for the year ended March 31, 1999**

1. Significant Accounting Policies

These financial statements have been prepared by management in accordance with generally accepted accounting principles within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventory

Inventory is valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Investments

Investments are recorded at cost. Income is recognized on the settlement date.

Revenue recognition

Revenue from donations is recognized when received. All other revenue, with the exception of investment income, is recognized on the accrual basis of accounting.

Acquisitions

Acquisitions of works of art, including donated works, become the property of the Province of Nova Scotia. Accordingly, acquisitions paid for by the Art Gallery of Nova Scotia are expensed in the year acquired. Acquisitions expensed in the current year amounted to \$71,842 (1998 - \$75,857).

2. Government Assistance

During the year the Art Gallery of Nova Scotia recognized revenue from provincial government grants from the Nova Scotia Department of Education and Culture in the amount of \$1,204,000 (1998 - \$1,204,000) and federal government and other grants as follows:

	1999		1998
The Canada Council	\$ 150,150	\$	13,166
Federal Department of Canadian Heritage	31,600		46,718
Halifax Regional Municipality	24,000		26,000
Department of Human Resources	4,500		---
	<u>\$ 210,250</u>	\$	<u>85,884</u>

The amount show above for the Federal Department of Canadian Heritage excludes \$8,400 received in the current year. This amount has been deferred in these statements and will be recorded as revenue in fiscal 2000 to match the expenses associated with the grant.

3. Endowment Fund

Endowment Fund donations and bequests are allocated to the Endowment Fund together with investment income thereon. The income of the fund, or a portion thereof as determined by the Board of Governors, after a balance of \$500,000 has been accumulated shall be available for the purpose of:

- a) the acquisition of artworks for the permanent collection;
- b) the expansion of exhibition and art education programs; and
- c) other special projects.

The funds which will be placed in the Endowment Fund will be:

- a) donations designated as such by the donor;
- b) special types of donations which are stipulated to go to the Fund, such as Life Member's fees; and
- c) any funds specifically designated by the Board of Governors.

Expenses relating to the activities of the Endowment Fund will be charged to the Endowment Fund.

1998 Trustee fees include amounts from fiscal 1997 that were not accrued at that year end.

4. Income Tax

The Art Gallery of Nova Scotia is an incorporated agency of the Province of Nova Scotia and accordingly is exempt from income tax.

5. Comparative Amounts

Certain of the comparative amounts have been reclassified to conform with the presentation adopted in the current year.

AUDITORS' REPORT

To the Directors of
Bedford Waterfront Development Corporation

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

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

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

WHITE BURGESS LANGILLE INMAN
Chartered Accountants

Bedford, Nova Scotia
August 19, 1999

BEDFORD WATERFRONT DEVELOPMENT CORPORATION

**Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
CURRENT ASSETS		
Cash	\$ 55,525	\$ 16,869
Short-term investments	151,420	272,732
Accounts receivable	92,435	60,713
Prepaid expenses	<u>2,679</u>	<u>2,082</u>
	302,059	352,396
 MORTGAGE RECEIVABLE (note 4)	 300,000	 ---
REAL ESTATE AND DEVELOPMENT PROJECT (note 5)	2,918,206	3,674,670
JETTY BREAKWATER PROJECT (note 6)	342,240	92,808
CAPITAL ASSETS (note 7)	<u>10,459</u>	<u>13,104</u>
	\$ <u>3,872,964</u>	\$ <u>4,132,978</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 187,394	\$ 447,408
 LONG-TERM DEBT (note 8)	 <u>3,562,081</u>	 <u>3,562,081</u>
	<u>3,749,475</u>	<u>4,009,489</u>
SHAREHOLDERS' EQUITY		
RETAINED EARNINGS	<u>123,489</u>	<u>123,489</u>
	<u>123,489</u>	<u>123,489</u>
	\$ <u>3,872,964</u>	\$ <u>4,132,978</u>
 LAND AGREEMENTS (note 9)		
CONTINGENCY (note 10)		

BEDFORD WATERFRONT DEVELOPMENT CORPORATION

**Statement of Earnings and Retained Earnings
for the year ended March 31, 1999**

	1999	1998
REVENUE		
Grants - Province of Nova Scotia.	\$ 232,100	\$ 154,000
Other income.	<u>11,229</u>	<u>17,265</u>
	<u>243,329</u>	<u>171,265</u>
EXPENSES		
Chairman's fees.	11,000	12,000
Delivery	---	167
Directors' fees	12,565	16,400
Equipment leasing.	100	100
Telephone.	712	1,203
Insurance.	4,596	4,146
Interest and bank charges.	486	177
Office expenses	4,613	1,931
Depreciation and amortization	<u>2,645</u>	<u>3,321</u>
	<u>36,717</u>	<u>39,445</u>
 EXCESS OF REVENUE OVER EXPENDITURES	 206,612	 131,820
 TRANSFER TO REAL ESTATE AND DEVELOPMENT PROJECTS.	 <u>(206,612)</u>	 <u>(131,820)</u>
 NET EARNINGS FOR THE YEAR.	 <u>---</u>	 <u>---</u>
 RETAINED EARNINGS, beginning of year	 <u>123,489</u>	 <u>123,489</u>
 RETAINED EARNINGS, end of year	 \$ <u>123,489</u>	 \$ <u>123,489</u>

BEDFORD WATERFRONT DEVELOPMENT CORPORATION

**Statement of Changes in Financial Position
for the year ended March 31, 1999**

	1999	1998
OPERATING ACTIVITIES		
Cash provided from operations		
Net earnings for the year \$	---	\$ ---
Items in earnings not involving cash		
Excess of revenue over expenditures	206,612	131,820
Depreciation and amortization	<u>2,645</u>	<u>3,321</u>
	<u>209,257</u>	<u>135,141</u>
 Change in noncash working capital balances		
Accounts receivable.	(31,722)	(56,955)
Prepaid expenses	(597)	(239)
Mortgage receivable	(300,000)	---
Accounts payable and accrued liabilities	<u>(260,014)</u>	<u>399,495</u>
	<u>(383,076)</u>	<u>477,442</u>
 FINANCING ACTIVITIES		
Advances of long-term debt	266,794	---
Repayment of long-term debt	<u>(266,794)</u>	<u>(5,448)</u>
	<u>---</u>	<u>(5,448)</u>
 INVESTING ACTIVITIES		
Acquisition of real estate and construction projects.	(112,027)	(111,593)
Acquisition of jetty breakwater project, net of grants and related revenues of \$304,772 (1998 - \$1,490,640).	(249,432)	(111,399)
Net proceeds on disposal of land	<u>661,879</u>	<u>---</u>
	<u>300,420</u>	<u>(222,992)</u>
 CHANGE IN CASH AND EQUIVALENTS DURING THE YEAR.	(82,656)	249,002
 CASH AND EQUIVALENTS - beginning of year	<u>289,601</u>	<u>40,599</u>
 CASH AND EQUIVALENTS - end of year (see note below) \$	<u><u>206,945</u></u>	<u><u>289,601</u></u>

NOTE:

CASH AND EQUIVALENTS

Cash and equivalents is comprised of cash and short-term investments.

BEDFORD WATERFRONT DEVELOPMENT CORPORATION

Notes to Financial Statements for the year ended March 31, 1999

1. BASIS OF ACCOUNTING

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business.

2. GENERAL

Waterfront Development Project

The Corporation was created by a statute of the Legislature of Nova Scotia.

The principal objective of the Corporation is the development of the Bedford Waterfront. During the year the Corporation continued development of the project.

Pursuant to S. 542 (1) of the Municipal Government Act, the Corporation has been dissolved effective April 1, 1999. All assets and liabilities of the Corporation have been transferred to and assumed by Bedford Waterfront Development Corporation Limited, a Crown Corporation, incorporated pursuant to the Companies Act of the Province of Nova Scotia, effective April 1, 1999.

3. ACCOUNTING POLICIES

Marketable Securities

Marketable securities are stated at the lower of cost or market. At year end, cost was substantially the same as the quoted market value.

Capital Assets

Capital assets are stated at cost. Depreciation is provided by the diminishing balance method at the following annual rates:

Office equipment	20%
Computer hardware	30%
Computer software	100%
Information booth	20%
Silt curtain	20%

Capitalization

All expenditures directly related to acquisition, renovation, development and administration are included in the cost of real estate and development projects or the cost of the jetty breakwater project.

Real estate and development projects are recorded at the lower of cost and realizable value. The jetty breakwater project is recorded at cost.

Income taxes

The Corporation is exempt from income taxes under the provisions of The Income Tax Act.

4. MORTGAGE RECEIVABLE

This vendor take-back mortgage originated on the sale of Site 3.8 and is non-interest bearing for a period of twelve months, with payment due on August 15, 1999. However, the mortgage can be extended at the mortgagor's discretion at an interest rate of 10% for a period of twenty-six months. It is expected that the mortgage will not be repaid in the next year, and accordingly it has been included in non-current assets.

5. REAL ESTATE AND DEVELOPMENT PROJECT

	1999	1998
Real estate and development projects, at cost	\$ <u>23,227,397</u>	\$ <u>23,247,623</u>
Add: Environmental research	16,004	---
Property taxes	48,145	88,711
Professional fees	21,101	5,548
Interest	1,804	6,061
Signage	---	11,000
Advertising	2,043	274
Rockfill	<u>22,930</u>	<u>---</u>
	112,027	111,594
 TRANSFER OF EXCESS OF REVENUE OVER EXPENDITURES	 <u>(206,612)</u>	 <u>(131,820)</u>
	23,132,812	23,227,397
 Less: Capital grants		
Federal	5,000,000	
Provincial	4,631,203	
Municipal	999,250	
	<u>10,630,453</u>	<u>10,630,453</u>
	12,502,359	12,596,944
 Less: Asset conveyance to the Town of Bedford	 6,783,306	 6,783,306
Land sales (\$1,707,379 less a negotiated credit for rock fill and other items totalling \$71,428)	1,635,951	974,072
Non-refundable deposits on land sales	71,692	71,692
Write down to realizable value	<u>1,093,204</u>	<u>1,093,204</u>
	9,584,153	8,922,274
	<u>\$ <u>2,918,206</u></u>	<u>\$ <u>3,674,670</u></u>

Interest in the cumulative amount of \$3,057,704 (1998 - \$3,055,900) and dredging costs of \$1.7 million are included in the total cost of real estate and development projects.

During a prior period, the Corporation conveyed the following assets at its cost to the Town of Bedford:

- (a) parkland and open spaces including improvements thereto;
- (b) boardwalks including improvements thereto;
- (c) all streets and roads completed to Town standards;
- (d) sidewalks and curbs completed to Town standards;
- (e) sanitary and storm sewers and water devices built to Town standards; and
- (f) certain municipal or civic parking areas to be controlled by the town.

The cost allocated to these assets conveyed amounted to \$6,783,306 and was determined on the basis of the specific contract cost of the bridge, approach road, services and walkways conveyed, landscaping costs specifically for the land conveyed plus the average cost per acre of the remaining land development for Phase 1 times the number of acres conveyed.

6. JETTY BREAKWATER PROJECT

The Corporation is completing the south side of their lands by building a jetty breakwater, running southerly off Site 3.2. This jetty breakwater will provide pedestrian and public marine access to the Bedford Basin as well as weather protection for a large public marina.

The project is funded jointly by the Federal, Provincial and Municipal levels of governments as well as a contribution from the Corporation directly for a total cost of \$2,137,652.

The project started in February 1997 and work on the north jetty breakwater will be completed in June 1999. In addition, it is expected that the south jetty breakwater will be completed by the middle of 2000.

The sale of Site 3.2 is conditional on the completion of the north jetty breakwater.

	1999	1998
Project, at cost		
Construction and engineering.....	\$ 2,094,948	\$ 1,550,909
Surveying.....	28,468	23,862
Marketing.....	1,832	1,992
Legal.....	<u>12,404</u>	<u>6,685</u>
	<u>2,137,652</u>	<u>1,583,448</u>
Less Capital Grants		
Provincial.....	(450,000)	(450,000)
Federal.....	(400,000)	(400,000)
Municipal.....	<u>(390,640)</u>	<u>(390,640)</u>
	<u>(1,240,640)</u>	<u>(1,240,640)</u>
Less other revenues related to completion of the jetty project..	<u>(554,772)</u>	<u>(250,000)</u>
	<u>\$ 342,240</u>	<u>\$ 92,808</u>

7. CAPITAL ASSETS

	1999		1998	
	Cost	Accumulated Depreciation	Net	Net
Office equipment.....	\$ 37,097	\$ 33,037	\$ 4,060	\$ 5,075
Computer hardware....	6,469	6,293	176	251
Computer software.....	1,158	1,158	---	---
Information booth.....	8,588	7,706	882	1,102
Silt curtain.....	<u>9,272</u>	<u>3,931</u>	<u>5,341</u>	<u>6,676</u>
	<u>\$ 62,584</u>	<u>\$ 52,125</u>	<u>\$ 10,459</u>	<u>\$ 13,104</u>

8. LONG-TERM DEBT

	1999	1998
Department of Economic Development Loan		
Balance - beginning of year.....	\$ 3,562,081	\$ 3,567,529
Additional advances made during the year.....	266,794	---
Repayment from land sales.....	<u>266,794</u>	<u>5,448</u>
Balance - end of year.....	<u>\$ 3,562,081</u>	<u>\$ 3,562,081</u>

The above loan is to be repaid using excess funds from sales of the real estate developments, therefore no know current portion of long-term debt exists.

9. LAND AGREEMENTS

During a prior period, the Corporation entered into agreements for the sale of certain parcels of land. These agreements are subject to various conditions in order to complete the transactions.

A purchase and sale agreement has been signed for site 3.2, with three closing dates for the three development blocks that make up the site. The initial closing date is on or before April 30, 1999, unless the purchaser cannot pre-lease at least 75% of the gross leasable area for its initial development block, at which time the closing can be delayed for a period of not greater than twelve months. The purchase price of the land will be \$1,800,000.

Subsequent to year end, a purchase and sale agreement has been signed by Bedford Waterfront Development Corporation Limited for the sale of Site 4.5 (Phase 1), with a closing date of July 20, 1999. The purchase price under this agreement totals \$1,500,000 with two individual parcels allocated prices of \$750,000 each, and includes a vendor take-back mortgage of \$1,470,000. As a part of this agreement, the purchases has an option to reconvey the second development block back to the Corporation at any time during the period September 15, 2000 to January 15, 2001 if all of the required mortgage payments are paid up to and including September 15, 2000. In addition to this agreement, the Corporation agreed to indemnify the purchaser with respect to any liabilities which may arise out of a lawsuit placed against the Corporation related to this Site (see note 10 below).

10. CONTINGENCY

A mechanic's lien action has been registered by Waterworks Construction Inc. claiming \$945,000, being the cost to raise a cement caisson which sunk during construction of the north jetty referenced in note 6. It is the opinion of legal counsel that the claim will be defeated.

Nousha Investments Limited has commenced action against the Corporation claiming a proprietary interest in Site 4.5 (Phase 1) as a result of a letter of intent entered into with the Corporation during the year. It is the opinion of legal counsel that the claim will be defeated. This site has subsequently been sold to another purchaser, under which the agreement of purchase and sale required the Corporation to enter into an indemnity agreement to protect the purchaser against possible legal expenses and claims arising from this action.

11. COMPARATIVE FIGURES

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

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Cape Breton Healthcare Complex

We have audited the statement of financial position of Cape Breton Healthcare Complex as at March 31, 1999 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

KPMG LLP
Chartered Accountants

Sydney, Canada
July 20, 1999

CAPE BRETON HEALTHCARE COMPLEX

**Statement of Financial Position
March 31, 1999, with comparative figures for 1998**

ASSETS

	1999	1998
Current assets:		
Cash	\$ ---	\$ 2,690,365
Accounts receivable (note 2)	7,251,445	10,833,321
Grants receivable	---	28,500
Inventories (note 3)	2,378,490	2,646,351
Prepaid expenses	<u>1,617,155</u>	<u>1,782,821</u>
	11,247,090	17,981,358
Capital assets (note 4)	<u>150,171,641</u>	<u>152,874,044</u>
	\$ <u><u>161,418,731</u></u>	\$ <u><u>170,855,402</u></u>

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS (DEFICIENCY)

Current liabilities:		
Cheques issued in excess of funds on deposit	\$ 630,557	\$ ---
Accounts payable and accrued liabilities (note 5)	20,113,586	21,541,375
Current portion of long-term debt	<u>38,508</u>	<u>43,635</u>
	20,782,651	21,585,010
Long-term debt (note 6)	76,108,710	64,195,967
Other liability:		
Retirement allowance	10,189,640	7,892,421
Deferred contributions for capital assets (note 8)	119,268,743	122,774,600
Net assets (deficiency):		
Invested in capital assets	1,594,260	2,847,958
Unrestricted	<u>(66,525,273)</u>	<u>(48,440,554)</u>
	(64,931,013)	(45,592,596)
	\$ <u><u>161,418,731</u></u>	\$ <u><u>170,855,402</u></u>

See accompanying notes to financial statements

CAPE BRETON HEALTHCARE COMPLEX

Statement of Operations
Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
		(restated)
Operations:		
Income:		
Net Patient income:		
Provincial plan	\$ 91,852,026	\$ 88,440,183
Other	7,702,325	7,016,134
Dietary recoveries	1,015,222	945,119
Medical service insurance	6,499,839	4,430,434
Referred in work	202,670	228,157
Miscellaneous	147,513	196,966
Net differential	206,879	218,156
Investment income	20,544	105,826
Sydney Children's Training Centre	---	13,144
Donations	422,802	398,582
Amortization of deferred contributions related to capital assets (note 8)	4,592,420	3,956,304
Loan forgiveness - Province of Nova Scotia	---	299,199
	<u>112,662,240</u>	<u>106,248,204</u>
Expenses:		
Administrative and support services	\$ 29,777,330	\$ 29,144,487
Nursing inpatient services	46,869,116	42,659,847
Ambulatory care services	18,484,135	14,222,605
Diagnostic and therapeutic services	23,025,105	21,076,633
Education	592,506	424,838
Parity accrual	812,000	---
Amortization of capital assets	8,252,636	7,239,594
Interest on bankers acceptance	---	428,106
Salaries - vacation	1,251,118	(130,176)
Retirement allowance	2,297,219	(784,760)
Loss on disposal of capital assets	---	1,527,876
Capital debt assistance	21,700	22,821
Adjustment of prior years' Department of Health grants:		
Estimated year end adjustments (note 7)	577,224	13,117,933
Grant receivable for equipment	---	17,915,868
Adjustment of prior years' Hospital Foundation grant	40,568	---
	<u>132,000,657</u>	<u>146,865,672</u>
Other item:		
Appropriation from surplus retention	---	1,341,889
Loss from operations	<u>\$ (19,338,417)</u>	<u>\$ (39,275,579)</u>

See accompanying notes to financial statements.

CAPE BRETON HEALTHCARE COMPLEX

**Statement of Changes in Net Assets
Year ended March 31, 1999, with comparative figures for 1998**

	<u>Unrestricted</u>		Unrestricted	Investment	1999	1998
	Retirement	Other	total	in capital	Total	Total
	allowance			assets		
Balance, beginning of the year.	\$ (7,892,421)	\$ (40,548,133)	\$ (48,440,554)	\$ 2,847,958	\$ (45,592,596)	\$ (4,975,128)
Loss from operations.	(2,297,219)	(17,041,198)	(19,338,417)	---	(19,338,417)	(39,275,579)
Excess of amortization of capital assets over amortization of deferred contribution (note 9).	---	3,660,216	3,660,216	(3,660,216)	---	---
Net change in investment in capital assets (note 9).	---	(2,406,518)	(2,406,518)	2,406,518	---	---
Reclassification of surplus retention.	---	---	---	---	---	(1,341,889)
Balance, end of the year.	<u>\$ (10,189,640)</u>	<u>\$ (56,335,633)</u>	<u>\$ (66,525,273)</u>	<u>\$ 1,594,260</u>	<u>\$ (64,931,013)</u>	<u>\$ (45,592,596)</u>

See accompanying notes to financial statements.

CAPE BRETON HEALTHCARE COMPLEX

**Statement of Cash Flows
Year ended March 31, 1999, with comparative figures for 1998**

	1999	1998
Cash provided by (used in):		
Operating activities:		
Loss from operations	\$ (19,338,417)	\$ (39,275,579)
Items not involving cash:		
Amortization of capital assets	8,252,636	7,239,594
Amortization of deferred contributions related to capital assets	(4,592,420)	(3,956,304)
Loss on disposal of capital asset	---	1,527,876
Amounts funded from surplus retention.	---	(1,341,889)
Change in non-cash operating working capital:		
Decrease in accounts receivable	3,581,876	1,000,331
Decrease (increase) in inventories.	267,861	(489,267)
Decrease (increase) in prepaid expenses.	165,666	(69,528)
(Decrease) increase in accounts payable and accrued liabilities	<u>(1,427,789)</u>	<u>4,852,559</u>
	(13,090,587)	(30,512,207)
Financing and investing activities:		
Loan forgiveness - Province of Nova Scotia	---	(299,199)
Repayment of long-term debt.	(43,635)	(17,975,142)
Proceeds from long-term debt.	11,951,249	45,526,664
Purchases of capital assets	(5,550,231)	(18,001,464)
Decrease in grants receivable	28,500	225,018
Contribution for capital assets (net).	1,086,563	6,703,589
Decrease in Department of Health capital equipment grant receivable.	<u>---</u>	<u>17,915,868</u>
	7,472,446	34,095,334
Other activities		
Increase (decrease) in retirement allowance accrual	<u>2,297,219</u>	<u>(784,760)</u>
(Decrease) increase in cash position	(3,320,922)	2,798,367
Cash position, beginning of year	2,690,365	(108,002)
Cash position, end of year	\$ <u><u>(630,557)</u></u>	\$ <u><u>2,690,365</u></u>

Cash position is represented by cash less cheques issued in excess of funds on deposit.

See accompanying notes to financial statements.

CAPE BRETON HEALTHCARE COMPLEX

Notes to Financial Statements Year ended March 31, 1999

Effective April 1, 1996, the governor in Council of the Province of Nova Scotia approved "An Act to Incorporate Cape Breton Healthcare Complex". Under this Act the Cape Breton Regional Hospital, Glace bay Healthcare Corporation, New Waterford Consolidated Hospital and the Northside Harbour View Hospital were amalgamated and continued as one corporate body under the name Cape Breton Healthcare Complex.

The Hospital's principal activity is providing acute and psychiatric health care to the residents of Industrial Cape Breton and surrounding areas.

1. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

(a) Revenue recognition:

The Complex follows the deferral method of accounting for contributions which include donations and government grants.

The Complex is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, other than endowment contributions, are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) Inventories:

Inventories are stated at cost

(c) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

<u>Asset</u>	<u>Rates</u>
Land improvements	5%
Buildings and service equipment	2%-5%
Major equipment	5%-20%
Equipment under capital lease	10%-20%

2. Accounts receivable:

	1999	1998
Patients (less allowance for doubtful accounts)	\$ 850,300	\$ 511,327
Medical service insurance	478,099	451,004
Department of Community Service	39,060	264,618
Level 11 Care (less allowance for doubtful accounts)	271,060	445,324
Harmonized sales tax	935,060	2,048,312
Hospital Foundations (note 11)	242,684	434,357
Eastern Regional Health Board	---	33,358
QE 11 Health Sciences Centre	120,000	120,000
Sundry	419,360	660,222
Department of Health - Dr. K. Donovan	---	209,069
- Retroactive wages	---	773,750
- Early Departure Incentive Program	---	566,185
- Capital funding	157,251	---
Estimated year end adjustment (note 7)	<u>3,738,571</u>	<u>4,315,795</u>
	<u>\$ 7,251,445</u>	<u>\$ 10,833,321</u>

3. Inventories:

	1999	1998
Medical and surgical	\$ 485,399	\$ 539,437
Drugs	1,107,342	1,286,730
Food	74,755	94,242
General	<u>710,994</u>	<u>725,942</u>
	<u>\$ 2,378,490</u>	<u>\$ 2,646,351</u>

4. Capital assets:

	1999		1998	
	Cost	Accumulated amortization	Net Book value	Net Book value
Land	\$ 361,207	\$ ---	\$ 361,207	\$ 361,207
Land improvements	3,482,998	714,304	2,768,694	2,862,253
Buildings and service equipment	154,738,822	24,579,921	130,158,901	130,063,224
Major equipment	42,071,346	25,381,810	16,689,536	19,354,290
Equipment under capital lease	<u>551,270</u>	<u>357,967</u>	<u>193,303</u>	<u>233,070</u>
	<u>\$ 201,205,643</u>	<u>\$ 51,034,002</u>	<u>\$ 150,171,641</u>	<u>\$ 152,874,044</u>

5. Accounts payable and accrued liabilities:

	1999	1998
Accounts payable	\$ 6,092,982	\$ 10,297,176
Due to Department of Health:		
Advances by Provincial Plan - current	3,833,807	3,443,372
Employee deductions payable	848,345	20,424
Accrued salaries:		
Salaries	2,777,963	2,205,354
Retroactive wages	---	1,075,746
Wage parity accrual	812,000	---
Vacation	5,608,554	4,357,436
Other accruals	<u>139,935</u>	<u>141,867</u>
	<u>\$ 20,113,586</u>	<u>\$ 21,541,375</u>

6. Long-term debt:

	1999	1998
Due to Department of Health:		
Advances by Provincial Plan.	\$ 59,115,082	\$ 47,185,531
Estimated year end adjustment prior (note 7).	11,090,100	11,090,100
Construction costs payable to the Province of Nova Scotia	5,574,163	5,574,163
Other	217,037	195,337
	75,996,382	64,045,131
Equipment financing	150,836	194,471
	76,147,218	64,239,602
Current portion of long-term debt.	38,508	43,635
	76,108,710	64,195,967

Due to Department of Health

The Complex and the Department of health are currently negotiating an agreement with respect to the terms of repayment related to the amounts outstanding. The advances are non-interest bearing.

Construction costs payable to the Province of Nova Scotia

As at March 31, 1999, the Department of Health has incurred construction costs totalling \$5,574,163 (1998 - \$5,574,163) which is the responsibility of the Cape Breton Healthcare Complex.

The construction costs payable related mainly to the paid parking lot. The Radiotherapy Program as well change orders and project cost overruns.

7. Accounts with the Department of Health:

At March 31, 1999 the Hospital has the following accounts payable with the Department in respect of years prior to 1997.

	1999	1998
Estimated year end adjustment payable.	\$ <u>11,090,100</u>	\$ <u>11,090,100</u>

At March 31, 1999 the Hospital has the following accounts receivable with the Department:

	1999	1998
Estimated year end adjustment receivable - 1998.	\$ 2,199,330	\$ 2,372,177
Estimated year end adjustment receivable - 1997.	1,539,241	1,943,618
	\$ 3,738,571	\$ 4,315,795

Final settlement of the above balances is dependent on the outcome of a process of review by the Department of Health and subsequent negotiations regarding the above balances. The following outlines the approximate status of these accounts at March 31, 1999.

- Negotiations with the Department of Health have resulted in an adjustment of \$577,224 which is a result of restating prior period receivables from the Department of Health of \$4,315,795 to a receivable of \$3,738,571.

7. Accounts with the Department of Health (continued):

Based on verbal instructions from the Department of Health, the Complex did not set up a year end adjustment receivable for the year ended March 31, 1999 from the Department of Health.

The adjustment, if any, on ultimate settlement of the above amounts and the 1999 deficit will be accounted for as a charge to or credit against income in the period in which settlement occurs.

8. Deferred contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	1999	1998
Balance, beginning of year	\$ 122,774,600	\$ 120,027,315
Additional contributions received.	1,193,233	6,703,589
Less adjustment of prior year's Hospital Foundation grant	(106,670)	---
Less amounts amortized to revenue	<u>(4,592,420)</u>	<u>(3,956,304)</u>
	<u>\$ 119,268,743</u>	<u>\$ 122,774,600</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	1999	1998
Unamortized capital contributions used to purchase assets.	\$ 119,126,243	\$ 122,744,600
Unspent contributions.	<u>142,500</u>	<u>30,000</u>
	<u>\$ 119,268,743</u>	<u>\$ 122,774,600</u>

9. Invested in capital assets:

a) Investment in capital assets is calculated as follows:

	1999	1998
Capital assets	\$ 150,171,641	\$ 152,874,044
Amounts financed by:		
Deferred contributions	119,126,243	122,744,600
Loan payable	29,300,302	27,087,015
Obligation under capital lease	<u>150,836</u>	<u>194,471</u>
	148,577,381	150,026,086
	<u>\$ 1,594,260</u>	<u>\$ 2,847,958</u>

9. Invested in capital assets (continued):

b) Change in net assets invested in capital assets is calculated as follows:

	1999	1998
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 4,592,420	\$ 3,956,304
Amortization of capital assets	(8,252,636)	(7,239,594)
Loss on disposal of capital asset	---	(1,527,876)
	<u>\$ (3,660,216)</u>	<u>\$ (4,811,166)</u>
Net change in investment in capital assets:		
Purchase of capital assets.	\$ 5,550,231	\$ 18,001,464
Amounts funded by:		
Deferred contributions	(974,063)	(6,673,589)
Long-term debt.	(2,213,285)	(11,327,875)
Repayment of capital leases	43,635	59,273
	<u>\$ 2,406,518</u>	<u>\$ 59,273</u>

10. Comparative figures:

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

11. Related party transactions

The Hospital is related to the Cape Breton Regional Hospital Foundation, Northside Hospital Charitable Foundation, New Waterford Consolidated Charitable Foundation and the Glace Bay Healthcare Corporation Charitable Foundation. The Foundations' primary purpose is to raise funds to assist in the construction of and the supply of certain equipment for the Hospital.

As at March 31, 1999 the following amounts were due from the Foundations with comparative figures:

	1999	1998
Cape Breton Regional Hospital Foundation	\$ 208,003	\$ 146,940
Northside Hospital Charitable Foundation	34,681	79,019
Glace Bay Healthcare Corporation Charitable Foundation	---	208,398
	<u>\$ 242,684</u>	<u>\$ 434,357</u>

The following amounts represent the transfer from the Foundations during the year ended March 31, 1999 with comparative figures:

	1999	1998
Cape Breton Regional Hospital Foundation.	\$ 719,517	\$ 3,517,565
Northside Hospital Charitable Foundation	34,682	78,927
New Waterford Consolidated Charitable Foundation	70,570	149,960
Glace Bay Healthcare Corporation Charitable Foundation	100,000	48,508
	<u>\$ 924,769</u>	<u>\$ 3,794,960</u>

12. Uncertainty due to the Year 2000 Issue:

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

AUDITORS' REPORT

To the Chairperson and Members
of the Board
Cape Breton Victoria Regional School Board

We have audited the balance sheets of Cape Breton Victoria Regional School Board as at March 31, 1999 and the statements of operations, deficit, investment in capital assets and reserve for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the School Board as at March 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles established for regional school boards in the Province of Nova Scotia.

KPMG LLP
Chartered Accountants

Sydney, Canada
June 14, 1999

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 1999, with comparative figures for 1998**

ASSETS		1999	1998
Current assets:			
Cash	\$	85,974	\$ ---
Accounts receivable:			
Government of Canada (note 2)		890,252	1,060,718
Province of Nova Scotia (note 3)		2,263,891	638,410
Other		135,722	246,007
Prepaid expenses		337,599	662,144
Inventories		131,958	168,309
		<u>3,845,396</u>	<u>2,775,588</u>
Restricted assets:			
Cash and investments		381,521	379,056
Other assets:			
Deferred Early Retirement Program expenditures (note 4)		36,135,440	28,553,215
Deferred Service Award expenditures (note 5)		846,306	822,758
Deferred budgetary assistance (note 6)		605,573	1,402,666
Cash restricted for teachers' service awards		3,874	3,874
		<u>37,591,193</u>	<u>30,782,513</u>
Fixed assets (note 7):			
School buildings		56,096,216	56,096,216
Interest in properties		13,253,905	12,324,033
Equipment and furnishings		10,685,617	9,786,284
School buses and maintenance vehicles		7,424,102	6,799,889
Assets under capital lease		137,151	137,151
		<u>87,596,991</u>	<u>85,143,573</u>
	\$	<u>129,415,101</u>	\$ <u>119,080,730</u>
Current liabilities:			
Cheques issued in excess of cash on deposit	\$	---	\$ 2,577,662
Accounts payable and accrued liabilities		4,344,613	2,023,419
Deferred revenue		328,570	279,591
		<u>4,673,183</u>	<u>4,880,672</u>
Other liabilities:			
Obligation under Early Retirement Program (note 4)		36,135,440	28,553,215
Province of Nova Scotia, bridge financing loans (note 6)		605,573	1,402,666
Capital lease obligations		---	20,860
Term debt		---	150,000
Teachers' service awards, in trust		3,874	3,874
Teacher retraining fund		50,000	50,000
		<u>36,794,887</u>	<u>30,180,615</u>
Scholarship Trust Fund Reserve		381,521	379,056
Equity:			
Deficit		(31,481)	(1,332,326)
Investment in capital assets		87,596,991	84,972,713
		<u>87,565,510</u>	<u>83,640,387</u>
	\$	<u>129,415,101</u>	\$ <u>119,080,730</u>

See accompanying notes to financial statements.

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 1999, with comparative figures for 1998**

ASSETS

	1999	1998
Current assets:		
Cash	\$ 85,974	\$ ---
Accounts receivable:		
Government of Canada (note 2)	890,252	1,060,718
Province of Nova Scotia (note 3)	2,263,891	638,410
Other	135,722	246,007
Prepaid expenses	337,599	662,144
Inventories	131,958	168,309
	<u>3,845,396</u>	<u>2,775,588</u>
Other assets:		
Deferred Early Retirement Program expenditures (note 4)	36,135,440	28,553,215
Deferred Service Award expenditures (note 5)	846,306	822,758
Deferred budgetary assistance (note 6)	605,573	1,402,666
Cash restricted for teachers' service awards	3,874	3,874
	<u>37,591,193</u>	<u>30,782,513</u>
	<u>\$ 41,436,589</u>	<u>\$ 33,558,101</u>

LIABILITIES and DEFICIT

Current liabilities:		
Cheques issued in excess of cash on deposit	\$ ---	\$ 2,577,662
Accounts payable and accrued liabilities	4,344,613	2,023,419
Deferred revenue	328,570	279,591
	<u>4,673,183</u>	<u>4,880,672</u>
Other liabilities:		
Obligation under Early Retirement Program (note 4)	36,135,440	28,553,215
Province of Nova Scotia, bridge financing loans (note 6)	605,573	1,402,666
Teachers' service awards, in trust	3,874	3,874
Teacher retraining fund	50,000	50,000
	<u>36,794,887</u>	<u>30,009,755</u>
Deficit	(31,481)	(1,332,326)
	<u>\$ 41,436,589</u>	<u>\$ 33,558,101</u>

See accompanying notes to financial statements.

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Statement of Operations
Year ended March 31, 1999, with comparative figures for 1998**

	1999		1999		1998
	Budget		Actual		Actual
Revenue (schedule A):					
Province of Nova Scotia, formula funding	\$ 92,992,640	\$	92,992,640	\$	88,833,727
Province of Nova Scotia, other funding	1,370,059		2,450,362		1,958,820
Government of Canada	1,000,688		1,112,806		2,267,025
Appropriations from Councils	12,053,618		12,053,618		11,288,052
Board operations	912,500		1,178,340		911,174
Surplus of prior year	---		---		4,200
	<u>108,329,505</u>		<u>109,787,766</u>		<u>105,262,998</u>
Expenditures (schedule B):					
District board management	3,437,147		3,776,604		3,445,035
School administration and instruction	81,642,326		81,209,745		77,103,971
French minority	56,000		114,174		82,741
Property service	9,996,740		10,270,961		9,907,098
Pupil transportation	4,662,057		4,743,741		4,529,193
Special education	3,479,255		3,419,334		2,611,426
Adult education	154,037		130,194		149,599
Driver education	---		219		5,579
Summer school	8,500		13,405		8,171
Cafeteria	576,963		597,805		564,858
Adult day school	368,754		325,563		292,025
Capital equipment and repairs	1,287,734		2,413,702		1,792,184
Early retirement program - principal	---		---		2,188,397
Early retirement program -interest	---		---		2,018,656
Textbook allocation	959,402		959,891		959,402
Board of pupils	20,000		20,195		16,382
Debt servicing - operating loans	21,385		42,711		21,385
Debt servicing - capital loans	---		166,125		358,250
Learning Centres	326,879		282,552		540,972
Deficit of prior year	1,332,326		1,332,326		---
	<u>108,329,505</u>		<u>109,819,247</u>		<u>106,595,324</u>
Excess expenditures over revenue	\$ <u>---</u>	\$	<u>(31,481)</u>	\$	<u>(1,332,326)</u>

See accompanying notes to financial statements.

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Statement of Deficit
Year ended March 31, 1999, with comparative figures for 1998**

	1999	1998
Surplus (deficit), beginning of year	\$ (1,332,326)	\$ 4,200
Deficit (surplus) transferred to current operations	<u>1,332,326</u>	<u>(4,200)</u>
	---	---
Excess expenditures over revenue	(31,481)	(1,332,326)
Deficit, end of year	<u><u>\$ (31,481)</u></u>	<u><u>\$ (1,332,326)</u></u>

**Capital Fund Balance Sheet
March 31, 1999, with comparative figures for 1998**

ASSETS

	1999	1998
Fixed assets (note 7):		
School buildings, land	\$ 56,096,216	\$ 56,096,216
Interest in properties	13,253,905	12,324,033
Equipment and furnishings	10,685,617	9,786,284
School buses and maintenance vehicles	7,424,102	6,799,889
Assets under capital leases	<u>137,151</u>	<u>137,151</u>
	<u><u>\$ 87,596,991</u></u>	<u><u>\$ 85,143,573</u></u>

LIABILITIES

Capital lease obligations	\$ ---	\$ 20,860
Term debt	<u>---</u>	<u>150,000</u>
	---	170,860

EQUITY

Investment in capital assets	<u>87,596,991</u>	<u>84,972,713</u>
	<u><u>\$ 87,596,991</u></u>	<u><u>\$ 85,143,573</u></u>

See accompanying notes to financial statements.

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Statement of Investment in Capital Assets
Year ended March 31, 1999, with comparative figures for 1998**

	1999	1998
Balance, beginning of year	\$ 84,972,713	\$ 83,225,109
Capital purchases funded from operations:		
Interest in properties	929,872	511,320
Equipment and furnishings	899,333	628,930
School buses and maintenance vehicles	624,213	659,229
	<u>2,453,418</u>	<u>1,799,479</u>
Capital debt repayment funded from operations:		
Capital leases	20,860	20,859
Retirement of debenture debt	150,000	310,000
	<u>170,860</u>	<u>330,859</u>
Retirement of school buses and vehicles	---	(382,734)
Balance, end of year	\$ <u>87,596,991</u>	\$ <u>84,972,713</u>

**Scholarship Trust Fund Balance sheet
March 31, 1999, with comparative figures for 1998**

	1999	1998
ASSETS		
Cash and investments	\$ <u>381,521</u>	\$ <u>379,056</u>

RESERVE FOR SCHOLARSHIPS

Rossetti Scholarship	\$ 162,146	\$ 163,054
Townsend Scholarship	1,002	1,001
McDonagh Scholarship	5,002	5,026
Panagiotakos Scholarship	9,008	9,012
McQuarrie Scholarship	3,180	3,159
Annie Hall Scholarship	1,999	1,988
C.J.C.B. Scholarship	3,818	3,640
Daniel Munroe Scholarship	2,913	3,040
John D. Macleod Memorial	1,015	982
Annie Bell Grady Memorial	22,588	21,680
T.L. Sullivan Memorial	2,668	2,541
Mary Elizabeth Brennan Scholarship	2,411	2,405
William Hillchie Memorial	3,075	3,075
Isabel MacDermid Memorial	3,155	3,128
Wendell Coldwell Memorial	2,038	1,993
Jon David Corbett	3,164	3,091
Leonard Matheson	1,457	1,474
Ellen Dunn Balah	5,583	3,978
George MacKay Bursary	145,299	144,789
	\$ <u>381,521</u>	\$ <u>379,056</u>

See accompanying notes to financial statements.

CAPE BRETON DISTRICT SCHOOL BOARD

**Statement of Scholarship Trust Fund Reserve
Year ended March 31, 1999, with comparative figures for 1998**

	<u>Rossetti</u>	<u>Townsend</u>	<u>McDonagh</u>	<u>Panagiotakos</u>	<u>McQuarrie</u>	<u>Annie Hall</u>	<u>C.J.C.B.</u>	<u>Munroe</u>
Balance, beginning of year . . . \$	163,304	\$ 1,001	\$ 5,026	\$ 9,012	\$ 3,159	\$ 1,988	\$ 3,640	\$ 3,040
Interest earned	8,292	46	251	436	181	91	178	3
	<u>171,596</u>	<u>1,047</u>	<u>5,277</u>	<u>9,448</u>	<u>3,340</u>	<u>2,079</u>	<u>3,818</u>	<u>3,043</u>
Scholarship awarded.	9,450	45	275	440	160	80	---	130
Balance, end of year \$	<u>162,146</u>	<u>\$ 1,002</u>	<u>\$ 5,002</u>	<u>\$ 9,008</u>	<u>\$ 3,180</u>	<u>\$ 1,999</u>	<u>\$ 3,818</u>	<u>\$ 2,913</u>

	<u>MacLeod</u>	<u>Grady</u>	<u>Sullivan</u>	<u>Brennan</u>	<u>Hillchie</u>	<u>MacDermid</u>	<u>Coldwell</u>
Balance, beginning of year \$	982	\$ 21,680	\$ 2,541	\$ 2,405	\$ 3,075	\$ 3,128	\$ 1,993
Interest earned	33	1,408	127	156	150	177	95
	<u>1,015</u>	<u>23,088</u>	<u>2,668</u>	<u>2,561</u>	<u>3,225</u>	<u>3,305</u>	<u>2,088</u>
Scholarship awarded.	---	500	---	150	150	150	50
Balance, end of year \$	<u>1,015</u>	<u>\$ 22,588</u>	<u>\$ 2,668</u>	<u>\$ 2,411</u>	<u>\$ 3,075</u>	<u>\$ 3,155</u>	<u>\$ 2,038</u>

	<u>Corbett</u>	<u>Matheson</u>	<u>Dunn Balah</u>	<u>MacKay</u>	1999 <u>Total</u>	1998 <u>Total</u>
Balance, beginning of year \$	3,091	\$ 1,474	\$ 3,978	\$ 144,789	\$ 379,306	\$ 379,521
Interest earned	173	83	310	9,910	22,100	20,629
New scholarship	---	---	1,445	---	1,445	4,126
	<u>3,264</u>	<u>1,557</u>	<u>5,733</u>	<u>154,699</u>	<u>402,851</u>	<u>404,276</u>
Scholarship awarded.	100	100	150	9,400	21,330	25,220
Balance, end of year \$	<u>3,164</u>	<u>\$ 1,457</u>	<u>\$ 5,583</u>	<u>\$ 145,299</u>	<u>\$ 381,521</u>	<u>\$ 379,056</u>

See accompanying notes to financial statements.

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Notes to Financial Statements
Year ended March 31, 1999**

Pursuant to an act passed by the Province of Nova Scotia, the Cape Breton District School Board and the Northside Victoria District School Board were amalgamated to form the Cape Breton Victoria Regional School Board. The School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system serving the Cape Breton Regional Municipality and the Municipality of the County of Victoria.

1. Significant accounting policies:

Basis of accounting:

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

(a) Financial statement presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(b) Revenue and expenditures recognition:

Revenue and expenditures are recorded using the modified accrual basis of accounting. Major revenues and expenditures are recorded on the accrual basis except for principal and interest payments relating to term debt which are recorded as an expense when paid. Fixed assets acquired with operating funds are recorded as an expenditure when incurred. Accruals for teachers' salaries at the beginning and end of a particular year are netted so that 195 days' salary is recorded as an expense. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

(c) Fixed assets:

Fixed assets are recorded at cost. Funds received through capital assistance programs are treated as additions to the investment in capital assets. The interest in school properties reflects only those capital expenditures made since the formation of the Cape Breton District School Board. Furniture and equipment purchased prior to January 1, 1982 has not been recorded in the capital fund. The School Board does not record depreciation on its fixed assets.

2. Accounts receivable, Government of Canada:

	1999	1998
Indian and Northern Affairs Canada	\$ 472,193	\$ 653,574
Harmonized sales tax	264,124	268,214
Other	153,935	139,930
	<u>\$ 890,252</u>	<u>\$ 1,061,718</u>

3. Accounts receivable, Province of Nova Scotia:

	1999	1998
Capital infrastructure	\$ 592,999	\$ 143,596
Special capital projects	249,513	203,524
Information Economy Initiative	460,113	---
3P Transitional Funding	150,000	---
Special initiatives	356,677	---
Other	454,589	291,290
	<u>\$ 2,263,891</u>	<u>\$ 638,410</u>

4. Early Retirement Program:

On July 22, 1994 regulations governing the Nova Scotia Teachers' Early Retirement (1994-98) Program were enacted by the Province of Nova Scotia. This program entitles teachers who meet the eligibility criteria to elect to retire at a date preceding their normal retirement date.

The program operates and is accounted for in the following manner. For each program participant the Board records the present value of the prescribed obligation together with a corresponding deferred expenditure amount. In respect of each participant, the obligation is being repaid in monthly instalments; payments are charged to operations. In addition, both the deferred expenditure account and the obligation are reduced by the extent of principal retired.

For the fiscal year ending March 31, 1999, the Board has been granted a payment holiday and, as a result, no amount has been included in its 1998-1999 budget or actual expenditures for payments under this program.

As at March 31, 1999 there were 381 teachers who had retired under the Early Retirement Program. The Board has recognized the remaining liability associated with these retirements in the amount of \$36,135,440 as at March 31, 1999.

5. Service Award Program:

Under the terms of the agreements with the local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a defined minimum of years service with the Board and is employed by the Board immediately prior to retirement. The awards range from \$211 to \$225 per year of service up to thirty-five years.

As at March 31, 1999 management has not estimated the liability for service award credits earned to date.

Adoption of the Early Retirement Program has resulted in the payment of service awards in advance of the 'normal' retirement date. commencing during the year ended March 31, 1996 the Board adopted a policy of deferring service award payments made in advance of the normal retirement date and such expenditures are charged to operations during the period of normal retirement.

For the year ended March 31, 1999 service awards (including normal and previously deferred expenditures) included in expenditures were \$373,179 (\$292,051 in 1998).

The \$846,306 balance of deferred expenditures at March 31, 1999 is expected to be charged to operations as follows:

	Total
2000	\$ 282,163
2001	311,774
2002	<u>252,369</u>
	<u>\$ 846,306</u>

6. Province of Nova Scotia, bridge financing loans:

In connection with finalizing and balancing earlier budgets, the Board had obtained bridge financing loans in the aggregate amount of \$1,368,000. With the permission of the Department the Board has included such loans in its operating revenues for the related year. Inclusion of the loans as revenue together with recognition of the loan obligation has resulted in the creation of a deferred expenditure referred to as "Deferred budgetary assistance" the deferred expenditure will be amortized and charged to operations as the related loans are retired.

During the year the Board reached an agreement with the Department concerning the ultimate repayment of the loans. Under the agreement a portion of the loans is forgiven and the remaining portion will be repaid without interest. A continuity of the loan balance follows:

	Loan Balance			
	Beginning of Year	Less Forgiveness	Less Repayments	End of Year
Bridge Financing loans:				
1996 loan	\$ 668,000	\$ 369,627	\$ 11,133	\$ 287,240
1997 loan	400,000	221,333	6,667	172,000
1998 loan	<u>300,000</u>	<u>166,000</u>	<u>5,000</u>	<u>129,000</u>
	1,368,000	756,960	22,800	588,240
Maintenance stabilization loan 8.4% loan repayable with annual instalments of \$17,333	<u>34,666</u>	---	<u>17,333</u>	<u>17,333</u>
	<u>\$ 1,402,666</u>	<u>\$ 756,960</u>	<u>\$ 40,133</u>	<u>\$ 605,573</u>

Principal due within each of the next five years is approximately as follows:

2000	\$ 158,133
2001	95,200
2002	95,200
2003	95,200
2004	95,200

7. Fixed assets:

On January 1, 1982, the Municipality of the County of Cape Breton, the City of Sydney and the Towns of Louisbourg, Dominion, New Waterford and Glace Bay formed the Cape Breton District School Board. Under the agreement, all land and school buildings on hand at December 31, 1981 remain assets of the municipal unit but will be under the operational control of the District School Board until such time as the Board no longer requires the assets for school purposes. At that time, control will revert back to the municipality.

7. Fixed assets (continued):

In 1970 the former Northside Victoria District School Board acquired title to certain land and buildings from its supporting municipalities which were to be offered back to the municipalities at no cost if they were ever declared surplus by the Board. With the amalgamation of the two Boards the agreements with municipalities for land and school buildings remains unchanged.

As a result of improvements made to school buildings, the Cape Breton Victoria Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a municipal unit sell a building returned to it by the Regional School Board under the circumstances noted above, a portion of the proceeds will be payable to the Regional School Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds, related to the improvements, will similarly be payable to the Regional School Board.

8. Deferred teachers' salaries:

Under terms of the teachers' contract the School Board withholds a portion of certain eligible teachers' salaries and deposits it with the Nova Scotia Teachers Credit Union. These amounts are subsequently withdrawn by the teachers in a year when they are on leave of absence. As at March 31, 1999 the Board had \$954,602 (\$1,009,764 at March 31, 1998) of such funds on deposit together with a corresponding liability to those teachers which amounts have not been included in these financial statements.

9. Pension plans:

The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers' Pension Act.

The Board's non-teaching staff are covered by a money-purchase pension plan administered by the Confederation Life Insurance Company.

10. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

11. Uncertainties:

(a) Measurement uncertainty:

The Board is negotiating labour contracts affecting virtually all of its employees. Although the Board has included in its expenditures a provision for estimated settlement costs for the period to March 31, 1999 the negotiation process, by its nature, could result in a material change to the recognized amount.

11. Uncertainties (continued):

(b) Uncertainty due to the Year 2000 Issue:

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

12. Comparative figures:

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

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Schedule A - Supplementary Details of Revenue
Year ended March 31, 1999**

	Budget	Actual
Province of Nova Scotia, formula funding:		
General formula	\$ 80,958,358	\$ 80,958,358
Pupil transportation	4,575,600	4,575,600
Special education	5,733,845	5,733,845
Learning disabilities	194,235	194,235
Textbook credit	959,402	959,402
Capital, transportation	571,200	571,200
	<u>\$ 92,992,640</u>	<u>\$ 92,992,640</u>
Province of Nova Scotia, other funding:		
Nova Scotia Youth Training Center	\$ 70,659	\$ 53,700
Correctional program grant	27,200	28,777
Atlantic Provinces Special Education Association	36,583	36,583
Salary increases	---	169,653
Information Economy Initiative	---	539,524
Capital debt	---	166,125
NSTU Salcon recovery	308,000	---
3-P Transitional funding	---	150,000
Special initiatives	727,617	582,667
Capital technology	200,000	---
Infrastructure funding	---	449,403
Emergency capital	---	273,930
	<u>\$ 1,370,059</u>	<u>\$ 2,450,362</u>
Government of Canada:		
Indian and Northern Affairs Canada	\$ 784,954	\$ 870,079
Secretary of State:		
Minority language	56,000	56,000
French immersion	104,000	147,359
Employment and Immigration Canada:		
Seat grants	25,000	8,634
ECBC technology grant	30,734	30,734
	<u>\$ 1,000,688</u>	<u>\$ 1,112,806</u>
Appropriation from Councils:		
Mandatory:		
Cape Breton Regional Municipality	\$ 10,835,398	\$ 10,835,398
County of Victoria	1,218,220	1,218,220
	<u>\$ 12,053,618</u>	<u>\$ 12,053,618</u>
Board operations:		
Cafeterias	\$ 573,500	\$ 607,722
Investment interest	100,000	253,899
Adult education fees	74,000	51,453
Rentals	50,000	58,913
Vocational School revenues	26,000	17,778
Adult day school fees	64,000	120,700
Other	25,000	67,875
	<u>\$ 912,500</u>	<u>\$ 1,178,340</u>

See accompanying notes to financial statements.

CAPE BRETON VICTORIA REGIONAL SCHOOL BOARD

**Schedule B - Supplementary Details of Expenditures
Year ended March 31, 1999**

	Budget	Actual
District board management:		
Salaries, wages and employee benefits	\$ 2,527,647	\$ 2,580,281
Supplies and materials	138,206	154,212
Conference.	90,200	67,315
Fees and dues	91,570	94,456
Telephone.	52,000	53,709
Travel	47,000	34,932
Legal fees.	120,000	217,989
Contracts	123,500	118,476
Insurance.	53,500	51,928
Other.	193,524	403,306
	<u>\$ 3,437,147</u>	<u>\$ 3,776,604</u>
School administration and instruction:		
Salaries, wages and employee benefits	\$ 79,333,912	\$ 78,929,201
Supplies and materials	1,164,467	1,195,173
Conference.	8,000	7,826
Professional development.	385,383	380,284
Telephone.	271,158	285,177
Travel	146,000	167,465
Other.	333,406	244,619
	<u>\$ 81,642,326</u>	<u>\$ 81,209,745</u>
French minority project:		
Salaries, wages and employee benefits	\$ ---	\$ 7,598
Supplies and materials	56,000	74,663
Conference.	---	5,406
In-service training.	---	8,470
Travel	---	18,037
	<u>\$ 56,000</u>	<u>\$ 114,174</u>
Property service:		
Salaries, wages and employee benefits	\$ 5,052,466	\$ 5,218,753
Supplies and materials	643,800	848,012
Electricity and fuel	3,248,234	2,937,840
Water	145,000	153,250
Travel	26,500	25,006
Vehicle operation.	54,000	55,510
Insurance.	263,240	263,239
Contracted services	488,000	683,050
Rental of facilities	75,500	86,301
	<u>\$ 9,996,740</u>	<u>\$ 10,270,961</u>

See accompanying notes to financial statements.

Schedule B - Supplementary Details of Expenditures (continued)
Year ended March 31, 1999

	Budget	Actual
Pupil transportation:		
Salaries, wages and employee benefits	\$ 3,353,157	\$ 3,331,718
Vehicle operating	802,000	868,556
License	60,500	66,534
Insurance	47,000	45,518
Garage operation	44,000	59,297
Travel	8,000	12,100
Contract conveyance	246,500	270,593
Transit subsidy - Sydney and Glace Bay	72,500	55,703
Other	28,400	33,723
	<u>\$ 4,662,057</u>	<u>\$ 4,743,742</u>
Special education:		
Salaries, wages and employee benefits	\$ 3,401,575	\$ 3,340,199
Supplies and materials	72,980	77,551
Fees and contracts	4,700	1,584
	<u>\$ 3,479,255</u>	<u>\$ 3,419,334</u>
Adult education:		
Salaries, wages and employee benefits	\$ 142,237	\$ 123,077
Supplies and materials	11,800	7,117
	<u>\$ 154,037</u>	<u>\$ 130,194</u>
Driver education:		
Salaries, wages and employee benefits	\$ ---	\$ 219
Summer school:		
Salaries, wages and employee benefits	\$ 8,500	\$ 12,100
Supplies and materials	---	1,305
	<u>\$ 8,500</u>	<u>\$ 13,405</u>
School cafeterias and lunchrooms:		
Salaries, wages and employee benefits	\$ 230,163	\$ 230,553
Supplies and materials	346,800	339,143
Profit share	---	28,110
	<u>\$ 576,963</u>	<u>\$ 597,806</u>
Adult day school:		
Salaries, wages and employee benefits	\$ 339,804	\$ 284,876
Supplies and materials	25,750	31,978
Utilities	---	3,767
Telephone	3,200	4,941
	<u>\$ 368,754</u>	<u>\$ 325,562</u>

See accompanying notes to financial statements.

AUDITORS' REPORT

To the Chairman and Members of the
Central Regional Health Board

We have audited the statement of financial position of the Central Regional Health Board as at March 31, 1999 and the statements of operations, changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

DELOITTE & TOUCHE LLP
Chartered Accountants

May 21, 1999

CENTRAL REGIONAL HEALTH BOARD

**Statement of Operations
Year ended March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
Revenue				
Department of Health	\$ 50,801,419	\$ ---	\$ 50,801,419	\$ 47,272,898
Patient services				
Preferred accommodations . . .	1,823,734	---	1,823,734	1,551,632
Long-term care	1,228,541	---	1,228,541	1,185,102
Workers' Compensation				
Board	303,142	---	303,142	306,360
Non-resident recoveries	367,856	---	367,856	275,477
Other	158,282	---	158,282	175,070
MSI recoveries	1,570,625	---	1,570,625	236,850
Donations	---	4,151	4,151	---
Cafeteria revenue	255,154	---	255,154	241,090
Amortization of deferred capital grants (Note 3(f) and Note 11).				
	---	2,277,715	2,277,715	2,148,300
Other recoveries	509,509	2,151	511,660	723,653
	<u>57,018,262</u>	<u>2,284,017</u>	<u>59,302,279</u>	<u>54,116,432</u>
Expenditures				
Nursing services				
(Schedule 1).	31,070,114	---	31,070,114	25,898,515
Special services				
(Schedule 2).	11,102,616	---	11,102,616	10,271,562
General services				
(Schedule 3).	4,248,127	---	4,248,127	3,923,515
Administration and support services (Schedule 4).				
	10,974,689	---	10,974,689	9,383,476
Plant operation and maintenance				
	2,475,492	---	2,475,492	2,514,157
Depreciation (Note 3(d))	---	2,416,273	2,416,273	2,230,549
Grant expenses	1,020,276	---	1,020,276	728,553
Ability to pay on long-term debt				
	206,020	---	206,020	191,874
Medical honorariums	62,930	---	62,930	72,920
Cafeteria expenses	224,421	---	224,421	201,838
Patient administration software support deficit				
	176,112	---	176,112	---
Homecare deficit (surplus)	26,936	---	26,936	(156,687)
Other expenses	24,015	9,657	33,672	153,344
	<u>61,611,748</u>	<u>2,425,930</u>	<u>64,037,678</u>	<u>55,413,616</u>
Deficiency of revenue over expenditures	<u>\$ (4,593,486)</u>	<u>\$ (141,913)</u>	<u>\$ (4,735,399)</u>	<u>\$ (1,297,184)</u>

CENTRAL REGIONAL HEALTH BOARD

**Statement of Financial Position
as at March 31, 1999**

ASSETS

	Operating Fund	Capital Fund	Total 1999	Total 1998
Current				
Cash and investments (Page 5)..... \$	819,230	\$ ---	\$ 819,230	\$ ---
Accounts receivable (Note 4).....	2,307,542	961,102	3,268,644	3,128,447
Inventories (Note 5).....	708,223	---	708,223	907,325
Prepaid expenses.....	599,307	---	599,307	817,053
Due from Charitable Foundations (Note 6).....	10,281	369,185	379,466	454,482
	<u>4,444,583</u>	<u>1,330,287</u>	<u>5,774,870</u>	<u>5,307,307</u>
Due from Long Term Care Facility (Note 7).....	20,238	---	20,238	20,238
Property, plant and equipment (Note 8).....	---	29,982,257	29,982,257	29,507,351
	<u>\$ 4,464,821</u>	<u>\$ 31,312,544</u>	<u>\$ 35,777,365</u>	<u>\$ 34,834,896</u>

LIABILITIES

Current				
Bank indebtedness (Page 5)..... \$	---	823,197	\$ 823,197	\$ 1,062,646
Accounts payable and accrued liabilities (Note 9)...	6,732,787	359,635	7,092,422	6,004,203
Revenue received in advance.....	6,674,365	---	6,674,365	2,007,855
Current portion of long-term debt (Note 10).....	---	155,922	155,922	277,600
	<u>13,407,152</u>	<u>1,338,754</u>	<u>14,745,906</u>	<u>9,352,304</u>
Long-term debt (Note 10).....	---	115,354	115,354	---
Deferred capital grants (Note 11).....	---	29,639,562	29,639,562	29,357,057
	<u>13,407,152</u>	<u>31,093,670</u>	<u>44,500,822</u>	<u>38,709,361</u>

FUND BALANCES

Unrestricted (Page 4).....	(9,214,548)	218,874	(8,995,674)	(4,337,164)
Externally restricted (page 4).....	272,217	---	272,217	462,699
	<u>(8,942,331)</u>	<u>218,874</u>	<u>(8,723,457)</u>	<u>(3,874,465)</u>
	<u>\$ 4,464,821</u>	<u>\$ 31,312,544</u>	<u>\$ 35,777,365</u>	<u>\$ 34,834,896</u>

CENTRAL REGIONAL HEALTH BOARD

**Statement of Changes in Fund Balances
Year ended March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
Unrestricted, beginning of year.	\$ (4,697,951)	\$ 360,787	\$ (4,337,164)	\$ (2,549,928)
Deficiency of revenue over expenditures (Page 2)	(4,593,486)	(141,913)	(4,735,399)	(1,297,184)
Transfer from (to) externally restricted (Note 13).	78,889	---	78,889	(462,699)
Transfer to deferred capital Grants.	---	---	---	(27,353)
Transfer to Charitable Foundations	(2,000)	---	(2,000)	---
	<u>(4,516,597)</u>	<u>(141,913)</u>	<u>(4,658,510)</u>	<u>(1,787,236)</u>
Unrestricted, end of year.	\$ <u>(9,214,548)</u>	\$ <u>218,874</u>	\$ <u>(8,995,674)</u>	\$ <u>(4,337,164)</u>
Externally restricted, beginning of year	\$ 462,699	\$ ---	\$ 462,699	\$ ---
Transfer (to) from unrestricted (Note 13).	(78,889)	---	(78,889)	462,699
Transfer to deferred capital grants.	(111,593)	---	(111,593)	---
Externally restricted, end of year	\$ <u>272,217</u>	\$ <u>---</u>	\$ <u>272,217</u>	\$ <u>462,699</u>

CENTRAL REGIONAL HEALTH BOARD

**Statement of Cash Flows
Year ended March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
Net inflow(outflow) of cash related to the following activities:				
Operating				
Deficiency of revenue over expenditures (Page 2) \$	(4,593,486)	\$ (141,913)	\$ (4,735,399)	\$ (1,297,184)
Amortization of deferred capital grants (Page 2)	---	(2,277,715)	(2,277,715)	(2,148,300)
Depreciation (Page 2)	---	2,416,273	2,416,273	2,230,549
Gain on disposal of equipment	---	(1,637)	(1,637)	---
Changes in non-cash working capital items (Note 12)	<u>6,730,344</u>	<u>(623,948)</u>	<u>6,106,396</u>	<u>(885,784)</u>
	<u>2,136,858</u>	<u>(628,940)</u>	<u>1,507,918</u>	<u>(2,100,719)</u>
Financing				
Proceeds from long-term debt (Note 10)	---	137,426	137,426	---
Repayment of long-term debt (Note 10)	(143,750)	---	(143,750)	(180,000)
Proceeds from capital grants (Note 11)	<u>---</u>	<u>2,560,220</u>	<u>2,560,220</u>	<u>1,744,804</u>
	<u>(143,750)</u>	<u>2,697,646</u>	<u>2,553,896</u>	<u>1,564,804</u>
Investing				
Proceeds from Long Term Care Facility loan (Note 7)	---	---	---	1,446
Transfer to deferred capital grants (Page 4)	(111,593)	---	(111,593)	(27,353)
Transfer to Charitable Foundations (Page 4)	(2,000)	---	(2,000)	---
Acquisition of property, plant and equipment	---	(2,895,092)	(2,895,092)	(1,732,245)
Proceeds on sale of equipment	<u>---</u>	<u>5,550</u>	<u>5,550</u>	<u>---</u>
	<u>(113,593)</u>	<u>(2,889,542)</u>	<u>(3,003,135)</u>	<u>(1,758,152)</u>
Net cash inflow (outflow)	1,879,515	(820,836)	1,058,679	(2,294,067)
(Bank indebtedness) cash and investments, beginning of year	<u>(1,060,285)</u>	<u>(2,361)</u>	<u>(1,062,646)</u>	<u>1,231,421</u>
Cash and investments (bank indebtedness), end of year \$	<u>819,230</u>	<u>\$ (823,197)</u>	<u>\$ (3,967)</u>	<u>\$ (1,062,646)</u>

CENTRAL REGIONAL HEALTH BOARD

Notes to the Financial Statements Year ended March 31, 1999

1. MISSION STATEMENT

The Central Regional Health Board is responsible for the development of health plans within the Central Region of the Province of Nova Scotia as well as their incorporation into an integrated delivery system, and the promotion of improved health status for individuals.

2. DESCRIPTION OF ORGANIZATION

The Facilities operated by the Central Regional Health Board are Dartmouth General Hospital and Community Health Centre, Hants Community Hospital, Twin Oaks Memorial Hospital, Musquodoboit Valley Memorial Hospital, Eastern Shore Memorial Hospital, and Cobequid Multi-Service Centre.

In addition, the Board supports seven (7) Community Health Boards and is responsible for delivery of addiction and public health services within the Central Region of Nova Scotia.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Fund Accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Central Regional Health Board's capital assets.

b) Revenue Recognition

The Central Regional Health Board follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received is estimated and collection is reasonably assured.

Restricted income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

c) Capital Assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution.

d) Depreciation

Depreciation on major equipment is calculated on the straight-line method at rates based on the estimated useful life of the assets. Depreciation is recorded on the buildings on the diminishing balance method at either 2.5% or 5% per year.

e) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions with which capital assets of the Central Regional Health Board were originally purchased.

f) Amortization of Deferred Capital Grants

Amortization of deferred capital grants is calculated and taken into revenue of the capital fund on the same basis as the depreciation of the related assets.

g) Vacation pay

The Central Regional Health Board follows the policy of recording the estimated vacation pay liability owed to staff. At March 31, 1999 the amount was \$1,761,018 (1998-\$1,491,847).

h) Investments

Investments are recorded at the lower of cost or market value.

4. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	Total 1999	Total 1998
Patient care \$	689,486	---	\$ 689,486	\$ 608,384
Less: Allowance for doubtful accounts	<u>(73,891)</u>	<u>---</u>	<u>(73,891)</u>	<u>43,628</u>
	615,595	---	615,595	564,756
Department of Health Estimated 1998 year end adjustment	---	---	---	518,562
E.D.I.P. Program	30,448	---	30,448	99,298
Capital Equipment Grants	---	897,178	897,178	---
HST Rebates	435,378	63,924	499,302	980,286
Home Support	727,037	---	727,037	314,296
Other	<u>499,084</u>	<u>---</u>	<u>499,084</u>	<u>651,249</u>
	<u>\$ 2,307,542</u>	<u>\$ 961,102</u>	<u>\$ 3,268,644</u>	<u>\$ 3,128,447</u>

5. INVENTORIES

	1999	1998
Medical and surgical \$	214,588	\$ 313,722
Drugs	249,031	271,578
General	222,389	301,950
Dietary and cafeteria	<u>22,215</u>	<u>20,075</u>
	<u>\$ 708,223</u>	<u>\$ 907,325</u>

6. DUE (TO) FROM CHARITABLE FOUNDATIONS

The operating fund has a balance of \$10,281 [1998 - (\$10,593)] due from (to) the Dartmouth General Hospital Charitable Foundation. The capital fund is owed \$291,330 (1998 - \$465,075) from the Dartmouth General Hospital Charitable Foundation, \$75,753 from Cobequid Multi-Service Centre Charitable Foundation, and \$2,102 from Musquodoboit Valley Memorial Hospital Auxiliary for capital purchases made during the year. These amounts are non-interest bearing and will be paid within the current year.

7. DUE FROM LONG TERM CARE FACILITY

A loan in the amount of \$20,238 is owing to the Central Regional Health Board from Braeside Home for Special Care for its sewage treatment system. This loan is non-interest bearing and is being repaid over 15 years at \$1,446 per year.

8. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value	
			1999	1998
Land	\$ 536,333	\$ ---	\$ 536,333	\$ 536,333
Land improvements	156,072	119,090	36,982	42,394
Building	39,799,869	16,801,424	22,998,445	22,325,263
Major equipment	21,539,985	15,465,870	6,074,115	5,323,021
Construction in progress . .	336,382	---	336,382	1,280,340
	<u>\$ 62,368,641</u>	<u>\$ 32,386,384</u>	<u>\$ 29,982,257</u>	<u>\$ 29,507,351</u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	Total 1999	Total 1998
Trade payables	\$ 1,778,316	\$ 359,635	\$ 2,137,951	\$ 2,168,279
Salaries, employee deductions and accrued vacation pay	4,556,577	---	4,556,577	3,583,574
Department of Health Estimated 1997 Y/E adjustment	---	---	---	41,000
Capital debt assistance. . . .	397,894	---	397,894	211,350
	<u>\$ 6,732,787</u>	<u>\$ 359,635</u>	<u>\$ 7,092,422</u>	<u>\$ 6,004,203</u>

10. LONG TERM DEBT

	Operating Fund	Capital Fund	Total 1999	Total 1998
Department of Health, Operating Loan				
Non-interest bearing, due in equal monthly payments of \$12,500	\$ ---	\$ ---	\$ ---	\$ 143,750
Department of Health, Demand Loan				
Non-interest bearing, repayable from future surplus	---	133,850	133,850	133,850
Obligations under Capital Lease				
Bearing interest at 6.5% for a 7-year term and maturing between September 2004 and April 2005.	---	137,426	137,426	---
	---	271,276	271,276	277,600
Principal portion repayable within one year.	---	155,922	155,922	277,600
	<u>\$ ---</u>	<u>\$ 115,354</u>	<u>\$ 115,354</u>	<u>\$ ---</u>

11. DEFERRED CAPITAL GRANTS

Deferred Capital Grants reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions with which capital assets of the Central Regional Health Board were originally purchased.

The changes for the year in deferred capital grants reported in the Capital Fund are as follows:

	1999	1998
Balance, beginning of year	\$ <u>29,357,057</u>	\$ <u>29,760,553</u>
Add: Capital grants received during the year		
Cobequid Multi Services Centre Charitable Foundation	75,753	---
Dartmouth General Hospital Charitable Foundation	2,083,515	524,778
Department of Health	124,500	817,276
Drug Dependency Services	---	123,160
Hants Community Hospital Charitable Foundation and Auxiliary	97,518	108,873
Musquodoboit Valley Memorial Hospital Auxiliary	2,102	192
Public Health Services	---	115,226
Twin Oaks Memorial Hospital Charitable Foundation	---	14,768
Transfer from operating fund	111,593	27,349
Other - emergency expansion grant	65,239	13,182
	<u>2,560,220</u>	<u>1,744,804</u>
	<u>31,917,277</u>	<u>31,505,357</u>
Deduct: Amortization	<u>(2,277,715)</u>	<u>(2,148,300)</u>
Balance, end of year	\$ <u><u>29,639,562</u></u>	\$ <u><u>29,357,057</u></u>

12. CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	Total 1999	Total 1998
Accounts receivable	\$ 718,916	\$ (859,113)	\$ (140,197)	\$ (777,954)
Inventories	199,102	---	199,102	70,257
Prepaid expenses	217,746	---	217,746	(323,527)
Due to Charitable Foundations	(20,874)	95,890	75,016	(5,569)
Accounts payable and accrued liabilities	948,944	139,275	1,088,219	146,907
Revenue received in advance	4,666,510	---	4,666,510	4,102
	<u>\$ 6,730,344</u>	<u>\$ (623,948)</u>	<u>\$ 6,106,396</u>	<u>\$ (885,784)</u>

13. EXTERNALLY RESTRICTED FUND BALANCES

Surpluses generated by excess operating revenue from the Department of Health over expenditures for both Public Health Services and Drug Dependency Services are restricted by the Department of Health. These surpluses can only be used to fund future operations of Public Health Services and Drug Dependency Services and are transferred to the externally restricted fund balances. The surpluses (deficits) generated during the year and transferred to (from) the externally restricted fund balances are as follows:

	1999	1998
Public Health Services	\$ (71,134)	\$ 156,740
Drug Dependency Services	<u>(7,755)</u>	<u>305,959</u>
	<u>\$ (78,889)</u>	<u>\$ 462,699</u>

14. CONTINGENT ASSETS

During the fiscal years prior to designation, the Board of Directors of the predecessor facilities agreed to the transfer of funds, which arose primarily from donations and operating surpluses, to the Foundations which were associated with the respective facilities.

These monies are being held in the accounts of the Foundations, to whom the funds were transferred, on the understanding that the funds will be expended at the discretion of the Foundation for the benefit of the facilities, for which the funds were originally raised. As as March 31, 1999, the balances held by the respective foundations were as follows:

	1999	1998
Dartmouth General Hospital Charitable Foundation	\$ 973,116	\$ 2,035,064
Hants Community Hospital Charitable Foundation	\$ 40,819	\$ 138,337
Musquodoboit Valley Memorial Hospital Charitable Foundation	\$ 331,262	\$ 331,262
Cobequid Multi Service Centre Charitable Foundation	\$ 529,493	\$ 529,493

These assets have not been recorded in the accounts of the Central Regional Health Board as the Board of Directors of the Central Regional Health Board do not have custody or control over the funds.

15. CANADA SAVINGS BONDS

The Central Regional Health Board has a bank loan outstanding in the amount of \$382,776 as at March 31, 1999 (1998 - \$310,128) which was used to purchase Canada Savings Bonds for employees through the payroll purchase plan. The bank loan and corresponding receivable from employees has not been recorded in the accounts of the Central Regional Health Board. The Canada Savings Bonds are held by the bank as security.

16. PENSION PLANS

The Central Regional Health Board participates in a multi-employer pension plan administered by the Nova Scotia Association of Health Organizations for the employees at primary care facilities and the Department of Finance for Public Health and Drug Dependency employees. The most recent NSAHO actuarial valuation was conducted as at December 31, 1996 and showed an unfunded liability for the entire NSAHO plan of Nil. The Department of Finance completed an actuarial valuation at October 31, 1998 and it also showed an unfunded liability for the entire plan of Nil.

17. CONTINGENCIES

No provision has been made in the financial statements for retirement award liabilities for staff who have not confirmed their intention to retire prior to March 31, 1999. Staff retirement awards will be funded out of current year's operations in the year in which the staff member has confirmed their intention to retire.

18. SUBSEQUENT EVENT

Subsequent to March 31, 1999, The Province of Nova Scotia has stated, as part of its Budget announcement, that it will be assuming the current year's and prior years' operating deficits of the Central Regional Health Board. Final ratification of the deficit assumption will depend on approval of the budget and related legislation in the Provincial legislature.

19. COMPARATIVE FIGURES

Certain of the 1998 comparative figures have been reclassified to reflect the 1999 financial statement presentation.

20. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

CENTRAL REGIONAL HEALTH BOARD

Schedule 1

**Nursing Services Expenditures
Year ended March 31, 1999**

	1999	1998
Nursing administration.	\$ 553,394	\$ 495,480
Nursing units.	17,800,299	15,643,980
Haliburton place.	1,369,460	1,189,322
Surgical suite.	3,138,559	2,810,774
Emergency and out-patient department.	6,229,307	4,078,843
Geriatrics.	5,411	8,428
Intensive care unit	1,884,282	1,597,792
Occupational health and infection control.	75,540	57,484
Patient transportation.	7,534	10,901
Dental clinic.	6,328	5,511
	<u>\$ 31,070,114</u>	<u>\$ 25,898,515</u>

Schedule 2

**Special Services Expenditures
Year ended March 31, 1999**

	1999	1998
Laboratory.	\$ 5,383,492	\$ 5,102,887
Electrocardiography	149,097	141,866
Pharmacy.	531,444	480,818
Radiology	3,274,855	2,908,683
Respiratory	326,237	277,647
Mental health.	254,631	237,750
Rehabilitation services.	1,073,097	983,399
Audiology/speech.	---	14,014
Physicians offices.	109,763	124,498
	<u>\$ 11,102,616</u>	<u>\$ 10,271,562</u>

Schedule 3

**General Services Expenditures
Year ended March 31, 1999**

	1999	1998
Dietary.	\$ 2,192,019	\$ 1,993,554
Laundry/linen.	543,214	502,629
Environment services.	1,512,894	1,427,332
	<u>\$ 4,248,127</u>	<u>\$ 3,923,515</u>

Schedule 4

**Administration and Support services Expenditures
Year ended March 31, 1999**

	1999	1998
Administration	\$ 7,742,230	\$ 6,745,879
Medical records and library.	1,042,577	954,902
Staff development	132,424	113,489
Materials management	1,150,958	1,071,091
Social services.	226,987	199,365
Information services	679,513	298,750
	<u>\$ 10,974,689</u>	<u>\$ 9,383,476</u>

CHECK INNS LIMITED

The following statements for Check Inns Limited are unaudited.

CHECK INNS LIMITED

Balance Sheet
March 31, 1999

ASSETS		1999	1998
Current			
Cash	\$	---	\$ 1,747
		<u>---</u>	<u>1,747</u>
Computer equipment		---	110,520
	\$	<u>---</u>	<u>\$ 112,267</u>

LIABILITIES

Current			
Payables and accruals			
Trade	\$	---	\$ 1,775
Department of Economic Development and Tourism . . .		<u>89,907</u>	<u>89,879</u>
		<u>89,907</u>	<u>91,654</u>

SHAREHOLDER'S EQUITY

Capital Stock			
Authorized:			
5,000 common shares with par value of \$1 each			
Issued:			
3 common shares		3	3
Retained earnings		<u>(89,910)</u>	<u>20,610</u>
		<u>(89,907)</u>	<u>20,613</u>
	\$	<u>---</u>	<u>\$ 112,267</u>

Statement of Loss and Retained Earnings
year ended March 31, 1999

	1999	1998
Expenses		
Office and miscellaneous expenses	\$ ---	\$ 190
Professional fees	<u>---</u>	<u>1,775</u>
	<u>---</u>	<u>1,965</u>
Loss before depreciation	---	1,965
Depreciation	<u>110,520</u>	<u>110,520</u>
Net loss	<u>\$ 110,520</u>	<u>\$ 112,485</u>
Retained earnings, beginning of year	\$ 20,610	\$ 133,095
Net loss	<u>(110,520)</u>	<u>(112,485)</u>
Retained earnings, end of year	<u>\$ (89,910)</u>	<u>\$ 20,610</u>

Note: 1998 expenses have been restated by \$3.00

AUDITORS' REPORT

To the Chairperson and Members
of the Board

We have audited the balance sheets of Chignecto-Central Regional School Board as at March 31, 1999 and the statements of operations, surplus, investment in capital assets and continuity of reserves for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

KPMG LLP
Chartered Accountants

Halifax, Canada
July 16, 1999

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 1999**

ASSETS

	1999		1998
Current assets:			
Cash	\$ 9,245	\$	9,145
Accounts receivable:			
Government of Canada (note 2)	1,372,890		2,316,314
Province of Nova Scotia (note 3)	3,408,769		2,621,686
Municipalities	283,405		14,993
Other	520,270		705,450
Prepaid expenses	390,676		611,782
Deferred service award expenditures (note 4)	636,924		317,898
	<u>6,622,179</u>		<u>6,597,268</u>
Other assets:			
Deferred service award expenditures (note 4)	829,283		1,060,679
Discount on debenture	4,435		5,544
Restricted cash and investments	235,931		155,545
	<u>1,069,649</u>		<u>1,221,768</u>
Capital assets (note 5):			
School buildings and land	78,141,075		76,065,520
Equipment and furnishings	29,302,868		25,984,287
School buses and maintenance vehicles	9,822,469		9,303,878
	<u>117,266,412</u>		<u>111,353,685</u>
	<u>\$ 124,958,240</u>	\$	<u>119,172,721</u>

LIABILITIES and EQUITY

	1999		1998
Current liabilities:			
Bank indebtedness	\$ 1,288,587	\$	3,861,270
Accounts payable and accrued liabilities	4,915,536		3,595,505
Deferred revenue	1,168,250		128,546
Due to Trust Funds	159		204
Current portion of Province of Nova Scotia, capital improvement loans	138,554		244,800
Current portion of term debt	220,000		289,000
	<u>7,731,086</u>		<u>8,119,325</u>
Other liabilities:			
Obligation under Early Retirement Program (note 6)	28,977,405		24,083,567
Province of Nova Scotia, capital improvements loans (note 7)	318,346		834,400
Term debt (note 8)	660,000		880,000
	<u>29,955,751</u>		<u>25,797,967</u>
Equity:			
Deficiency in Early Retirement Program (note 6)	(28,977,405)		(24,083,567)
Reserves	235,772		155,343
Surplus - non-restricted	18,059		11,594
Investment in capital assets	115,994,977		109,172,059
	<u>87,271,403</u>		<u>85,255,429</u>
	<u>\$ 124,958,240</u>	\$	<u>119,172,721</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Current assets:		
Cash	\$ 9,245	\$ 9,145
Accounts receivable:		
Government of Canada (note 2)	1,372,890	2,316,314
Province of Nova Scotia (note 3)	3,408,769	2,621,686
Municipalities	283,405	14,993
Other	520,270	705,450
Prepaid expenses	390,676	611,782
Deferred services award expenditures (note 4)	636,924	317,898
	<u>6,622,179</u>	<u>6,597,268</u>
Other assets:		
Deferred service award expenditures (note 4)	829,283	1,060,679
Restricted cash and investments	196,403	117,477
	<u>1,025,686</u>	<u>1,178,156</u>
	\$ <u><u>7,647,865</u></u>	\$ <u><u>7,775,424</u></u>

LIABILITIES AND EQUITY (DEFICIT)

Current liabilities:		
Bank indebtedness	\$ 1,288,587	\$ 3,861,270
Accounts payable and accrued liabilities	4,915,536	3,595,505
Deferred revenue	1,168,250	128,546
Due to own funds	257,433	178,509
	<u>7,629,806</u>	<u>7,763,830</u>
Other liabilities:		
Obligation under Early Retirement Program (note 6)	28,977,405	24,083,567
Equity (deficit):		
Deficiency in Early Retirement Program (note 6)	(28,977,405)	(24,083,567)
Surplus - non-restricted	18,059	11,594
	<u>(28,959,346)</u>	<u>(24,071,973)</u>
	\$ <u><u>7,647,865</u></u>	\$ <u><u>7,775,424</u></u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Statement of Operations
Year ended March 31, 1999**

	1999 Budget	1999 Actual	1998 Actual
Revenue (schedule A):			
Province of Nova Scotia \$	106,152,314	\$ 107,836,513	\$ 102,791,421
Government of Canada	1,846,868	1,955,030	2,024,231
Appropriation from Councils	17,925,161	17,925,161	16,896,279
Board operations	1,523,311	2,128,291	2,259,595
Transfer from reserve for instructional program enhancement	---	---	113,581
	<u>127,447,654</u>	<u>129,844,995</u>	<u>124,085,107</u>
Expenditures (schedule B):			
District board management	4,661,728	4,699,478	4,623,601
School administration and instruction	88,683,810	85,852,789	85,532,623
Property service	11,816,281	13,271,842	12,384,070
Pupil transportation	7,445,508	7,366,573	7,169,741
Special education	10,495,390	10,982,508	10,501,882
Adult education	410,030	563,569	385,456
Driver education	---	---	(1,838)
Summer school	103,300	75,498	45,993
Cafeteria	770,000	1,135,163	997,408
Capital equipment, repairs and renovations	2,469,092	5,236,572	2,301,561
Debt service costs	592,515	575,569	140,023
Transfer to reserve for instructional program enhancement	---	78,969	---
	<u>127,447,654</u>	<u>129,838,530</u>	<u>124,080,520</u>
Excess of revenue over expenditures \$	<u>---</u>	<u>\$ 6,465</u>	<u>\$ 4,587</u>

**Statement of Surplus
Year ended March 31, 1999**

	1999	1998
Surplus, beginning of year \$	11,594	\$ 7,007
Excess of revenue over expenditures	6,465	4,587
Surplus, end of year \$	<u>18,059</u>	<u>\$ 11,594</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Capital Fund Balance Sheet
March 31, 1999**

ASSETS		1999	1998
Due from own funds	\$	61,030	\$ 61,030
Discount on debentures		4,435	5,544
Capital assets (note 5):			
School buildings and land		78,141,075	76,065,520
Equipment and furnishings.		29,302,868	25,984,287
School buses and maintenance vehicles.		9,822,469	9,303,878
	\$	<u>117,331,877</u>	\$ <u>111,420,259</u>
LIABILITIES			
Province of Nova Scotia, capital improvement loans (note 7)	\$	456,900	\$ 1,079,200
Term debt (note 8)		880,000	1,169,000
		<u>1,336,900</u>	<u>2,248,200</u>
EQUITY			
Investment in capital assets		<u>115,994,977</u>	<u>109,172,059</u>
	\$	<u>117,331,877</u>	\$ <u>111,420,259</u>

**Statement of Investment in Capital Assets
Year ended March 31, 1999**

	1999	1998
Balance, beginning of year.	\$ 109,172,059	\$ 106,679,194
Capital asset purchases funded from operations:		
School buildings and land	2,103,380	647,457
Equipment and furnishings.	2,384,945	827,264
School buses and maintenance vehicles.	748,247	826,840
Donated capital assets:		
School buildings.	120,011	184,954
Equipment and furnishings.	933,636	470,508
	<u>6,290,219</u>	<u>2,957,023</u>
Capital debt repayment funded from operations:		
Retirement of debt	497,969	113,800
Forgiveness of debt by Province of Nova Scotia.	412,222	---
Retirement of capital assets:		
School buses and maintenance vehicles.	(229,656)	(577,958)
School buildings	(147,836)	---
Balance, end of year	\$ <u>115,994,977</u>	\$ <u>109,172,059</u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Reserve Fund Balance Sheet
March 31, 1999**

	1999	1998
ASSETS		
Cash and investments	\$ 39,528	\$ 38,068
Due from own funds.	<u>196,244</u>	<u>117,275</u>
	\$ <u><u>235,772</u></u>	\$ <u><u>155,343</u></u>
RESERVES		
Reserve for Instructional Program Enhancement	\$ 169,784	\$ 90,815
Reserve for School Advisory Councils	18,633	18,633
Special Capital Reserve.	13,180	13,131
Capital Reserve.	<u>34,175</u>	<u>32,764</u>
	\$ <u><u>235,772</u></u>	\$ <u><u>155,343</u></u>

**Statement of Continuity of Reserves
Year ended March 31, 1999**

Balance, beginning of year.	\$ 155,343	\$ 268,034
Interest earned.	<u>1,460</u>	<u>890</u>
	156,803	268,924
Transfer to (from) current operations:		
Instructional Program Enhancement	(78,969)	113,581
Balance, end of year	\$ <u><u>235,772</u></u>	\$ <u><u>155,343</u></u>

See accompanying notes to financial statements.

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Notes to Financial Statements
Year ended March 31, 1999**

Pursuant to an act passed by the Province of Nova Scotia, the Colchester-East Hants District School Board, Cumberland District School Board, and the Pictou District School Board were amalgamated to form the Chignecto-Central Regional School Board. The Regional School Board is incorporated under the provisions of the Education Act of the Province of Nova Scotia and its principal business activity is operating a regional school system.

1. Significant accounting policies:

Basis of accounting:

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

(a) Financial statement presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(b) Revenue and expenditures recognition:

Revenue and expenditures are recorded using the modified accrual basis of accounting. Major revenues and expenditures are recorded on the accrual basis except for principal and interest payments relating to term debt which are recorded as an expense when paid. Capital assets acquired with operating funds are recorded as an expenditure when incurred. Accruals for teachers' salaries at the beginning and end of a particular year are netted so that 195 days' salary is recorded as an expense. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

(c) Capital assets:

Capital assets are recorded at cost. Funds received through capital assistance programs are treated as additions to the investment in capital assets. The School Board does not record depreciation on its capital assets.

(d) Basis of consolidation:

The consolidated balance sheet has been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook. Trust funds are not included in the consolidation (see note 10) and interfund balances have been eliminated.

2. Accounts receivable, Government of Canada:

	1999		1998
Band Councils.	\$ 676,968	\$	1,405,411
Good and Services Tax	690,631		905,741
Other.	5,291		5,162
	<u>\$ 1,372,890</u>	\$	<u>2,316,314</u>

3. Accounts receivable, Province of Nova Scotia:

	1999	1998
Special capital projects.....	\$ 1,245,494	\$ 626,851
Technology Grant.....	575,000	575,000
Other.....	<u>1,588,275</u>	<u>1,419,835</u>
	<u>\$ 3,408,769</u>	<u>\$ 2,621,686</u>

4. Service Award Program:

Under the terms of the agreements with the local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a defined minimum of years service with the Board and is employed by the Board immediately prior to retirement.

As at March 31, 1999 management has not estimated the liability for service award credits earned to date.

Adoption of the Early Retirement Program has resulted in the payment of service awards in advance of the 'normal' retirement date. The Board has adopted a policy of deferring service award payments made in advance of the normal retirement date and such expenditures are charged to operations during the period of normal retirement.

For the year ended March 31, 1999 service awards (including normal and previously deferred expenditures) included in expenditures were \$421,549 (1998 - \$323,918).

Deferred service awards outstanding at March 31, 1999 that are expected to be charged to operations during future years are as follows:

2000	\$ 636,924
2001	525,187
2002	<u>304,096</u>
	<u>\$ 1,466,207</u>

5. Capital assets:

In 1982, on creation of the former District School Boards, an agreement was made with respect to capital assets which stated that all land and school buildings on hand at December 31, 1981 remain assets of the municipal units but will be under the operational control of the District School Boards until such time as the School Boards no longer require the assets for school purposes. At that time, control will revert back to the municipalities. In addition, one of the former District School Boards also had an agreement to offer back to the municipalities, at no cost, certain land and buildings acquired in 1970 if they are ever declared surplus by the Board. These agreements have been carried forward to the Regional School Board.

As a result of improvements made to school buildings, the Chignecto-Central Regional School Board now has an interest in real property to which it does not have title. Under the Education Act, should a building returned by the Regional School Board under the circumstances noted above, be sold by the Municipal unit or destroyed, a portion of any proceeds will be payable to the Regional School Board.

6. Early Retirement Program:

On July 22, 1994 regulations governing the Nova Scotia Teachers' Early Retirement (1994-98) Program were enacted by the Province of Nova Scotia. This program entitles teachers who meet the eligibility criteria to elect to retire at a date preceding their normal retirement date.

The program operates and is accounted for in the following manner. For each program participant the Board records the present value of the prescribed obligation together with a corresponding deferred expenditure amount. In respect of each participant, the obligation is being repaid in monthly instalments; payments are charged to operations. In addition, both the deferred expenditure account and the obligation are reduced by the extent of the principal retired.

For the fiscal year ending March 31, 1999, the Board has been granted a payment holiday and, as a result, no amount has been included in its 1999 expenditures.

As at March 31, 1999 there were 309 teachers who had retired under the Early Retirement Program. The Board has recognized the remaining liability associated with these retirements in the amount of \$28,977,405. Due to the renegotiation of terms that are ongoing the repayments over the next five years are not determinable as at the date of the auditors' report.

7. Province of Nova Scotia, capital improvement loans:

	1999	1998
Bridge financing loan for leasehold improvements to the 60 Lorne Street facility, non-interest bearing maturing in 2003 and repayable as follows: 2000 - \$93,754; 2001 - \$75,840; 2002 - \$72,892; 2003 - \$41,760 and 2004 - \$38,254	\$ 322,500	\$ 900,000
Maintenance Stabilization Trust Fund loan, bearing interest at 6% per annum and repayable in semi-annual principal payments of \$22,400 plus interest commencing May 1, 1997 and maturing November 1, 2001	134,400	179,200
	456,900	1,079,200
Less current portion	138,554	244,800
	<u>\$ 318,346</u>	<u>\$ 834,400</u>

Principal repayments required over the next five years are as follows: 2000 - \$138,554; 2001 - \$120,640; 2002 - \$117,692; 2003 - \$41,760 and 2004 - \$38,254.

8. Term debt:

	1999	1998
Serial Debentures:		
Matured in 1999 at interest rate of 9.75% issued by Board	\$ ---	\$ 69,000
Nova Scotia Municipal Finance Corporation, bearing interest at 5.125% to 5.5% per annum and repayable in annual principal instalments of \$220,000 plus interest semi-annually commencing July 30, 1998 and maturing January 30, 2003.	880,000	1,100,000
	880,000	1,169,000
Less current portion	220,000	289,000
	<u>\$ 660,000</u>	<u>\$ 880,000</u>

8. Term debt (continued):

Principal repayments required over the next four years are as follows: 2000 - \$220,000; 2001- \$220,000; 2002 - \$220,000; and 2003 - \$220,000.

Principal repayments and interest costs are fully funded by grants from the Province of Nova Scotia.

9. Insurance:

The Board is a member of a self insurance plan with the Nova Scotia School Board Association.

10. Trust funds (schedules C and D):

The following are trust fund balances:

	1999	1998
Cole	\$ 2,030	\$ 2,054
MacIver	1,500	1,503
Campbell	1,202	1,200
Harrison	5,084	5,089
Smith	1,536	1,534
ARHS Prize	2,007	2,034
Brine	1,305	1,212
Devenne	4,834	5,184
Hewson	23,269	23,225
Sorge	5,469	5,468
Fields	1,725	1,727
Parrsboro Prize	1,040	1,027
Dowe	713	713
Tye	26,358	24,668
Dempsey	176	360
Dunbar	3,001	3,019
MacKenzie	12,002	12,109
Chignecto Family	4,891	4,033
Stay-in-School	14,109	14,759
Coleman	20	132
Charity-Cash	1,962	1,962
Kirkpatrick	1,689	1,729
McBrien	5,507	5,506
Decker	6,086	6,357
LaFarge	10,100	10,105
Gosse	2,191	2,086
Roach	984	984
Eaton	1,888	1,731
Parker	2,530	2,348
MacInnes	2,000	2,000
Sutherland	1,000	1,000
Edwards	2,077	1,373
McIver	6,477	6,528
Puglsey	73,050	75,000
Biggs	21,099	---
Christie	13,147	---
Tingley	12,913	---
	<u>\$ 276,971</u>	<u>\$ 229,759</u>

11. Pension plans:

The Regional School Board makes payments into several pension plans for various eligible non-teaching staff. Most of these pension plans are of the money purchase type and are administered on behalf of the Board by Crown Life Insurance Company and Standard Life Assurance Company.

In addition, some eligible non-teaching staff participate in two defined benefit pension plans. One of these plans is held on behalf of the Regional School Board by the Nova Scotia School Boards Association. The latest actuarial valuation was performed on December 31, 1994 and indicated accrued pension benefits of \$280,300 and pension fund assets with market values of \$292,800. The second defined benefit pension plan is held by an outside fund manager on behalf of the Chignecto-Central Regional School Board. The latest actuarial valuation was performed on January 1, 1997 and indicated accrued pension benefits of \$3,394,561 and pension fund assets with market values of \$3,843,764.

The Regional School Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

12. Uncertainty due to the Year 2000 Issue:

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

13. Comparative figures:

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

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Schedule A - Supplementary Details of Revenue
Year ended March 31, 1999**

	1999 Budget		1999 Actual		1998 Actual
Province of Nova Scotia:					
General formula	\$ 87,854,628	\$	\$ 87,854,626	\$	\$ 78,721,785
Pupil transportation	8,339,400		8,339,400		8,339,400
Special education	6,739,445		6,739,442		6,739,445
Textbook credit allocation	1,127,662		1,081,646		1,127,662
Early Retirement Program	---		---		3,472,814
Severe Learning Disabilities	225,130		225,130		223,417
Capital debt	354,302		355,411		82,455
Capital, transportation	1,024,800		1,024,800		1,024,800
Emergency Capital Grants	---		592,000		227,712
French Special Projects	91,947		61,732		155,070
Technology Grant	---		---		575,000
Information Economy Initiative	---		729,923		---
Other	395,000		832,403		2,101,861
	<u>\$ 106,152,314</u>	\$	<u>\$ 107,836,513</u>	\$	<u>\$ 102,791,421</u>
Government of Canada:					
Indian and Northern Affairs Canada	\$ 1,500,000	\$	\$ 1,628,894	\$	\$ 1,585,942
Secretary of State:					
Minority language	45,000		73,016		35,333
French Special Projects	229,868		154,330		188,093
Employment and Immigration Canada:					
School to Work Transition	72,000		98,790		214,823
Other	---		---		40
	<u>\$ 1,846,868</u>	\$	<u>\$ 1,955,030</u>	\$	<u>\$ 2,024,231</u>
Appropriation from Councils:					
Municipality of Colchester	\$ 4,167,515	\$	\$ 4,167,515	\$	\$ 3,890,220
Municipality of Cumberland	2,044,079		2,044,079		1,707,697
Municipality of East Hants	2,290,301		2,290,301		2,172,104
Municipality of Pictou	3,020,277		3,020,277		2,986,896
Town of Amherst	1,105,024		1,105,024		1,017,154
Town of New Glasgow	1,208,424		1,208,424		1,212,329
Town of Oxford	163,206		163,206		143,199
Town of Parrsboro	136,013		136,013		122,737
Town of Pictou	336,988		336,988		311,810
Town of Springhill	366,818		366,818		329,638
Town of Stellarton	519,411		519,411		515,121
Town of Stewiacke	144,244		144,244		136,389
Town of Trenton	213,467		213,467		185,390
Town of Truro	1,964,297		1,964,297		1,930,273
Town of Westville	245,097		245,097		235,322
	<u>\$ 17,925,161</u>	\$	<u>\$ 17,925,161</u>	\$	<u>\$ 16,896,279</u>
Board operations:					
Cafeterias	\$ 770,000	\$	\$ 1,130,630	\$	\$ 895,779
Investment interest	100,000		280,063		139,233
Adult education fees	117,000		153,785		148,070
Rentals	390,000		440,285		281,521
Summer School	37,600		29,423		26,875
International Student Program	---		71,493		---
Other	108,711		22,612		768,117
	<u>\$ 1,523,311</u>	\$	<u>\$ 2,128,291</u>	\$	<u>\$ 2,259,595</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Schedule B - Supplementary Details of Expenditures
Year ended March 31, 1999**

	1999		1999		1998
	Budget		Actual		Actual
Regional board management:					
Salaries and wages	\$ 2,821,618	\$	\$ 2,834,415	\$	\$ 2,804,568
Board member honorarium	121,800		121,735		157,051
Employee benefits	302,670		277,322		293,212
Supplies and materials	291,900		411,793		353,890
Travel and conference - Staff	273,300		264,535		245,012
Travel and conference - Board	85,600		59,196		60,053
Telephone	204,055		115,762		119,673
Professional fees	211,000		207,225		197,480
Administrative services	167,200		154,160		125,826
Facilities rental	23,832		22,774		24,327
Dues and fees	104,753		108,458		112,851
Advertising	39,000		55,969		30,704
Consulting and contracted services	15,000		62,249		61,452
Other	---		3,885		37,502
	<u>\$ 4,661,728</u>	\$	<u>\$ 4,699,478</u>	\$	<u>\$ 4,623,601</u>
School administration and instruction:					
Salaries and wages	\$ 78,148,177	\$	\$ 76,246,315	\$	\$ 73,571,450
Employee benefits	5,970,025		5,149,114		4,657,031
Service awards	290,847		355,323		211,625
Early retirement program	---		---		3,472,814
Supplies and materials	2,441,111		1,824,898		1,786,417
Textbook credit allocation	1,115,162		1,081,646		1,127,662
Textbook and conferences	157,594		339,572		180,895
In-service training	124,400		124,867		19,842
Program initiatives	412,494		324,430		109,963
Telephone	1,000		241,351		247,832
Computer services	12,000		140,305		132,967
Other	11,000		24,968		14,125
	<u>\$ 88,683,810</u>	\$	<u>\$ 85,852,789</u>	\$	<u>\$ 85,532,623</u>
Property service:					
Salaries and wages	\$ 5,615,797	\$	\$ 7,051,673	\$	\$ 6,027,884
Employee benefits	768,934		884,511		674,928
Supplies and materials	1,514,649		1,329,689		1,484,793
Utilities	3,347,950		3,328,879		3,497,350
Travel, conference and in-services	43,000		75,783		40,953
Insurance	290,000		272,357		274,652
Contracted Services	195,951		267,877		336,860
Telephone	39,000		51,374		44,156
Other	<u>1,000</u>		<u>9,699</u>		<u>2,494</u>
	<u>\$ 11,816,281</u>	\$	<u>\$ 13,271,842</u>	\$	<u>\$ 12,384,070</u>
Pupil transportation:					
Salaries and wages	\$ 3,950,000	\$	\$ 4,013,303	\$	\$ 3,733,575
Employee benefits	493,008		505,870		422,182
Vehicle operating	1,015,000		965,891		1,119,523
License	75,000		69,013		73,618
Insurance	70,000		63,998		63,463
Garage expenses	30,000		29,986		65,491
Travel, conferences and in-services	20,000		18,547		20,296
Contract conveyance	1,750,000		1,672,050		1,643,157
Bus site maintenance	15,000		7,176		7,459
Telephone	27,500		20,454		20,444
Other	---		285		533
	<u>\$ 7,445,508</u>	\$	<u>\$ 7,366,573</u>	\$	<u>\$ 7,169,741</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

Schedule B - Supplementary Details of Expenditures (continued)
Year ended March 31, 1999

	1999		1999		1998
	Budget		Actual		Actual
Special education:					
Salaries and wages	\$ 9,551,241	\$	9,988,509	\$	9,576,122
Employee benefits	652,919		766,253		682,189
Supplies and materials	177,230		115,451		81,751
Circuit and resource travel	63,000		46,803		854
Travel, conferences and in-services	34,000		46,732		76,828
Telephone	17,000		18,268		11,177
Other	---		492		72,961
	<u>\$ 10,495,390</u>	\$	<u>10,982,508</u>	\$	<u>10,501,882</u>
Adult education:					
Salaries and wages	\$ 310,330	\$	397,088	\$	280,856
Employee benefits	25,000		32,535		25,273
Contracted services	---		44,003		16,467
Travel and conferences	16,500		12,796		8,584
Supplies and materials	25,200		37,875		16,539
Advertising	27,000		21,517		24,809
Facilities rental	6,000		8,676		8,782
Telephone and computer services	---		9,079		4,146
	<u>\$ 410,030</u>	\$	<u>563,569</u>	\$	<u>385,456</u>
Summer school:					
Salaries, wages and employee benefits . . \$	10,675	\$	6,101	\$	45,438
Contracted services	88,125		67,396		---
Supplies and materials	3,500		1,669		240
Travel and conferences	1,000		332		315
	<u>\$ 103,300</u>	\$	<u>75,498</u>	\$	<u>45,993</u>
Cafeteria:					
Salaries and wages	\$ 269,450	\$	399,052	\$	356,363
Employee benefits	38,084		47,289		45,943
Supplies and materials	462,466		622,633		557,378
Contracted services	---		66,189		37,724
	<u>\$ 770,000</u>	\$	<u>1,135,163</u>	\$	<u>997,408</u>

CHIGNECTO-CENTRAL REGIONAL SCHOOL BOARD

**Schedule C - Trust Fund Balance Sheet
March 31, 1999**

ASSETS

	1999		1998
Cash and investments	\$ 276,287	\$	229,117
Accounts receivable	525		438
Due from operating	159		204
	<u>\$ 276,971</u>	\$	<u>229,759</u>

EQUITY

Trust Funds (note 10)	\$ <u>276,971</u>	\$	<u>229,759</u>
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Schedule D - Statement of Continuity of Trust funds

March 31, 1999

	1999		1998
Balance, beginning of year	\$ 229,759	\$	143,869
Receipts:			
Principal	58,832		97,951
Interest earned	4,733		5,713
	<u>63,565</u>		<u>103,664</u>
Disbursements:			
Bursaries and scholarships	<u>(16,353)</u>		<u>(17,774)</u>
Balance, end of year	\$ <u>276,971</u>	\$	<u>229,759</u>

AUDITORS' REPORT

We have audited the balance sheet of the Collège de l'Acadie as at March 31, 1999, the statement of operations and changes in net assets and the statement of changes in financial position for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Chartered Accountants

Yarmouth, Nova Scotia

October 4, 1999

COLLÈGE DE L'ACADIE

**Balance Sheet
March 31,1999 and 1998**

	1999	1998
Assets		
Current assets:		
Cash	\$ 431,598	\$ 791,935
Short term investments	1,226,907	-
Accounts receivable (note 3)	191,046	741,026
Bookstore inventory	10,834	17,686
	<u>1,860,385</u>	<u>1,550,647</u>
Capital assets (note 4)	272,095	193,752
	<u>\$ 2,132,480</u>	<u>\$ 1,744,399</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 381,235	\$ 132,579
Deferred revenues	63,108	58,863
	<u>444,343</u>	<u>191,442</u>
Net assets		
Invested in capital assets	272,095	143,752
Unrestricted, operating surplus (note 5)	590,910	616,181
Internally restricted	825,132	793,024
	<u>1,688,137</u>	<u>1,552,957</u>
Commitments (note 5)		
	<u>\$ 2,132,480</u>	<u>\$ 1,744,399</u>

COLLÈGE DE L'ACADIE

**Statement of Operations and Changes in Net Assets
Years ended March 31, 1999 et 1998**

	1999		1998
	Budget	Actual	Actual
Revenue:			
Government grants	\$ 3,252,000	\$ 3,252,000	\$ 3,252,000
Tuition fees	237,445	217,158	174,714
Bookstore sales	178,000	83,771	149,871
Recoveries	-	73,766	80,843
Interest	-	62,576	20,712
Transfer from operating surplus	345,940	-	-
	4,013,385	3,689,271	3,678,140
Customized training	10,000	140,912	632,960
	4,023,385	3,830,183	4,311,100
Expenses:			
Wages and employee benefits	2,362,014	2,178,368	1,956,665
Travel	144,500	129,987	127,647
Supplies and services	1,157,747	735,642	742,241
Bookstore purchases	150,000	68,147	91,643
Telecommunications and publicity	76,074	106,533	83,114
Honorariums and professional fees	57,200	58,818	62,950
Severance	-	155,677	-
Amortization of capital assets	-	37,007	51,076
Bad debt	-	18,577	-
Miscellaneous	70,152	128,227	261,433
	4,017,687	3,616,983	3,376,769
Customized training	-	78,020	278,475
	4,017,687	3,695,003	3,655,244
Excess of revenue over expenses	<u>\$ 5,698</u>	135,180	655,856
Net assets, beginning of year		1,552,957	897,101
Net assets, end of year		\$ 1,688,137	\$ 1,552,957

COLLÈGE DE L'ACADIE

**Statement of Changes in Financial Position
Years ended March 31, 1999 et 1998**

	1999	1998
Net inflow of cash related to operations activities:		
Excess of revenue over expenses	\$ 135,180	\$ 655,856
Amortization of capital assets	37,007	51,076
Increase (decrease) in non-cash working capital items (note 7)	809,733	(567,270)
	981,920	139,662
Net outflow of cash related to investing activities:		
Purchase of capital assets	(115,350)	(244,828)
Net inflow of cash related to financing activities		
Transfer from Province	-	897,101
Net cash inflow	866,570	791,935
Cash, beginning of year	791,935	-
Cash, end of year	\$ 1,658,505	\$ 791,935

Cash is defined as cash plus short term investments.

COLLÈGE DE L'ACADIE

Notes to Financial Statements Years ended March 31, 1999 and 1998

1. Overview:

The Collège de l'Acadie is a post-secondary french educational institution, created under the authority of Law 55, Nova Scotia Community Collège and Collège de l'Acadie, on April 1, 1997. The Collège is responsible for enhancing the economic and social well being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

2. Significant accounting policies:

a) Fund accounting and presentation of financial statements

The Collège accounts for its activity by funds. Each fund is segregated to ensure that internal or external restrictions are maintained. The Collège follows the deferral method of accounting for contributions. Funding for expenses of future periods are deferred and recognized as revenue in the year in which the related expense is incurred. The deferral method also differentiates restricted and non-restricted funds.

The operations of the Collège are managed by two main funds: the operating fund and special projects fund.

(i) Operating fund

The Operating fund receives revenue and incurs expenses required to administer the operations of the Collège. This fund includes operating and teaching costs, the general operating grant and other operating revenues. It includes accumulated surplus from administration and academic operations. The Operating fund also accounts for all activity in the satellite offices, which are located in Clare, Tusket, Dartmouth, Pomquet, Petit-de-Grat and St. Joseph du Moine.

(ii) Capital fund

The Capital fund reports all of the Organization's capital assets (i.e. equipment and portable classrooms), liabilities, revenues and expenses including contributions and amortization.

(iii) Internally restricted funds

This fund includes monies received from the Province of Nova Scotia. The Board has restricted these funds which are to be used to finance the construction of new facilities.

(iv) Customized training

The Collège receives grant revenues and tuition fees pertaining to specific projects. Revenues from projects that are not complete as at March 31, 1999 are recorded in the amounts based on the estimation of completion of each project. Revenues and expenses for these specific projects are included in the operating fund.

2. Significant accounting policies (con't):

b) Capital assets

The Collège capitalizes equipment and computers with a cost in excess of \$3,000 and a useful life in excess of one year. These assets are amortized using the straight line method. The Collège estimates the useful life of its capital assets to be the following:

Computers	3 years
Equipment	3 years
Portable classrooms	20 years
Landscaping	20 years

Net assets recorded at the year ended March 31, 1998 represents the net book value of the equipment transferred to the Collège by the Province. The Province has retained ownership of the land and buildings, which are not recorded in these financial statements. Improvements made to these buildings are expensed as incurred.

c) Pension Plan

The Collège's pension plan is administered by the Province. The Collège expenses the annual pension plan contributions as they are incurred.

d) Inventory

The bookstore inventory is valued at the lower of cost and net realizable value.

3. Accounts receivable

	1999	1998
HST receivable	\$ 118,000	\$ -
Provincial government	-	629,528
Bookstore	31,326	51,627
Tuition fees	55,760	58,082
Accrued interest	1,596	1,789
Reimbursements	2,706	-
	209,388	741,026
Allowance for doubtful accounts	18,342	-
	\$ 191,046	\$ 741,026

4. Capital assets:

	1999		1998	
	Cost	Accumulated amortization	Net book value	Net book value
Computers	\$ 92,376	\$ 69,030	\$ 23,346	\$ 46,693
Portable classrooms	202,451	15,784	186,667	147,059
Landscaping	65,350	3,268	62,082	-
	<u>\$ 360,177</u>	<u>\$ 88,082</u>	<u>\$ 272,095</u>	<u>\$ 193,752</u>

Equipment and computers with a cost in excess of \$3,000 transferred from the Province on April 1, 1998 has been recorded at their net book value at that date and treated as a grant from the provincial government.

5. Commitments:

The Collège has committed to spend \$70,000 on capital projects and \$70,000 on landscaping in the 1999 - 2000 fiscal year. These expenditures will be funded from the operating fund surplus.

The Collège has committed to the construction of a new building in Dartmouth in the near future. The estimated costs of the construction are \$2,100,000. The federal government is to provide funding of \$920,000 and the balance of funds required will be sourced either from internally restricted funds, or external financing.

The Collège is committed to a three year lease agreement for equipment. Minimum lease payments for the next three years is approximately as follows:

2000	\$333,000
2001	333,000
2002	333,000

6. Contributed services:

The Province facilitates the Collège's operations by providing buildings at five campuses across the Province. This benefit has not been reflected in the financial statements.

7. Changes in non-cash working capital:

	1999	1998
Increase (decrease) in accounts receivable	\$ 549,980	\$ (741,026)
Increase (decrease) in bookstore inventory	6,852	(17,686)
Increase in accounts payable	248,656	132,579
Increase in deferred revenues	4,245	58,863
	<u>\$ 809,733</u>	<u>\$ (567,270)</u>

8. Related party transactions

La Fondation du Collège de l'Acadie is a not-for-profit organization. The Collège did not transfer any monies to the fondation during this fiscal year (1998, \$35,000).

9. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

We have audited and recorded separately herein on the financial statements of the Collège de l'Acadie as at March 31, 1999 and for the year ended at that date.

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

Chartered Accountants

Yarmouth, Nova Scotia
October 4, 1999

COLLÈGE DE L'ACADIE

**Schedules
Balance Sheet
March 31, 1999 and 1998**

				1999	1998
	Operating fund	Capital fund	Internally restricted fund	Total	Total
Assets					
Cash	\$ 431,598	\$ -	\$ -	\$ 431,598	\$ 791,935
Short term investments	401,775	-	825,132	1,226,907	-
Accounts receivable	191,046	-	-	191,046	741,026
Bookstore inventory	10,834	-	-	10,834	17,686
Capital assets	-	272,095	-	272,095	193,752
	<u>\$ 1,035,253</u>	<u>\$ 272,095</u>	<u>\$ 825,132</u>	<u>\$ 2,132,480</u>	<u>\$ 1,744,399</u>
Liabilities					
Accounts payable	\$ 381,235	\$ -	\$ -	\$ 381,235	\$ 132,579
Deferred revenues	63,108	-	-	63,108	58,863
	<u>444,343</u>	<u>-</u>	<u>-</u>	<u>444,343</u>	<u>191,442</u>
Net assets					
Internally restricted	-	-	825,132	825,132	793,024
Equity	590,910	272,095	-	863,005	759,933
	<u>590,910</u>	<u>272,095</u>	<u>825,132</u>	<u>1,688,137</u>	<u>1,552,957</u>
	<u>\$ 1,035,253</u>	<u>\$ 272,095</u>	<u>\$ 825,132</u>	<u>\$ 2,132,480</u>	<u>\$ 1,744,399</u>

COLLÈGE DE L'ACADIE

**Schedules
Statement of Operations
Years ended March 31, 1999 and 1998**

	1999		1998		
	Operating fund	Capital fund	Internally restricted fund	Total	Total
Revenue:					
Government grants	\$ 3,252,000	\$ -	\$ -	\$ 3,252,000	\$ 3,252,000
Tuition fees	217,158	-	-	217,158	174,714
Bookstore sales	83,771	-	-	83,771	149,871
Recoveries	73,766	-	-	73,766	80,843
Interest	30,468	-	32,108	62,576	20,712
Customized training	140,912	-	-	140,912	632,960
	3,798,075	-	32,108	3,830,183	4,311,100
Expenses:					
Wages and employee benefits	2,178,368	-	-	2,178,368	1,956,665
Travel	129,987	-	-	129,987	127,647
Supplies and services	735,642	-	-	735,642	742,241
Bookstore purchases	68,147	-	-	68,147	91,643
Telecommunications and publicity	106,533	-	-	106,533	83,114
Honorariums and professional fees	58,818	-	-	58,818	62,950
Severance	155,677	-	-	155,677	-
Amortization of capital assets	-	37,007	-	37,007	51,076
Bad debt	18,577	-	-	18,577	-
Miscellaneous	128,227	-	-	128,227	261,433
Customized training	78,020	-	-	78,020	278,475
	3,657,996	37,007	-	3,695,003	3,655,244
Excess of revenue over expenses					
(expenses over revenue)	140,079	(37,007)	32,108	135,180	655,856
Net assets, beginning of year	616,181	143,752	793,024	1,552,957	897,101
	756,260	106,745	825,132	1,688,137	1,552,957
Interfund transfers	(165,350)	165,350	-	-	-
Net assets, end of year	\$ 590,910	\$ 272,095	\$ 825,132	\$ 1,688,137	\$ 1,552,957

College de l'Acadie
Schedules
Statement of Operations , Customized Training
Years ended March 31, 1999 and 1998

						1999	1999
	Tusket	Clare	Dartmouth	Petit de Grat	St. Joseph du Moine	Total	Total
Revenue							
Tuition fees	\$ 2,375	\$ 1,560	\$ 9,600	-	\$ 4,815	\$ 18,350	179,089
Grants and other fees	1,001	5,778	109,678	-	-	116,457	446,347
Rent	-	-	-	3,456	2,649	6,105	7,524
	<u>3,376</u>	<u>7,338</u>	<u>119,278</u>	<u>3,456</u>	<u>7,464</u>	<u>140,912</u>	<u>632,960</u>
Expenses:							
Wages and employee benefits	3,240	1,759	44,668	4,968	2,210	56,845	98,258
Travel	-	-	633	709	-	1,342	5,479
Supplies and services	-	82	11,051	7,446	-	18,579	159,534
Equipment	-	-	-	1,254	-	1,254	15,204
	<u>3,240</u>	<u>1,841</u>	<u>56,352</u>	<u>14,377</u>	<u>2,210</u>	<u>78,020</u>	<u>278,475</u>
Excess of revenue over expenses (expenses over revenues)	<u>\$ 136</u>	<u>\$ 5,497</u>	<u>\$ 62,926</u>	<u>\$ (10,921)</u>	<u>\$ 5,254</u>	<u>\$ 62,892</u>	<u>\$ 354,485</u>

RAPPORT DES VÉRIFICATEURS

Au président et aux membres
Du Conseil scolaire acadien provincial

Nous avons vérifié les bilans du Conseil scolaire acadien provincial en date du 31 mars 1999 et les états des résultats et d'équité. Ces états financiers sont la responsabilité de l'administration du Conseil scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir un degré raisonnable de certitude quant à l'absence d'inexactitudes importantes dans les états financiers. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers présentent fidèlement, à tous égards importants, la situation financière de la société au 31 mars 1999 ainsi que les résultats de son exploitation et l'évolution de sa situation financière pour les exercices terminés à ces dates selon les principes comptables généralement reconnus pour les conseils scolaires de la Nouvelle-Écosse.

Yarmouth, Nouvelle-Écosse
le 18 juin, 1999

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**Bilan consolidé
Au 31 mars 1999 et 1998**

	1999		1998
Actif			
Actif à court terme:			
Sommes à recevoir:			
Province de la Nouvelle-Écosse	1 834 932	\$	1 613 986
Gouvernement du Canada	1 089 559		874 216
Autres	1 022 759		639 866
Frais payés d'avance	144 865		67 172
	<u>4 092 115</u>		<u>3 195 240</u>
Encaisse et sommes à recevoir restreintes	102 670		102 510
Immobilisations, au coût:			
Terrains, édifices et améliorations (note 2)	21 627 048		21 274 246
Équipement et fournitures	3 782 161		3 570 833
Autobus scolaires et autres véhicules	1 858 555		1 824 319
	<u>27 267 764</u>		<u>26 669 398</u>
	<u>31 462 549</u>	\$	<u>29 967 148</u>
Passif			
Passif à court terme:			
Chèques émis dépassant les fonds en dépôt	2 509 208	\$	1 553 608
Fournisseurs et sommes à payer	1 691 438		1 859 515
Revenus reportés	70 168		98 860
	<u>4 270 814</u>		<u>3 511 983</u>
Engagement au plan de retraite anticipée (note 4)	277 906		257 563
Équité			
Réserves	102 670		102 510
Déficit	(178 699)		(316 743)
Équité en immobilisations	27 267 764		26 669 398
Investissement vers plans de retraite anticipée (note 4)	(277 906)		(257 563)
	<u>26 811 159</u>		<u>26 095 092</u>
Éventualités (note 5)			
	<u>31 462 549</u>	\$	<u>29 967 148</u>

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**Bilan - fonds d'opération
Au 31 mars 1999 et 1998**

	1999	1998
Actif		
Actif à court terme:		
Sommes à recevoir:		
Province de la Nouvelle-Écosse	1 834 932 \$	1 613 986 \$
Gouvernement du Canada	1 089 559	874 216
Autres	1 022 759	639 866
Frais payés d'avance	144 865	67 172
	4 092 115 \$	3 195 240 \$
Passif		
Passif à court terme:		
Chèques émis dépassant les fonds en dépôt	2 407 843 \$	1 517 286 \$
Fournisseurs et sommes à payer:		
Fournisseurs et autres	1 691 438	1 859 515
Payable au fonds des réserves	101 365	36 322
Revenus reportés	70 168	98 860
	4 270 814	3 511 983
Engagement au plan de retraite anticipée (note 4)	277 906	257 563
Déficit		
Déficit	178 699	316 743
Investissement vers plan de retraite anticipée (note 4)	277 906	257 563
	456 605	574 306
Éventualités (note 5)		
	4 092 115 \$	3 195 240 \$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**État des résultats - fonds d'opération
Exercice clos le 31 mars 1999 et 1998**

	1999		1998	
	Budget	Actuel	Actuel	
Revenus:				
Province de la Nouvelle-Écosse	24 321 971 \$	24 814 493 \$	23 345 795 \$	
Gouvernement du Canada	314 951	405 577	607 337	
Transferts des conseils scolaires	1 100 000	1 275 806	1 143 778	
Opérations du conseil scolaire	100 000	141 000	86 213	
	25 836 922	26 636 876	25 183 123	
Dépenses:				
Administration du conseil scolaire	1 903 257	1 962 196	1 866 083	
Administration scolaire et instruction	17 374 929	17 266 228	16 125 662	
Service de maintien	2 299 808	2 569 152	2 204 908	
Transport d'élèves	1 810 993	1 985 962	1 832 331	
Éducation spéciale	1 659 286	1 681 481	1 509 951	
Éducation permanente	-	-	59 335	
Auto-école	-	3 676	9 931	
Programmes fédéraux	-	67 405	10 216	
Capital d'exploitation	413 560	962 732	1 569 247	
Autres dépenses	375 089	316 743	312 202	
	25 836 922	26 815 575	25 499 866	
Excédent des dépenses sur les revenus	- \$	178 699 \$	316 743 \$	

Voir les notes explicatives qui accompagnent ces états financiers.

État de la continuité du déficit

Exercice clos le 31 mars 1999 et 1998

	1999	1998
Déficit au début de l'exercice	316 743 \$	312 202 \$
Transfert des opérations courantes	316 743	312 202
	-	-
Excédent des dépenses sur les revenus	178,699	316 743
Déficit, à la fin de l'exercice	178 699 \$	\$316 743

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**Bilan - fonds de capital
Au 31 mars 1999 et 1998**

	1999		1998
Actif			
Immobilisations, au coût:			
Terrains, édifices et améliorations (note 2)	21 627 048	\$	21 274 246
Équipement et fournitures	3 782 161		3 570 833
Autobus scolaires et autres véhicules	1 858 555		1 824 319
	27 267 764	\$	26 669 398
Équité			
Équité en immobilisations	27 267 764	\$	26 669 398
	27 267 764	\$	26 669 398

Voir les notes explicatives qui accompagnent ces états financiers.

État de la continuité de l'équité en immobilisations

Exercice clos le 31 mars 1999 et 1998

	1999		1998
Équité, au début de l'exercice	26 669 398	\$	26 043 600
Achats d'immobilisations:			
Terrains, édifices et améliorations	352 802		636 660
Équipement et fournitures	211 328		233 150
	564 130		869 810
Autobus scolaires et autres véhicules	169 563		161 340
Mise hors service d'immobilisations:			
Autobus scolaires	(135 327)		(405 352)
Équité, à la fin de l'exercice	27 267 764	\$	26 669 398

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**Bilan - fonds des réserves
Au 31 mars 1999 et 1998**

	1999		1998
Actif			
Encaisse et investissements	1 305	\$	66 188
Créance sur le fonds d'opération	101 365		36 322
	102 670	\$	102 510
Équité			
Réserve pour allocations de retraite	86 817	\$	86 817
Réserve pour développement pédagogique	14 548		14 505
Réserve pour fonds de bourse	1 305		1 188
	102 670	\$	102 510

Voir les notes explicatives qui accompagnent ces états financiers.

État de la continuité du fonds des réserves

Exercice clos le 31 mars 1999 et 1998

	1999		1998
		Réserve pour allocations de retraite	Réserve pour développement pédagogique
		Réserve pour fonds de bourse	Total
		Total	Total
Équité, au début de l'exercice	86 817	\$	14 505
		\$	1 188
	102 510	\$	94 821
Transfert des opérations	-		43
			-
	43		7 427
Intérêts et versements	-		-
			117
	117		262
Équité, à la fin de l'exercice	86 817	\$	14 548
		\$	1 305
	102 670	\$	102 510
			\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**Détails supplémentaires - revenus
Exercice clos le 31 mars 1999 et 1998**

	1999		1998	
	Budget	Actuel	Actuel	
Province de la Nouvelle-Écosse:				
Formule générale	14 360 702	\$ 14 360 702	\$ 14 360 702	\$
Transport	1 586 700	1 586 700	1 586 700	
Éducation spéciale	1 043 710	1 046 235	1 100 034	
Manuels scolaires	169 362	169 362	210 862	
Octroi d'équité	2 872 132	2 872 131	2 872 128	
Achat d'autobus	197 400	197 400	197 400	
Capital d'urgence	-	308 000	331 702	
Projets spéciaux	53 981	71 254	104 588	
Autres	4 037 984	4 202 709	2 581 679	
	24 321 971	\$ 24 814 493	\$ 23 345 795	\$
Gouvernement du Canada:				
Paiement formulaire	180 000	\$ 183 106	\$ 196 930	\$
Projets spéciaux	134 951	125 500	163 502	
Autres	-	96 971	246 905	
	314 951	\$ 405 577	\$ 607 337	\$
Allocations des conseils scolaires:				
Autres	1 100 000	\$ 1 275 806	\$ 1 143 778	\$
	1 100 000	\$ 1 275 806	\$ 1 143 778	\$
Opérations du conseil scolaire:				
Intérêts bancaires	25 000	\$ 38 391	\$ 17 700	\$
Autres	75 000	102 609	68 513	
	100 000	\$ 141 000	\$ 86 213	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

**Détails supplémentaires - dépenses
Exercice clos le 31 mars 1999 et 1998**

	1999		1998	
	Budget	Actuel	Actuel	
Administration du conseil scolaire:				
Salaires	920 593	\$ 928 278	\$ 919 698	\$
Honoraires, membres	121 800	121 800	86 750	
Avantages sociaux	108 604	111 210	134 405	
Fournitures et matériaux	95 600	92 262	81 599	
Téléphone	85 000	78 234	84 355	
Déplacements et conférences, personnel	125 000	148 350	128 917	
Déplacements et conférences, membres	103 600	67 398	65 854	
Primes d'assurances	24 000	27 117	24 790	
Services professionnels	138 560	149 585	51 349	
Services administratifs	116 500	155 798	184 747	
Bureaux et loyer	48 000	60 153	25 624	
Autres	16 000	22 011	77 995	
	1 903 257	\$ 1 962 196	\$ 1 866 083	\$

Administration scolaire et instruction:

Salaires, administration	1 166 878	\$ 1 327 492	\$ 1 217 390	\$
Salaires, instruction	12 296 613	11 878 834	11 286 802	
Salaires, suppléance	368 899	410 001	438 805	
Salaires, bibliothèque	124 828	99 686	98 849	
Salaires, orientation	203 390	212 936	185 224	
Salaires, personnel de bureau	385 237	415 230	383 396	
Salaires, autres	629 716	555 768	387 606	
Avantages sociaux	905 661	891 772	874 846	
Allocations de retraite	75 000	14 296	84 588	
Plan de retraite anticipée	-	-	54 040	
Fournitures et matériaux	263 780	363 214	347 462	
Manuels scolaires	169 362	211 182	210 862	
Entraînement sur place	165 000	98 263	49 034	
Déplacements, circuit et ressources	6 000	6 326	5 686	
Déplacements et conférences, autres	135 900	133 973	135 682	
Téléphone et services d'informatique	337 680	408 881	357 963	
Transfert à la réserve	-	43	7 427	
Autres	140 985	238 331	-	
	17 374 929	\$ 17 266 228	\$ 16 125 662	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Détails supplémentaires - dépenses, page 2
Exercice clos les 31 mars 1999 et 1998

	1999		1998	
	Budget	Actuel	Actual	
Service de maintien:				
Salaires, maintien	171 604	\$ 120 511	\$ 155 034	\$
Salaires, concierges	738 877	799 792	707 623	
Avantages sociaux	91 050	112 616	111 849	
Fournitures et matériaux, maintien	133 517	106 448	112 190	
Fournitures et matériaux, concierges	100 137	129 843	114 018	
Fournitures et matériaux, autres	5 000	4 797	22 973	
Loyer	5 000	37 367	3 450	
Déplacements et conférences	10 000	12,567	6 737	
Primes d'assurances	55 000	50,742	54 416	
Services publics, électricité	433 925	504 964	451 128	
Services publics, chauffage	233 652	173 376	235 549	
Services publics, eau/système d'égouts	17 000	41 291	17 446	
Services publics, téléphone	10,000	9 792	10 900	
Dépenses d'exploitation, véhicules	8 000	7 096	7 552	
Services à contrat, maintien	200 275	385 785	109 635	
Services à contrat, concierges	76 771	71 606	79 860	
Autres dépenses	10 000	559	4 548	
	2 299 808	\$ 2 569 152	\$ 2 204 908	\$

Transport des élèves:				
Salaires	758 176	\$ 838 919	\$ 807 779	\$
Avantages sociaux	75 817	114 383	96 523	
Véhicules, essence/huile	100 000	80 821	101 752	
Véhicules, réparations	75 000	90 106	92 426	
Véhicules, frais de permis	15 000	14 678	14 620	
Véhicules, primes d'assurances	15 000	10 290	10 600	
Véhicules, pneus	15 000	18 926	15 376	
Fournitures et matériaux	19 000	15 653	12 251	
Téléphone	10 000	9 937	11 644	
Maintien/services publics, garages	15 000	13 250	11 243	
Entretien, arrêts d'autobus	5 000	7 450	1 253	
Déplacements et conférences, personnel	1 000	878	758	
Transport par contrat	700 000	752 076	650 799	
Entraînement sur place	4 000	1 378	2 153	
Autres	3 000	17 217	3 154	
	1 810 993	\$ 1 985 962	\$ 1 832 331	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Détails supplémentaires - dépenses, page 3
Exercice clos le 31 mars 1999 et 1998

	1999		1998	
	Budget	Actuel	Actuel	
Éducation spéciale:				
Salaires, administration	115 100	\$ 57 764	\$ 47 821	\$
Salaires, instruction	785 653	865 433	857 825	
Salaires, autres	569 800	566 997	437 508	
Avantages sociaux	88 233	96 595	85 600	
Fournitures et matériaux	21 000	24 937	13 037	
Déplacements et conférences	54 500	66 579	46 522	
Autres	25 000	3 176	21 638	
	1 659 286	\$ 1 681 481	\$ 1 509 951	\$
Éducation permanente:				
Salaires	-	\$ -	\$ 53 032	\$
Avantages sociaux	-	-	3 983	
Fournitures et matériaux	-	-	492	
Déplacements et conférences	-	-	1 828	
	-	\$ -	\$ 59 335	\$
Auto-école:				
Salaires	-	\$ 3 449	\$ 9 393	\$
Avantages sociaux	-	227	538	
	-	\$ 3 676	\$ 9 931	\$
Programmes fédéraux:				
Autres	-	\$ 67 405	\$ 10 216	\$
	-	\$ 67 405	\$ 10 216	\$
Capital d'exploitation:				
Réparations mineures	-	\$ 228 227	\$ 300 000	\$
Capital d'urgence	-	492 715	256 485	
Meubles et équipement	253 560	63 219	381 019	
Transport, autobus	160 000	178 571	161 340	
Autres	-	-	470 403	
	413 560	\$ 962 732	\$ 1 569 247	\$
Autres:				
Transfert du déficit	363 427	\$ 316 743	\$ 312 202	\$
Autres	11 662	-	-	
	375 089	\$ 316 743	\$ 312 202	\$

Voir les notes explicatives qui accompagnent ces états financiers.

CONSEIL SCOLAIRE ACADIEN PROVINCIAL

Notes relatives aux états financiers Exercice clos le 31 mars 1999 et 1998

1. Conventions comptables:

Ces états financiers ont été préparés sous tous aspects selon les conventions comptables prescrites dans le Nova Scotia District School Board Financial Handbook.

a) Présentation des états financiers

Les états financiers du Conseil scolaire sont rédigés d'après la méthode comptable par fonds.

b) Entrée des dépenses

À l'exception des salaires du personnel enseignant, les dépenses sont inscrites d'après la comptabilité d'exercice. Les bons de commande en circulation à la date de l'entrée au bilan sont inscrits d'après la comptabilité d'exercice comme sommes à payer.

c) Équipement et autobus scolaires

Les propriétés et l'équipement sont inscrits au prix coûtant. L'actif qu'ont reçu les divers conseils scolaires en date du 1 janvier 1982, en vertu de l'entente créant les districts scolaires de la Nouvelle-Écosse, et en date du 9 janvier 1996, selon l'entente créant les conseils scolaires, est traité comme un ajout aux investissements en biens immobiliers. Le Conseil scolaire n'inscrit pas de dépréciation sur ses biens immobiliers.

d) Allocations de retraite

En vertu des ententes locales avec ses syndicats et ses employés non-syndiqués le conseil scolaire doit payer une allocation de retraite selon une formule déterminée au préalable. Les allocations de retraite sont inscrites aux dépenses à mesure qu'elles sont payées. La responsabilité accumulée non consolidée n'a pas été inscrite ou mise à jour comme le veut le Nova Scotia District School Board Financial Handbook. En date du 18 juin 1999, aucune évaluation actuarielle n'a été faite de façon à identifier la responsabilité non consolidée des allocations de retraite.

2. Terrains, édifices et améliorations:

D'après l'entente du 1 janvier 1982, tous les terrains et tous les édifices scolaires dont disposaient les municipalités le 31 décembre 1981 demeurent la propriété des municipalités concernées, mais sont administrés par les conseils scolaires tant et aussi longtemps qu'ils les utiliseront à leurs fins. Ensuite, leur contrôle passera de nouveau à la municipalité concernée.

En vertu des améliorations faites aux édifices scolaires, les conseils scolaires se sont portés acquéreurs de biens immobiliers auxquels ils n'ont aucun droit. D'après la Loi scolaire, dès qu'une municipalité vend un édifice qui lui est remis par le district scolaire, en vertu des circonstances énoncées ci-avant, une portion du produit des ventes est due au conseil scolaire. Dans le cas de recouvrement de sommes provenant des assurances, suite à la perte d'un édifice, une portion de cet argent proportionnelle aux améliorations serait également payable au conseil scolaire.

2. Terrains, édifices et améliorations (suite):

En vertu de l'entente créant les conseils scolaires en date du 9 janvier 1996, l'actif en biens immobiliers des anciens districts scolaires, ou du conseil d'école, est transféré aux conseils scolaires et respecte l'entente de 1982.

Les conseils, avec le ministère d'éducation et de la culture de la Nouvelle-Écosse devront s'entendre sur la division des valeurs d'équité en immobilisations.

3. Plan de pension:

Les enseignants participent à un plan de pension établi par la Province de la Nouvelle-Écosse en vertu de la Teachers' Pension Act. Les employés non syndiqués participent à un plan de pension établi et géré par la Nova Scotia School Board Association.

4. Engagement au plan de retraite anticipée:

Le 22 juillet 1994, la Province de la Nouvelle-Ecosse dévoile le Nova Scotia Teachers' Early Retirement (1994-98) Program. Ce programme permet aux enseignants rencontrant les critères d'admissibilité de se retirer à une date antérieure à leur date normale de retraite. Pour chaque enseignant qui bénéficie de ce programme, le conseil scolaire doit remettre les montants suivants au Teachers Pension Board:

<u>Date de la retraite</u>	<u>Montant</u>
Début du programme jusqu'à novembre 1996	97 400 \$
Le 30 novembre 1996 - 31 juillet 1997	113 644 \$
Le 1er août 1997 - 31 juillet 1998	122 696 \$

Le Ministère d'éducation et de la culture de la Nouvelle-Écosse s'engage maintenant à faire les paiements, requis des conseils scolaires, directement au Teachers Pension Board.

5. Éventualités:

Des transferts de rapprochement et remboursements de dépenses, suite au fusionnement des conseils scolaires, demeurent sujet à des négociations finales avec le Ministère d'éducation et de la culture de la Nouvelle-Écosse. Si des régularisations étaient requises, on en rendrait compte dans les états financiers comme une régularisation d'un exercice financier antérieur.

Des cas juridiques peuvent toujours exiger des réclamations du conseil. Aucun montant n'est prévu dans ces états financiers pour de telles réclamations.

6. Chiffres comparatifs:

Certains chiffres dans la colonne comparative ont été reclassifiés afin d'accommoder la présentation pour l'année courante.

7. Incertitude découlant du problème du passage à l'an 2000:

Le passage à l'an 2000 pose un problème parce que de nombreux systèmes informatiques utilisent deux chiffres plutôt que quatre pour identifier l'année. Les systèmes sensibles aux dates peuvent confondre l'an 2000 avec l'année 1900 ou une autre date, ce qui entraîne des erreurs lorsque des informations faisant intervenir des dates de l'an 2000 sont traitées. En outre, des problèmes semblables peuvent se manifester dans des systèmes qui utilisent certaines dates de l'année 1999 pour représenter autre chose qu'une date.

Les répercussions du problème du passage à l'an 2000 pourront se faire sentir le 1er janvier de l'an 2000, ou encore avant ou après cette date, et, si l'on n'y remédie pas, les conséquences sur l'exploitation et l'information financière peuvent aller d'erreurs mineures à une défaillance importante des systèmes qui pourrait nuire à la capacité de l'entité d'exercer normalement ses activités. Il n'est pas possible d'être certain que tous les aspects du problème du passage à l'an 2000 qui ont une incidence sur l'entité, y compris ceux qui ont trait aux efforts déployés par les clients, les fournisseurs ou d'autres tiers, seront entièrement résolus.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
Eastern Regional Health Board

We have audited the statement of financial position of Eastern Regional Health Board as at March 31, 1999 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

KPMG LLP
Chartered Accountants

Sydney, Canada
May 28, 1999

EASTERN REGIONAL HEALTH BOARD

**Statement of Financial Position
March 31, 1999, with comparative figures for 1998**

ASSETS

	1999	1998
Current assets:		
Marketable securities	\$ 327,834	\$ 318,370
Accounts receivable (note 2).	4,401,711	3,995,526
Inventories (note 3).	665,906	716,892
Prepaid expenses	<u>754,383</u>	<u>555,098</u>
	6,149,834	5,585,886
Capital assets (note 4)	49,142,234	43,607,057
	<u>\$ 55,292,068</u>	<u>\$ 49,192,943</u>

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS (DEFICIENCY)

Current liabilities:		
Cheques issued in excess of funds on deposit	\$ 127,471	\$ 1,253,717
Bank indebtedness	---	95,000
Accounts payable and accrued liabilities (note 5).	13,711,716	7,476,865
Deferred revenue	2,000,830	1,867,180
Current portion of long-term debt	<u>31,799</u>	<u>---</u>
	15,871,816	10,692,762
Long-term debt (note 6).	478,654	411,637
Other liability:		
Retirement allowance (note 7).	4,368,408	3,567,100
Deferred contributions for capital assets (note 8).	47,150,851	42,480,483
Net assets (deficiency):		
Unrestricted.	(14,243,263)	(8,931,252)
Invested in capital assets (note 9).	1,480,930	796,320
Internally restricted.	<u>184,672</u>	<u>175,893</u>
	(12,577,661)	(7,959,039)
	<u>\$ 55,292,068</u>	<u>\$ 49,192,943</u>

See accompanying notes to financial statements.

EASTERN REGIONAL HEALTH BOARD

Statements of Operations
Year ended March 31, 1999, with comparative figures for 1998

	1999	1998 (restated)
Operations:		
Income:		
Net patient income (schedule)	\$ 45,615,078	\$ 44,444,493
Dietary recoveries	526,949	453,189
Housing recoveries	21,760	22,440
Recoveries - maintenance services	28,974	23,084
Rentals	125,081	102,977
Donations	1,800	13,377
Miscellaneous	62,645	180,706
Investment income	135,991	37,262
Amortization of capital grants	2,850,691	3,011,706
Grants	11,869	11,967
Laundry recoveries	145,573	114,995
Level II	<u>782,562</u>	<u>743,489</u>
	50,308,973	49,159,685
Expenses:		
Portable:		
Nursing	17,991,796	16,342,984
Support services, patient care	9,136,463	8,900,881
Diagnostic and therapeutic	7,425,097	7,209,235
Administration	4,856,254	4,095,577
Level II	782,562	741,475
Medical	611,464	433,134
Department of Health final settlement adjustment	---	228,501
Capital debt assistance	35,355	26,716
Retirement allowance	801,308	358,516
Vacation pay	(5,695)	190,853
Amortization of capital assets	<u>3,176,471</u>	<u>3,018,248</u>
	44,811,075	41,546,120
Non-portable:		
Mental health	2,008,811	1,824,369
Public health	3,788,339	3,641,341
Addiction services	4,269,645	4,228,179
Aboriginal	<u>49,725</u>	<u>41,996</u>
	10,116,520	9,735,885
	<u>54,927,595</u>	<u>51,282,005</u>
	(4,618,622)	(2,122,320)
Other item:		
Appropriation from surplus retention	---	246,540
Loss from operations	<u>\$ (4,618,622)</u>	<u>\$ (1,875,780)</u>

See accompanying notes to financial statements.

EASTERN REGIONAL HEALTH BOARD

**Statement of Changes in Net Assets
Year ended March 31, 1999, with comparative figures for 1998**

	Unrestricted			Investment in capital assets	Internally restricted	1999	1998 (restated)
	Retirement allowance	Other	Unrestricted Total			Total	Total
Balance, beginning of the year.	\$ (3,567,100)	\$ (5,364,152)	\$ (8,931,252)	\$ 796,320	\$ 175,893	\$ (7,959,039)	\$ (5,843,857)
Loss from operations.	(801,308)	(3,817,314)	(4,618,622)	---	---	(4,618,622)	(1,875,780)
Excess of amortization over revenue (note 9).	---	325,780	325,780	(325,780)	---	---	---
Net change in investment in capital assets (note 9)	---	(1,010,390)	(1,010,390)	1,010,390	---	---	---
Internally imposed restrictions.	---	(8,779)	(8,779)	---	8,779	---	7,138
Appropriation from surplus retention.	---	---	---	---	---	---	(246,540)
Balance, end of the year.	<u>\$ (4,368,408)</u>	<u>\$ (9,874,855)</u>	<u>\$ (14,243,263)</u>	<u>\$ 1,480,930</u>	<u>\$ 184,672</u>	<u>\$ (12,577,661)</u>	<u>\$ (7,959,039)</u>

See accompanying notes to financial statements.

EASTERN REGIONAL HEALTH BOARD

Statement of Cash Flows
Year ended March 31, 1999, with comparative figures for 1998

	1999	1998 (restated)
Cash provided by (used for):		
Operations:		
Loss from operations	\$ (4,618,622)	\$ (1,875,780)
Income - internally restricted fund.	---	7,138
Items not involving cash:		
Amortization of capital assets.	3,176,471	3,018,248
Amortization of deferred contributions related to capital assets	(2,850,691)	(3,011,706)
Increase in retirement allowance accrual	801,308	298,516
Appropriation from surplus retention.	---	(246,540)
Change in non-cash operating working capital:		
Increase in accounts receivable	(406,185)	(955,447)
Decrease in inventories.	50,986	78,192
Increase in prepaid expenses.	(199,285)	(150,639)
Increase in accounts payable and accrued liabilities	6,234,851	1,832,982
Increase in deferred revenue	133,650	473,033
	2,322,483	(532,003)
Financing and investing activities:		
Reduction of long-term debt.	(39,993)	(20,868)
Increase in long-term debt.	138,809	---
Additions to capital assets.	(8,711,648)	(944,872)
Additions of deferred contributions.	7,521,059	810,175
	(1,091,773)	(155,565)
Increase (decrease) in cash position	1,230,710	(687,568)
Cash position , beginning of year	(1,030,347)	(342,779)
Cash position , end of year	\$ 200,363 \$	\$ (1,030,347)
Represented by:		
Marketable securities	\$ 327,834	\$ 318,370
Cheques issued in excess of funds on deposit.	(127,471)	(1,253,717)
Bank indebtedness	---	(95,000)
	\$ 200,363 \$	\$ (1,030,347)

See accompanying notes to financial statements.

EASTERN REGIONAL HEALTH BOARD

Notes to Financial Statements Year ended March 31, 1999

On June 30, 1994 an Act to Establish Regional Health Boards was assented to by the Lieutenant Governor. Pursuant to Section 11 of Chapter 12 of the Act of 1994, a body corporate was constituted in the regulations. The Board commenced operations in December 1994. On November 1, 1996 the following hospitals were designated under the Eastern Regional Health Board; Strait Richmond Hospital, Eastern Memorial Hospital, Buchanan Memorial Hospital, Guysborough Memorial Hospital, Inverness Consolidated Memorial Hospital, St. Martha's Regional Hospital, St. Mary's Memorial Hospital and Victoria County Memorial Hospital. On January 1, 1997 Sacred Heart Hospital was designated under the Regional Health Board. On April 1, 1997 Addiction services and Public health were designated under the Regional Health Board.

The Board's principal activity is to operate and manage designated hospitals and other health related activities within the Eastern Region of Nova Scotia.

1. Significant accounting policies:

(a) Revenue recognition:

The Board follows the deferral method of accounting for contributions which include donations and government grants.

The Board is funded primarily by the Province of Nova Scotia in accordance with budget arrangements established by the Department of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized on a straight-line basis, at a rate corresponding with the depreciation rate for the related capital asset.

Investment income (restricted and unrestricted) is recognized as revenue when earned.

(b) Inventories:

Inventories are valued at cost.

(c) Marketable securities:

Marketable securities are valued at market value.

1. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are stated at cost.

Capital assets are amortized on the straight-line basis using the following annual rates:

<u>Asset</u>	<u>Rates</u>
Building and land improvements	2.5%, 4%
Major equipment	5%, 6.67%, 10%, 20%

2. Accounts receivable:

	1999	1998
Patients	\$ 708,849	\$ 679,516
Shareable equipment purchases	---	224,658
Department of Health:		
Estimated year end adjustment (note 10)	1,528,121	1,903,121
New facility construction	708,563	
CAP/LAS recoveries	8,579	464,733
Due from Hospital Foundations (note 11)	704,062	69,472
Level II Care	24,604	45,837
Harmonized Sales Tax	569,795	429,813
Sundry	149,138	178,376
	<u>\$ 4,401,711</u>	<u>\$ 3,995,526</u>

3. Inventories:

Medical and surgical	\$ 234,255	\$ 230,396
Drugs	324,708	367,071
Intravenous	9,863	9,644
Maintenance	7,153	5,443
Food	11,455	11,706
General	78,472	92,632
	<u>\$ 665,906</u>	<u>\$ 716,892</u>

4. Capital assets:

	1999		1998	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net Book value</u>	<u>Net Book value</u>
Land and				
land improvements	\$ 888,173	\$ 88,952	\$ 799,221	\$ 801,798
Building	54,915,479	17,869,364	37,046,115	38,554,455
Equipment:				
Shareable	19,377,606	15,972,965	3,404,641	4,029,233
Under capital lease . . .	183,200	75,929	107,271	---
Work in progress	7,784,986	---	7,784,986	221,571
	<u>\$ 83,149,444</u>	<u>\$ 34,007,210</u>	<u>\$ 49,142,234</u>	<u>\$ 43,607,057</u>

5. Accounts payable and accrued liabilities:

	1999	1998
Accounts payable and accrued liabilities	\$ 4,560,103	\$ 2,528,299
Accrued payroll:		
Salaries	1,527,422	1,202,219
Vacation pay	1,866,458	1,872,153
Retroactive salary adjustment	---	582,577
Wage parity accrual	302,651	---
Department of Health:		
Estimated year end adjustment (note 10)	1,265,619	1,265,619
Advances and other amounts payable	4,172,549	---
Due to Hospital Foundation (note 11)	16,914	25,998
	<u>\$ 13,711,716</u>	<u>\$ 7,476,865</u>

6. Long-term debt:

Loan payable, Province of Nova Scotia	\$ 399,767	\$ 411,637
6.47% CIBC Equipment Finance Ltd. Capital lease repayable in monthly instalments of \$2,816 including interest, secured by specific equipment	94,241	---
10.37% TIM Finance Incorporated Capital lease repayable in monthly instalments of \$246 including interest, secured by specific equipment	10,117	---
14.12% Newcourt Group Inc. Capital lease, repayable in monthly instalments of \$173 including interest, secured by specific equipment	<u>6,328</u>	<u>---</u>
	510,453	411,637
Less amount repayable within one year	<u>31,799</u>	<u>---</u>
	<u>\$ 478,654</u>	<u>\$ 411,637</u>

Loan payable, Province of Nova Scotia:

The loan agreement expired during the 1998 fiscal period. No new agreement has been finalized. However, the terms of the original agreement have continued, which included an interest-free loan with annual principal instalments of 25% of Inverness Consolidated Memorial Hospital's differential revenues.

Principal repayments required over the next five years are as follows:

2000	\$	31,799
2001		34,110
2002		36,598
2003		7,453
2004		726

7. Retirement allowance liability:

Provision is made for the liability to employees for retirement allowances as the amount accrues.

Although calculations of the potential liability of \$4,368,408 as at March 31, 1999 and \$3,567,100 as at March 31, 1998 have been made, the actual ultimate liability may be an amount less than the amounts accrued. Individuals only become entitled to the retirement allowance upon reaching retirement age and having a minimum required years of service. Prior to this date the Board has no legal obligation to pay the employee a retiring allowance. The full amount has been accrued in the financial statements.

8. Deferred contributions related to capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance during the year are as follows:

	1999	1998
Balance, beginning of year	\$ 42,480,483	\$ 44,682,014
Additional contributions received.	7,521,059	810,175
Amounts amortized to revenue	<u>(2,850,691)</u>	<u>(3,011,706)</u>
	\$ <u>47,150,851</u>	\$ <u>42,480,483</u>

The balance of unamortized capital contributions related to capital assets consists of the following:

	1999	1998
Unamortized capital contributions used to purchase assets.	\$ 47,150,851	\$ 42,399,100
Unspent contributions.	<u>81,383</u>	<u>81,383</u>
	\$ <u>47,150,851</u>	\$ <u>42,480,483</u>

9. Invested in capital assets:

a) Investment in capital assets is calculated as follows:

	1999	1998
Capital assets	\$ 49,142,234	\$ 43,607,057
Amounts financed by:		
Deferred contributions	(47,150,851)	(42,399,100)
Long-term debt	<u>(510,453)</u>	<u>(411,637)</u>
	\$ <u>1,480,930</u>	\$ <u>796,320</u>

9. Invested in capital assets (continued):

b) Changes in net assets invested in capital assets is calculated as follows:

	1999	1998
Excess of expenses over revenue:		
Amortization of deferred contributions		
related to capital assets	\$ 2,850,691	\$ 3,011,706
Amortization of capital assets	<u>(3,176,471)</u>	<u>(3,018,248)</u>
	<u>\$ (325,780)</u>	<u>\$ (6,542)</u>
Net change in investment in capital assets:		
Capital assets acquired.	\$ 8,711,648	\$ 944,872
Amounts funded by:		
Deferred contributions	(7,602,442)	(735,205)
Long-term debt.	(138,809)	---
Repayment of long-term debt	<u>39,993</u>	<u>20,868</u>
	<u>\$ 1,010,390</u>	<u>\$ 230,535</u>

10. Accounts with the Department of Health:

The Regional Health Board has the following accounts with the Department of Health:

	1999	1998
Estimated year end adjustment receivable - 1998.	\$ 590,300	\$ 590,300
Retroactive wage settlement - 1998	---	375,000
Estimated year end adjustment receivable - 1997.	398,867	398,867
Estimated year end adjustment receivable - 1996.	430,816	430,816
Estimated year end adjustment receivable - 1995.	<u>108,138</u>	<u>108,138</u>
	<u>\$ 1,528,121</u>	<u>\$ 1,903,121</u>
1994 budgetary reduction payable.	\$ 600,426	\$ 600,426
Other payables.	<u>665,193</u>	<u>665,193</u>
	<u>\$ 1,265,619</u>	<u>\$ 1,265,619</u>

Final settlement of the above balances is dependent upon the outcome of a review by the Department of Health. The review of items relating to prior years has been conducted and the appropriate balance is reflected in the current year. The year end adjustment receivable with respect to the current year has not yet been recorded.

Based on verbal instructions from the Department of Health, the Board did not set up a year end adjustment receivable for the year ended March 31, 1999 from the Department of Health.

The adjustment, if any, on ultimate settlement of the above amounts and the 1999 deficit will be accounted for as a charge to or credit against income in the period in which settlement occurs.

11. Related parties:

The Hospital is related to the St. Martha's Regional Hospital Foundation, Guysborough Memorial Hospital Foundation, Strait Richmond Hospital Charitable Foundation, St. Mary's Memorial Hospital Society, Buchanan Memorial Hospital Foundation, Sacred Heart Hospital Foundation, Victoria County Memorial Hospital Charitable Foundation and Inverness Consolidated Memorial Hospital Foundation. The Foundations' primary purposes are to raise funds to assist in the construction of and the supply of certain equipment for the Hospitals.

11. Related parties (continued):

The following amounts were due from or to the Foundations as at March 31:

	1999	1998
Due from Hospital Foundations:		
Sacred Heart Hospital Foundation \$	110,994 \$	---
Buchanan Memorial Hospital Foundation	577,012	---
Guysborough Memorial Hospital Foundation	1,130	4,546
St. Mary's Memorial Hospital Society	14,926	14,926
St. Martha's Regional Hospital Foundation	---	50,000
	<u>\$ 704,062 \$</u>	<u>69,472</u>
Due to Hospital Foundation:		
Strait Richmond Hospital Charitable Foundation. \$	16,914 \$	25,998

During the year the following amounts were received from the Foundations for capital expenditures:

	1999	1998
Sacred Heart Hospital Foundation \$	795,094 \$	---
Buchanan Memorial Hospital Foundation	177,395	---
Strait Richmond Hospital Charitable Foundation.	39,095	29,724
St. Martha's Regional Hospital Foundation.	79,748	50,000
Inverness Consolidated Memorial Hospital Foundation. . .	23,312	60,545
Inverness Consolidated Memorial Hospital Auxiliary	60,531	---
Guysborough Memorial Hospital Foundation	11,661	---
St. Mary's Memorial Hospital Society	10,862	---
Victoria County Memorial Hospital Foundation	21,936	---
Victoria County Memorial Hospital Auxiliary.	2,314	---
	<u>\$ 1,221,948 \$</u>	<u>140,269</u>

12. Comparative figures:

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

13. Uncertainty due to the Year 2000 Issue:

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

EASTERN REGIONAL HEALTH BOARD

**Schedule - Net Patient Income
Year ended March 31, 1999, with comparative figures for 1998**

	Inpatient	Outpatient	1999 Total	1998 Total
Shareable revenue:				
Patient Income:				
Provincial plan	\$ 43,022,729	\$ ---	\$ 43,022,729	\$ 41,097,704
Provincial plan- adjustments:				
Final settlement	---	---	---	590,300
LAS/CAP recoveries . . .	66,210	---	66,210	536,215
Level II Care	426,060	---	426,060	472,524
Federal government.	75,900	6,060	81,960	26,684
Worker's compensation. . . .	16,430	95,080	111,510	141,299
Non-residents.	132,380	404,485	536,865	313,898
Uninsured.	4,200	37,916	42,116	73,588
Psychiatric.	598,854	---	598,854	466,319
Differential charges.	413,054	---	413,054	410,242
Veteran's Affairs - long stay DVA.	315,720	---	315,720	315,720
Net patient income.	\$ 45,071,537	\$ 543,541	\$ 45,615,078	\$ 44,444,493

AUDITOR'S REPORT

To the Chair and Members of the Nova Scotia
Round Table on Environment and Economy

I have audited the balance sheet of the Environmental Trust Fund as at March 31, 1999 and the statement of revenues and fund equity for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
July 28, 1999

ENVIRONMENTAL TRUST FUND

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999		1998
Cash	\$ 534	\$	250
Investments (Schedule 1)	4,949		5,000
Interest receivable	42		14
	<u>\$ 5,525</u>	\$	<u>5,264</u>

FUND EQUITY

Fund equity	\$ <u>5,525</u>	\$	<u>5,264</u>
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**Statement of Revenues and Fund Equity
for the year ended March 31, 1999**

	1999		1998
Revenues			
Interest	\$ 261	\$	189
Fund equity, beginning of year	<u>5,264</u>		<u>5,075</u>
Fund equity, end of year	<u>\$ 5,525</u>	\$	<u>5,264</u>

ENVIRONMENTAL TRUST FUND

**Notes to Financial Statements
March 31, 1999**

1. Authority

Effective January 1, 1995 the authority for Environmental Trust Fund operations is the Environment Act. The purpose of the Trust is to fund programs for environmental research and management and conservation of the environment.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the treatment of administrative expenses. Administrative expenses incurred on behalf of the Fund are included in the expenditures of the Nova Scotia Department of the Environment. These amounts are not reflected in the financial statements.

Schedule 1

ENVIRONMENTAL TRUST FUND

**Schedule of Investments
March 31, 1999**

Investment	Interest Rate	Maturity Date	Cost
Royal Bank, Banker's Acceptance	5%	April 13, 1999	\$ 4,949

The investments of the Environmental Trust Fund are recorded at cost, which approximates their market value.

AUDITOR'S REPORT

To the Minister of Fisheries and Aquaculture; and
To the Chair and Members of the
Nova Scotia Fisheries and Aquaculture Loan Board

I have audited the balance sheet of the Fisheries and Aquaculture Development Fund as at March 31, 1999 and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Loan Board's management. My responsibility is to express an opinion on these financial statements based upon my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fisheries and Aquaculture Development Fund as at March 31, 1999 and the continuity of the fund for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
April 30, 1999

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Loans Receivable - net of allowance for doubtful accounts (Schedule 1)	\$ <u>36,916,711</u>	\$ <u>36,424,553</u>
Due from Consolidated Fund		
Loans authorized but unadvanced	2,859,992	1,980,423
Aquaculture loan guarantees (Note 4).	3,529,000	4,107,000
Free balance	94,366,492	95,422,918
Applicants' funds on deposit	<u>91,088</u>	<u>160,880</u>
	<u>100,846,572</u>	<u>101,671,221</u>
	\$ <u>137,763,283</u>	\$ <u>138,095,774</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Applicants' funds on deposit	\$ 91,088	\$ 160,880
Fisheries and Aquaculture Development Fund	<u>137,672,195</u>	<u>137,934,894</u>
	\$ <u>137,763,283</u>	\$ <u>138,095,774</u>

Contingency (Note 5)

**Statement of Continuity Fund
for the year ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ 137,934,894	\$ 137,976,337
<i>Deduct:</i> Increase in allowance for doubtful accounts	(9,427)	(31,265)
Accounts written off	<u>(253,272)</u>	<u>(10,178)</u>
Balance, end of year	\$ <u>137,672,195</u>	\$ <u>137,934,894</u>
 Comprising:		
Loans receivable	\$ 36,916,711	\$ 36,424,553
Loans authorized but unadvanced	2,859,992	1,980,423
Aquaculture loan guarantees.	3,529,000	4,107,000
Free balance	<u>94,366,492</u>	<u>95,422,918</u>
	\$ <u>137,672,195</u>	\$ <u>137,934,894</u>

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

Notes to Financial Statements

March 31, 1999

1. Authority

The Fisheries and Aquaculture Development Fund is established pursuant to Section 24 of the Fisheries and Coastal Resources Act. The purpose of the Fund is to finance the loans and guarantees of the Fisheries and Aquaculture Loan Board.

The object and purpose of the Board is to make loans and guarantees of loans to fishers, aquaculturists, companies, cooperatives, associations or other persons in order to encourage, sustain, improve and develop the fishing industry in the Province.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

Administrative Expenses, Interest Revenue and Expense

Administrative expenses of the Board, and the differential between capital advance interest charges from the Department of Finance and interest revenues earned on loans are included in the expenditures of the Department of Fisheries and Aquaculture. These amounts are not reflected in these financial statements, nor is accrued loan interest receivable.

3. Deferment Programs

On December 21, 1993 government approved an assistance program for borrowers affected by quota cuts and ground fish fishery closure, in cases where economic hardship resulted. Borrowers can apply to have the principal portion of their loan payment deferred until March 31, 2001. As of March 31, 1999 loans receivable under the program total \$2,451,621 (1998 - \$2,998,436).

On April 15, 1997 government approved an assistance program for borrowers suffering economic hardship as a result of reduced income. The Board may extend, defer or adjust the repayment or terms of any loan or loan guarantee. As of March 31, 1999 loans receivable under the program total \$2,246,693 (1998 - \$2,133,819).

4. Guarantees

On August 30, 1995 the government's Priorities and Planning Committee approved the Nova Scotia Aquaculture Development Strategy. On April 1, 1996 the aquaculture loan and guarantee program was transferred from the Nova Scotia Economic Renewal Agency to the Board, along with \$1,000,000 of existing loan guarantees. The strategy provides approval for capital advances and guarantees of \$2.0 million per year, for five years.

5. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000. The issue is being addressed by the Fisheries and Aquaculture Loan Board. The Board is examining their systems and is planning to complete functional testing by May 30, 1999. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

PROVINCE OF NOVA SCOTIA

FISHERIES AND AQUACULTURE DEVELOPMENT FUND

Continuity of Loans Receivable
for the year ended March 31, 1999

Schedule 1

	1999	1998
Loans Receivable		
Balance, beginning of year	\$ 37,384,291	\$ 38,773,310
<i>Add:</i> Advances during the year	<u>10,021,924</u>	<u>7,684,843</u>
	47,406,215	46,458,153
<i>Deduct:</i> Repayments during the year	9,267,067	9,063,684
Accounts written off	<u>253,272</u>	<u>10,178</u>
	9,520,339	9,073,862
Balance, end of year	37,885,876	37,384,291
Allowance for Doubtful Accounts	<u>969,165</u>	<u>959,738</u>
Loans Receivable - net of allowance for doubtful accounts	\$ <u>36,916,711</u>	\$ <u>36,424,553</u>

AUDITORS' REPORT

TO THE CHAIRMAN AND COMMISSIONERS OF
HALIFAX - DARTMOUTH BRIDGE COMMISSION

We have audited the balance sheet of Halifax - Dartmouth Bridge Commission as at December 31, 1998 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

LEVY CASEY CARTER MACLEAN
Chartered Accountants

Halifax, Nova Scotia
February 19, 1999

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Balance Sheet
December 31, 1998**

	1998	1997
ASSETS		
Current		
Cash	\$ 1,916,846	\$ 6,721,527
Receivables		
Trade	4,950	135,445
Accrued interest	8,046	30,019
Recoverable HST (note 2)	1,489,941	467,886
Transponder inventory (note 1(c))	479,008	293,525
Prepaid expenses	<u>129,051</u>	<u>139,838</u>
	4,027,842	7,788,240
Deferred financing costs and discounts, net of accumulated amortization of \$912,412 (1997 - \$70,186) (note 1 (e))	7,509,853	8,352,080
Capital assets (note 3)	72,469,007	35,531,797
Restricted assets (note 4)		
Investment - OMA Fund	1,225,000	1,140,000
Investment - Debt Service Fund	<u>2,975,000</u>	<u>3,000,000</u>
	\$ <u>88,206,702</u>	\$ <u>55,812,117</u>
LIABILITIES		
Current		
Payables and accruals	\$ 3,757,665	\$ 1,645,654
Capital project holdbacks payable	4,453,113	792,705
Accrued interest payable	456,438	456,438
Deferred revenue (note 1(b) and 5)	<u>2,055,254</u>	<u>1,866,920</u>
	10,722,470	4,761,717
Long term debt (note 6)	<u>119,000,000</u>	<u>100,000,000</u>
DEFICIT		
Reserve for restricted assets (note 4)	4,200,000	4,140,000
Deficit	<u>(45,715,768)</u>	<u>(53,089,600)</u>
	<u>(41,515,768)</u>	<u>(48,949,600)</u>
	\$ <u>88,206,702</u>	\$ <u>55,812,117</u>

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Statement of Income and Deficit
year ended December 31, 1998**

	1998	1997
Revenue		
Toll revenue (Note 1(b))	\$ 20,920,247	\$ 20,638,696
Other rate charges.	95,000	186,075
Investment and sundry income		
Capital Fund investment income.	---	315,488
Sinking fund investment income	---	2,315,528
OMA and Debt Service Funds.	194,348	14,010
Other	<u>81,647</u>	<u>105,585</u>
	<u>21,291,242</u>	<u>23,575,382</u>
Expenses		
Operating, maintenance and administrative charges	4,478,392	4,429,207
Amortization of capital assets	2,261,921	1,045,757
Interest on long term debt and amortization of deferred financing costs (note 7)	<u>7,117,097</u>	<u>11,025,145</u>
	<u>13,857,410</u>	<u>16,500,109</u>
Income from operations.	<u>7,433,832</u>	<u>7,075,273</u>
Other income (expense)		
Gain on sale of sinking fund investments.	---	3,490,796
Gain on sale of capital fund investments	---	416,326
Long term debt prepayment premium	<u>---</u>	<u>(18,637,000)</u>
	<u>---</u>	<u>(14,729,878)</u>
Net income (loss)	7,433,832	(7,654,605)
Deficit, beginning of year	<u>(53,089,600)</u>	<u>(41,294,995)</u>
	(45,655,768)	(48,949,600)
Appropriation to restricted asset reserve.	<u>(60,000)</u>	<u>(4,140,000)</u>
Deficit, end of year	<u><u>(45,715,768)</u></u>	<u><u>(53,089,600)</u></u>

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Statement of Cash Flows
year ended December 31, 1998**

	1998	1997
Operating Activities		
Net income (loss)	\$ 7,433,832	\$ (7,654,605)
Amortization of capital assets	2,261,921	1,045,757
Amortization of debt discount and refinancing costs.	842,227	337,936
Gain on sale of sinking fund and capital fund investments	---	(3,907,122)
Loss (gain) on disposal of capital assets	<u>122,696</u>	<u>(15,203)</u>
	10,660,676	(10,193,237)
Net change in non-cash working capital balances (note 8)	<u>4,916,473</u>	<u>(3,544,772)</u>
	<u>15,577,149</u>	<u>(13,738,009)</u>
 Financing Activities		
Proceeds from issue of Toll Revenue Bonds Series 1	---	100,000,000
Proceeds from Line of Credit	19,000,000	---
Repayment of long term debt to chartered bank.	---	(100,000,000)
Payment of refinancing costs and discount.	<u>---</u>	<u>(8,422,268)</u>
	19,000,000	(8,422,268)
 Investing Activities		
Proceeds from disposal of capital assets	6,806	17,750
Proceeds from capital fund investments (net)	---	4,787,978
Proceeds from sinking fund investments (net)	---	32,172,374
Increase in OMA Fund investments	(85,000)	(1,140,000)
Decrease (increase) in Debt Service Fund investments	25,000	(3,000,000)
Purchase of capital assets	<u>(39,328,636)</u>	<u>(10,061,379)</u>
	(39,381,830)	22,776,723
Increase (decrease) in cash during year.	(4,804,681)	616,446
Cash, beginning of year	<u>6,721,527</u>	<u>6,105,081</u>
Cash, end of year	<u>1,916,846</u>	<u>6,721,527</u>

HALIFAX - DARTMOUTH BRIDGE COMMISSION

**Notes to Financial Statements
March 31, 1999**

1. Significant Accounting Policies

a) Basis of financial statement presentation

The Commission, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting and Auditing handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use generally accepted accounting principles for profit-oriented entities, which is the basis under which these financial statements are prepared.

b) Revenue recognition

The Commission's bridge toll rates are regulated by the Nova Scotia Utility and Review Board. The Commission recognizes revenue at the time a vehicle crosses a bridge.

c) Transponder inventory

Inventory is recorded at the lower of cost and net realizable value.

d) Amortization of capital assets

Amortization is calculated using the declining balance (d.b.) method, except for bridge structures, buildings, and some bridge components, which are being depreciated using the straight line (s.l.) method, at rates based on the estimated useful life of the assets, as indicate in note 3. Amortization commences in the year an asset is put in use.

e) Amortization of financing costs

The financing costs, discounts and hedge costs are being amortized on a straight line basis over the term of the Toll Revenue Bonds series 1, to December, 2007.

2. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the province of Nova Scotia, the commission is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

3. Capital Assets

	Rate	1998		1997	
		Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land		\$ 5,735,045	\$ ---	\$ 5,735,045	\$ 5,735,046
Buildings.	40 yrs s.l.	1,935,288	1,152,850	782,438	888,132
Bridge and bridge components					
A.L. Macdonald					
Bridge	20 to 80 yrs s.l.	55,105,278	5,453,475	49,651,803	13,562,785
A.M. MacKay					
Bridge	15 to 80 yrs s.l.	21,521,129	9,137,615	12,383,514	12,901,180
Computer equipment	30% d.b.	298,682	129,213	169,469	215,119
Toll and other equipment	20% d.b.	5,471,380	1,919,542	3,551,838	1,986,867
Mobile equipment	30 % d.b.	673,782	478,882	194,900	242,668
		<u>\$ 90,740,584</u>	<u>\$ 18,271,577</u>	<u>\$ 72,469,007</u>	<u>\$ 35,531,797</u>

4. Restricted assets

Under the terms of a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company providing for the issue of Toll Revenue Bonds Series 1, so long as such Bonds are outstanding, the Commission must maintain two reserve funds, which will be funded from the revenues of the Commission, after payment of current operating, maintenance, and administrative expenses.

The operating, maintenance, and administrative (OMA) fund must be maintained at an amount at least equal to 25% of the annual budgeted OMA expenses for the year. This fund can only be used to pay OMA expenses, although any amount in the fund in excess of the required balance can be transferred to the commission's unrestricted accounts.

The debt service fund must be maintained at a amount at least equal to 50% of annual interest payments required in respect of certain indebtedness, net of interest earned by the Commission in the year. This fund can only be used to pay principal, interest, and fees in respect of Toll Revenue Bonds, although any amount in the fund in excess of the required balance can be transferred to the Commission's unrestricted accounts.

The reserve funds are held and invested by the trustee on behalf of the Commission. Both reserve funds were invested on December 31, 1998 at 4.9% maturing in June, 1999.

5. Deferred Revenue

	1998	1997
Unredeemed Tokens	\$ 1,810,245	1,866,920
Electronic Toll Collection (ETC) Accounts.	245,009	---
	<u>\$ 2,055,254</u>	<u>\$ 1,866,920</u>

Token sales are recorded as deferred revenue until the tokens are used by customers, at which time revenue is recognized.

Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

6. Long term debt

5.95% Toll Revenue Bonds Series 1, maturing December 4, 1007, with interest payable in semi-annual payments. The Bonds are secured by an assignment of the revenues of the Commission; subject to the prior payment of operating, maintenance and administrative expenses, and the maintenance of certain reserve funds by the Commission pursuant to a trust indenture dated November 27, 1997 between the Commission and CIBC Mellon Trust Company (see note 4). The Commission is also required to make \$500,000 quarterly contributions to a Sinking Fund, commencing in the first quarter of the year 2000; and \$750,000 quarterly contributions to a Capital Fund, also commencing in the first quarter of the year 2000.

\$ 100,000,000 \$ 100,000,000

90 day B.A. rate + 3/10 of 1% line of credit, maturing the day following the date principal and interest are repaid in full on the Toll Revenue Bonds Series 1. This facility is a committed revolving credit of \$30,000,000. Interest is payable annually. This debt is subordinated to the payment in full of all amounts from time to time owing to the holders of the Toll Revenue Bonds Series 1 under the Trust Indenture (see note 4). No amounts of principal or interest shall be paid by the Commission on this debt if the Commission is in default of payment of OMA expenses, principal or interest on the Toll Revenue Bonds Series 1, amounts due to be deposited into OMA Fund, Debt Service Fund, Sinking Fund, or Capital Fund, or amounts of principal and interest due under any other indebtedness of the Commission.

19,000,000 ---

\$ 119,000,000 \$ 100,000,000

The estimated fair market value of the \$100,000,000 fixed rate long term debt at December 31, 1998 is \$103,250,000.

6. Long term debt (continued):

Payments required to the Sinking Fund and Capital Fund over the next five years are as follows:

1999	\$	---
2000	\$	5,000,000
2001	\$	5,000,000
2002	\$	5,000,000
2003	\$	5,000,000

7. Interest on long term debt and amortization of deferred financing costs

	1998	1997
Interest on long term debt		
Toll Revenue Bonds	\$ 5,950,000	\$ 456,438
Line of Credit	324,870	---
Chartered Bank Debenture	---	10,230,771
Amortization of deferred financial costs and discounts	842,227	337,936
	<u>\$ 7,117,097</u>	<u>\$ 11,025,145</u>

8. Net change in non-cash working capital balances

	1998	1997
Increase (decrease) in cash from changes in:		
Receivables	(869,587)\$	(552,969)
Transponder inventory	(185,483)	(293,525)
Prepaid expenses	10,787	(10,591)
Payables and accruals	5,772,422	(2,840,454)
Deferred revenue	<u>188,334</u>	<u>152,767</u>
	\$ <u>4,916,473</u>	\$ <u>(3,544,772)</u>

9. Pension plan

The Commission sponsors a defined contribution pension plan for all their permanent employees. No future contributions are required in respect of past service at December 31, 1998.

10. Incorporation

The Halifax-Dartmouth Bridge Commission is incorporated by Special Statute of the Province of Nova Scotia. The purposes of the Commission are to construct, maintain, and operate bridges and their necessary approaches across Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

11. Commitments

The Commission has entered into a contract with Walter & SCI/Cherubini in the amount of \$45,173,450 plus HST for the construction and installation of new deck, dedicated pedestrian and bicycle lanes, and plaza work at the Macdonald Bridge, for completion in 1999. As at December 31, 1998, \$37,979,500 plus HST had been incurred on this contract.

The Commission has entered into a contract with Dexter Construction in the amount of \$6,148,672 plus HST for the construction of a ramp and approaches at the Halifax end of the Macdonald Bridge. As at December 31, 1998, \$3,374,700 plus HST has been incurred on this contract.

The Commission has entered into a contract with Ocean Contractors in the amount of \$899,164 plus HST for construction work on the approaches at the Dartmouth end of the Macdonald Bridge. As at December 31, 1998, \$187,250 plus HST has been incurred on this contract.

12. Uncertainty due to the Year 2000 Issue

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

13. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

AUDITORS' REPORT

To the Chairperson and Members of the Board of
The Halifax Regional School Board

We have audited the consolidated balance sheet and the fund balance sheets of the Halifax Regional School Board as at March 31, 1999, and the related statements of operations, continuity of deficit and continuity of investment in capital assets for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Dartmouth, Nova Scotia
May 31, 1999

HALIFAX REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Current		
Receivables	\$ 5,722,832	\$ 5,790,331
Prepaid expenses	560,736	543,065
Inventory, at cost	162,749	146,913
Deferred service awards (Note 3)	<u>2,289,235</u>	<u>1,205,072</u>
	8,735,552	7,685,381
Deferred service awards (Note 3)	2,838,857	3,435,721
Deferred pension expense (Note 6[a])	235,714	257,143
Deferred amalgamation expense (Note 13)	1,407,692	1,666,201
Deferred finance charges	3,231	4,722
Capital assets (Note 2)		
Improvements to school properties	17,653,988	15,250,135
Interest in school buildings	89,442,758	90,944,807
Energy management system	1,655,265	1,655,265
Furniture, equipment, vehicles and renovations	<u>10,535,789</u>	<u>11,515,893</u>
	\$ <u>132,508,846</u>	\$ <u>132,415,268</u>

LIABILITIES

Current		
Bank Indebtedness (Note 12)	\$ 15,714,980	\$ 12,239,173
Payables and accruals	7,735,614	9,282,668
Deferred Revenue	74,541	100,508
Current portion of long term debt	<u>396,361</u>	<u>380,695</u>
	23,921,496	22,003,044
Long term		
Long term debt (Note 7)	1,155,722	1,552,083
Early retirement program (Note 4)	66,423,056	51,549,550
Due to Trust Funds	<u>7,399</u>	<u>9,397</u>
	<u>91,507,673</u>	<u>75,114,074</u>

EQUITY

Deficit	(10,652,692)	(9,905,648)
Investment in early retirement program (Note 4)	(66,423,056)	(51,549,550)
Investment in capital assets	117,832,881	117,531,977
Special reserve fund (Note 11)	<u>244,040</u>	<u>1,224,415</u>
	<u>41,001,173</u>	<u>57,301,194</u>
	\$ <u>132,508,846</u>	\$ <u>132,415,268</u>

Commitments (Note 8)
Contingencies (Note 10)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Operating Fund
Balance Sheet
March 31, 1999**

	ASSETS	
	1999	1998
Current		
Accounts receivable		
Government of Canada	\$ 674,247	\$ 929,129
Province of Nova Scotia	2,981,673	2,058,737
Halifax Regional Municipality	---	16,582
Commodity taxes	720,096	889,152
Other	1,346,816	1,896,731
Prepays	560,736	543,065
Inventory, at cost	162,749	146,913
Deferred service awards	<u>2,289,235</u>	<u>1,205,072</u>
	8,735,552	7,685,381
Deferred service awards (Note 3)	2,838,857	3,435,721
Deferred pension expense (Note 6[a])	235,714	257,143
Deferred amalgamation expense (Note 13)	<u>1,407,692</u>	<u>1,666,201</u>
	\$ <u>13,217,815</u>	\$ <u>13,044,446</u>
	LIABILITIES	
Current		
Bank Indebtedness (Note 12)	\$ 15,714,980	\$ 12,239,173
Payables and accruals	7,735,614	9,282,668
Deferred revenue	<u>74,541</u>	<u>100,508</u>
	23,525,135	21,622,349
Long term		
Early retirement program (Note 4)	66,423,056	51,549,550
Due to Trust Funds	7,399	9,397
Due to Capital Fund	93,933	93,933
Due to Special Reserve Fund	<u>244,040</u>	<u>1,224,415</u>
	<u>90,293,563</u>	<u>74,499,644</u>
	DEFICIENCY	
Deficit	(10,652,692)	(9,905,648)
Investment in early retirement program (Note 4)	<u>(66,423,056)</u>	<u>(51,549,550)</u>
	<u>(77,075,748)</u>	<u>(61,455,198)</u>
	\$ <u>13,217,815</u>	\$ <u>13,044,446</u>
Commitments (Note 8)		
Contingencies (Note 10)		

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Operating Fund
Statements of Operations
Year ended March 31, 1999**

		1999		1998	
	Page	Budget	Actual	Actual	
Revenue					
Province of Nova Scotia	18	\$ 192,774,000	\$ 195,588,447	\$ 176,861,626	
Government of Canada	18	732,000	1,997,245	1,980,085	
Appropriations from Council	18	76,230,000	76,229,364	75,678,940	
Board Operations	18	2,342,000	2,961,311	2,225,381	
Other.	18	2,024,000	1,529,640	1,905,233	
		274,102,000	278,306,007	258,651,265	
Expenditure					
Board management	19	7,838,000	8,776,308	8,602,838	
School administration and instruction	19	189,389,000	194,400,727	188,609,820	
Property service	20	28,066,000	29,965,762	30,124,684	
Student transportation	20	8,985,000	9,445,079	8,682,686	
Special education.	21	26,028,000	27,825,562	21,157,809	
Community collaboration and partnerships	21	2,005,000	3,248,254	3,201,131	
Summer school.	21	---	99,443	163,040	
Federal programs.	21	---	145,627	153,375	
Operating capital	21	4,063,000	5,146,289	3,173,181	
Prior year's deficit		7,728,000	9,303,644	4,086,345	
		274,102,000	288,356,695	267,954,909	
Excess of expenditure over revenue before extraordinary item.		---	(10,050,688)	(9,303,644)	
Extraordinary item (Note 5).		---	602,004	---	
Excess of expenditure over revenue		\$ ---	\$ (10,652,692)	\$ (9,303,644)	

**Statement of Continuity of Deficit
Year ended March 31, 1999**

		1999	1998
Balance, beginning of year.	\$	(9,905,648)	\$ (4,688,349)
Excess of expenditure over revenue		(10,652,692)	(9,303,644)
Transfer of prior year's deficit to statement of operations		9,303,644	4,086,345
Transfer of extraordinary item to statement of operations (Note 5)		602,004	---
Balance, end of year	\$	(10,652,692)	\$ (9,905,648)

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Capital Fund
Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Due from Operating Fund.	\$ 93,933	\$ 93,933
Deferred finance charges	3,231	4,722
Improvements to school properties (Note 2[b]).	17,653,988	15,250,135
Interest in school buildings (Note 2[b]).	89,442,758	90,944,807
Energy management system	1,655,265	1,655,265
Furniture, equipment, vehicles and renovations	10,535,789	11,515,893
	\$ 119,384,964	\$ 119,464,755

LIABILITIES

Long term debt (Note 7).	\$ 1,552,083	\$ 1,932,778
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EQUITY

Investment in capital assets	117,832,881	117,531,977
	\$ 119,384,964	\$ 119,464,755

Commitments (Note 8)
Contingencies (Note 10)

**Continuity of Investment in Capital Assets
Year ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ 117,531,977	\$ 120,084,835
Capital purchases out of revenue		
Equipment and furnishings	1,336,579	720,056
Improvements to school properties	2,403,853	1,958,282
Renovations included in deferred amalgamation expenses	---	750,790
Reduction in long term debt	380,695	366,361
	121,653,104	123,880,324
Capital assets written off		
Equipment and furnishings (Note 2 [b])	2,316,683	6,070,264
Disposal of administrative building.	1,502,049	---
Disposal of school bus garage	---	276,592
Amortization of deferred finance charges	1,491	1,491
	3,820,223	6,348,347
	\$ 117,832,881	\$ 117,531,977

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

**Special Reserve Fund
Balance Sheet
March 31, 1999**

	1999	1998
ASSETS		
Due from Operating Fund	\$ <u>244,040</u>	\$ <u>1,224,415</u>

EQUITY		
Special Reserve Funds (Note 11)	\$ <u>244,040</u>	\$ <u>1,224,415</u>

**Special Reserve Fund (See Note 11)
Continuity of Special Reserve
Year ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ 1,224,415	\$ 3,124,415
Proceeds from sale of property	549,265	---
Transfers to Operating Fund		
Technology initiative	(756,000)	(1,000,000)
General revenue (Note 14)	<u>(773,640)</u>	<u>(900,000)</u>
Balance, end of year	\$ <u>244,040</u>	\$ <u>1,224,415</u>

See accompanying notes to the consolidated financial statements.

HALIFAX REGIONAL SCHOOL BOARD

Notes to the Consolidated Financial Statements March 31, 1999

1. Nature of operations

The Halifax Regional School Board manages education programs and finances of public schools within the Halifax Regional Municipality.

2. Significant accounting policies

(a) Basis of accounting and consolidation

The consolidated balance sheet is presented using the principles of consolidation prescribed by the Department of Education. The consolidated balance sheet includes the accounts of the operating, capital, and reserve funds. Trust funds are not included in the consolidation. For a detailed review the reader should refer to the financial statements of each fund as presented in these financial statements. The financial statements have been prepared using the modified accrual basis of accounting. Major revenue and expenditure items are recorded on the accrual basis except for salaries, other than retroactive benefits, and interest payments relating to term debt which are recorded as an expense when paid. The Board records all items ordered but not received at year end as if they had been received, with the expenditure and the corresponding liability recorded at ordered cost. These policies are consistent with the method used to fund these expenditures.

(b) Capital fund assets

Capital fund assets transferred from municipal councils are recorded at their carrying value. All improvements to school properties and acquisitions of furniture and equipment are recorded at cost. Funds received through capital assistance programs, cost sharing arrangements or loan forgiveness are treated as additions to the investment in capital fund assets. The Board does not record depreciation on its capital assets. Assets are written off in accordance with the criteria prescribed by the Department of Education.

Under the agreement with the municipal council, all school building and land on hand at January 1, 1982 remain assets of the municipality but are under the operational control of the Board until such time as the board no longer requires the asset for school purposes. At that time control will revert back to the municipal council.

All major capital additions to school buildings on hand at January 1, 1982 and any new school construction commencing after January 1, 1982 become assets of the Board.

The Board has made additions to school buildings, legal title to which is held by the Halifax Regional Municipality. Under the Education Act, should the buildings in question be disposed of, the board will be entitled to a portion of any net proceeds of disposition.

(c) Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students.

3. Retirement service awards

Teachers receive a service award upon retirement, disability, death or termination, when entitled to a vested pension, under the contracts between the Nova Scotia Teachers Union locals and the predecessor boards. The contracts prescribe the formulae used in calculating the payment as well as the period over which payment is to be made.

3. Retirement service awards (continued):

Actuarial valuations performed for the predecessor boards set out the following:

- i) A 1993 actuarial valuation extrapolated to March 31, 1996 calculated the present value of the service awards payable for past services to be approximately \$25,514,000 for the Halifax County - Bedford District School Board.
- ii) As at July 31, 1989 the Dartmouth District School Board's actuarial study indicated that the present value of service awards applicable to past years was approximately \$4,355,000.
- iii) As at March 31, 1994 the Halifax District School Board actuarially determined the present value of service awards payable for past services to be approximately \$9,111,000.

The present value of service awards payable for past services for the amalgamated board has not been determined.

During the year ended March 31, 1999, the Board paid \$2,853,764 (1998 - \$3,687,323) in service awards to retiring teachers of which \$2,013,021 (1998 - \$2,836,565) is recorded as a deferred asset on the balance sheet. This amount relates primarily to service awards paid to teachers who have retired under the terms and conditions of the Early Retirement Program. The accumulated deferred service awards of \$5,128,092 will be expensed on a teacher-by-teacher basis in the year the teacher would normally be eligible for retirement, if it were not for the Early Retirement Program. This accounting treatment is in accordance with a directive of the Nova Scotia Department of Education.

4. Early retirement program

On July 22, 1994, the regulations governing the Nova Scotia Teachers' Early Retirement (1994-1998) Program were enacted by the Province of Nova Scotia. This program entitles teachers who meet the eligibility criteria to elect to retire at a date preceding their normal retirement date. For each teacher retiring under this program, the Board must pay the present value of \$122,735 discounted to normal retirement date to the Nova Scotia Department of Finance Pension Services Group.

As a March 31, 1999, there were 690 teachers who had retired under the Early Retirement Program. The board has recognized the remaining liability associated with these retirements in the amount of \$66,423,056. During the year, eligibility to retire under this program has expired.

5. Remedial action for fuel oil spills

The former Halifax District School Board's operating results for the year ended March 31, 1993 included costs related to fuel oil spills in the amount of \$1,105,952. The excess of expenditure over revenue for that year, which would otherwise have been \$238,311, was \$1,344,263 as a result.

5. Remedial action for fuel oil spills (continued):

During the year ended March 31, 1994, the City of Halifax compensated the former Halifax District School Board in respect of the prior year's operating deficiency in the amount of \$238,311, leaving the \$1,105,952 in oil spill costs as the board's deficit. The board's excess of revenue over expenditures for the years ended March 31, 1995 and March 31, 1994 of \$100,413 and \$462,531, respectively, have been credited to this deficit reducing it to \$543,008 at March 31, 1995. In addition, the former Halifax District School Board's excess of expenditure over revenue for the year ended March 31, 1996 (\$58,996) resulted in an accumulated deficit of \$602,004 at March 31, 1996 which has been provided for in the 1998/99 fiscal year.

6. Pension plans

(a) For the employees of the former Halifax County-Bedford District School Board

The Board makes payments into pension plans for janitors, maintenance workers and administrative non-teaching staff. These plans are defined benefit pension plans and are administered by the Board. For janitors and maintenance workers, an actuarial valuation was last performed January 1, 1996. Extrapolations to March 31, 1998 indicated accrued pension benefits of \$4,699,419 and pension fund assets with market values of \$9,083,440. For the administrative non-teaching staff an actuarial valuation was performed January 1, 1996. Extrapolations to March 31, 1998 indicated accrued pension benefits of \$6,583,970 and pension fund assets with market values of \$7,157,323. The extrapolations for the administrative non-teaching staff pension plan reflect the transfer of members to the newly formed Non-Contract Employees Plan.

The plans declared a pension holiday commencing April 1, 1996, providing that employer contributions be ceased to draw-down the pension surpluses.

In 1995/96, the predecessor board recorded a deferred pension expense of \$300,000. This amount is being amortized against future years' operations over fourteen years. The unamortized balance at March 31, 1999 is \$235,714.

(b) For employees of the former Halifax District School Board

The Board has defined benefit pension plans which cover the janitors, maintenance workers and other non-teaching staff. These pension plans are part of the former City of Halifax Superannuation Fund, which reported an \$835,000 surplus as at December 31, 1996. This surplus reflects the assumptions to be used by the new Halifax Regional Municipality Pension Plan.

(c) For employees of the former Dartmouth District School Board

The Board has defined benefit pension plans which cover the janitors, maintenance workers and other non-teaching staff. These pension plans are part of the former City of Dartmouth Pension Plan, which reported a deficiency of \$35,700 as at January 1, 1997.

The deficiency resulted from pension plan amendments effective January 1, 1997. It is expected that current contribution levels as defined in the plan will eliminate the unfunded liability.

(d) Teachers' pension plan

The Board's teachers are covered by a pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act. The Board is not responsible for funding any deficiencies of this plan.

7. **Long term debt**

	1999	1998
Debenture payable to the Nova Scotia Municipal Finance Corporation at 10.375% to 10.5% per annum, maturing May 29, 2001	\$ 451,083	\$ 601,778
Debenture payable to the Nova Scotia Municipal Finance Corporation at 6.875% to 7.875% per annum, maturing November 14, 2002	<u>1,101,000</u>	<u>1,331,000</u>
	1,552,083	1,932,778
Less: Current portion	<u>396,361</u>	<u>380,695</u>
	<u>\$ 1,155,722</u>	<u>\$ 1,552,083</u>

Principal payments required during each of the next four years are as follows:

2000	\$	396,361
2001		414,361
2002		434,361
2003		307,000

8. **Commitments**

- a) The Board has entered into agreements to lease buildings and office equipment for various periods until 2007. The annual rent of the buildings includes a base rent plus a share of operating expenses. Minimum rent payable for the buildings and equipment for each of the next five years is as follows:

		Buildings		Equipment		Total
2000	\$	57,592	\$	277,707	\$	335,299
2001		32,400		166,644		199,044
2002		83,274		---		83,274
2003		83,274		---		83,274
2004		56,274		---		56,274
Subsequent to 2004		<u>101,748</u>		<u>---</u>		<u>101,748</u>
		<u>\$ 414,562</u>	\$	<u>444,351</u>	\$	<u>858,913</u>

The Board is also committed to lease photocopiers for 5 years. The amount is based on usage, and, therefore, cannot be accurately estimated.

- b) The Board contracts the provision of transportation services under the terms of a five year agreement expiring in 2001. The cost of this contract approximates \$6,950,000 per annum.

In addition, the Board is committed to the following for transportation services:

2000	\$	780,051
2001		<u>797,397</u>
		<u>\$ 1,577,448</u>

- c) The Board is committed to pay management fees of \$78,540 for the 5 months ended August 31, 1999 to Oxford Atlantic for services related to O'Connell Drive School. The Board will be committed to pay additional management fees for other schools as they are completed.

9. Comparative figures

Prior year figures have been restated for comparative purposes.

10. Contingencies

The Board incurred expenditures relating to environmental matters in its properties during the year ended March 31, 1999. It is likely that such expenditures will continue in future years and will be funded as incurred. The future liability relating to environmental matters in its properties is not determinable at this time.

Action has been taken to collect \$785,000 currently carried as a receivable related to a salary continuation plan. The likely outcome is not determinable at this time.

11. Special reserve

The special reserve funds are available for capital equipment, repairs or renovations subject to the approval of the Minister of Education.

12. Bank indebtedness

The board has an operating line of credit of \$3,000,000 with interest at bank prime.

13. Deferred amalgamation expense

The Board has deferred prior year expenditures totalling \$791,636 as amalgamation expenditures to be amortized over 5 years and \$1,129,852 as central office amalgamation expenditures to be amortized over 10 years. The Board has expensed \$258,509 in the 1998/99 fiscal year (1997/98 - \$255,287) leaving an unamortized balance of \$1,407,692.

14. Transfers to Operating Fund

As approved by the Department of Education, in 1997/98 the Board transferred \$900,000 to other revenue of the Operating Fund. This is repayable to the special reserve but the time frame of the repayment is yet to be finalized and has not been reflected in these financial statements.

15. Uncertainty due to the Year 2000 issue

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

HALIFAX REGIONAL SCHOOL BOARD

**Supplementary Detail of Revenue
March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Province of Nova Scotia			
General Formula	\$ 167,768,000	\$ 167,773,800	\$ 143,102,092
Transportation	7,774,000	7,773,900	7,773,900
Special education	14,731,000	14,718,641	14,346,540
Equity grant	---	---	907,451
Emergency capital	---	510,000	541,900
French special projects	143,000	99,059	53,998
Early retirement plan	---	---	7,377,489
Textbook credit allocation	2,358,000	2,358,000	2,358,043
Information Economy Initiative	---	1,290,995	---
Other	---	1,064,052	400,213
	<u>\$ 192,774,000</u>	<u>\$ 195,588,447</u>	<u>\$ 176,861,626</u>
Government of Canada			
Employment and Immigration	\$ ---	\$ 1,031,925	\$ 1,113,846
Secretary of State -			
French formula grant	375,000	207,796	257,061
French Special Projects	357,000	247,653	234,443
Other	---	509,871	374,735
	<u>\$ 732,000</u>	<u>\$ 1,997,245</u>	<u>\$ 1,980,085</u>
Appropriation from Council			
Mandatory	\$ 59,288,000	\$ 59,293,285	\$ 58,736,801
Supplementary	16,942,000	16,936,079	16,942,139
	<u>\$ 76,230,000</u>	<u>\$ 76,229,364</u>	<u>\$ 75,678,940</u>
Board Operations			
Investment income	\$ 275,000	\$ 520,279	\$ 222,586
Tuition/registration	1,040,000	1,033,404	673,498
Facilities rental	660,000	411,597	498,957
Sale of assets	---	---	21,185
Transportation services	60,000	58,312	64,251
Excel (net remittance)	---	616,880	517,203
Other	307,000	320,839	227,701
	<u>\$ 2,342,000</u>	<u>\$ 2,961,311</u>	<u>\$ 2,225,381</u>
Other Revenue			
Transfer from special reserve	\$ 2,024,000	\$ 1,529,640	\$ 1,900,000
Other	---	---	5,233
	<u>\$ 2,024,000</u>	<u>\$ 1,529,640</u>	<u>\$ 1,905,233</u>

HALIFAX REGIONAL SCHOOL BOARD

**Supplementary Detail of Expenditure
March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Board Management			
Salaries and wages	\$ 3,872,000	\$ 4,869,918	\$ 4,200,241
Board member honoraria	100,000	102,155	184,957
Employer benefits	1,508,000	786,774	527,670
Supplies and materials	934,000	964,535	1,227,094
Telephone	171,000	282,700	211,907
Travel, conference and professional development - circuit/staff	---	81,796	210,468
Travel and conference - Board	40,000	28,265	30,814
Insurance	131,000	172,434	173,255
Professional services	693,000	873,151	349,852
Administrative services	229,000	331,694	154,915
Computer services	70,000	134,514	1,133,108
Other	90,000	148,372	198,557
	\$ 7,838,000	\$ 8,776,308	\$ 8,602,838
 School administration and instruction			
Salaries and wages			
Administration and instruction	\$ 150,779,000	\$ 152,201,774	\$ 143,194,760
Substitutes	4,695,000	7,011,250	6,083,167
Sabbaticals	314,000	314,312	---
Library	3,336,000	3,240,982	2,818,038
Guidance	3,273,000	2,653,358	2,925,128
Clerical	4,667,000	4,846,517	4,432,077
Lunch and bus	788,000	891,474	871,923
Employer Benefits	9,999,000	10,952,557	10,107,590
Service awards	1,613,000	2,143,924	2,483,080
Early retirement program	---	130,077	7,824,694
Supplies and materials	6,473,000	6,141,372	4,408,311
Textbooks credit	2,358,000	2,373,730	2,358,043
Travel	394,000	518,423	330,980
Telephone	700,000	737,125	772,029
Computer services	---	124,563	---
Other	---	119,289	---
	\$ 189,389,000	\$ 194,400,727	\$ 188,609,820

HALIFAX REGIONAL SCHOOL BOARD

**Supplementary Detail of Expenditure (continued):
March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Property Service			
Salaries and wages	\$ 13,239,000	\$ 14,180,040	\$ 13,659,260
Employer benefits	2,390,000	2,365,393	2,237,613
Supplies and materials			
Maintenance	3,275,000	4,032,751	3,437,697
Custodial	648,000	825,893	728,417
Other	---	315,212	228,130
Facilities rental	141,000	210,404	204,868
Travel and conferences	110,000	69,519	58,440
Insurance	392,000	329,601	318,681
Utilities	5,710,000	5,477,591	6,249,114
Telephone	124,000	110,756	93,245
In-service training	---	19,199	27,089
Vehicle operating	200,000	274,747	294,773
Contracted services			
Maintenance	350,000	339,862	343,075
Custodial	1,187,000	980,632	2,349,661
Other	300,000	434,162	(105,379)
	\$ 28,066,000	\$ 29,965,762	\$ 30,124,684
 Student Transportation			
Employer benefits	\$ ---	\$ 13,114	\$ 4,297
Maintenance and utilities - garages	---	632	3,700
Travel & conference	---	---	5,337
Contract conveyance	8,985,000	9,431,333	8,666,943
Other	---	---	2,409
	\$ 8,985,000	\$ 9,445,079	\$ 8,682,686
 Special Education			
Salaries and wages	\$ 23,849,000	\$ 24,940,604	\$ 18,988,493
Employer benefits	1,685,000	2,303,196	1,669,553
Supplies and materials	394,000	494,851	414,632
Travel	100,000	86,911	85,131
	\$ 26,028,000	\$ 27,825,562	\$ 21,157,809
 Community Collaboration and Partnerships			
Salaries and wages	\$ 1,542,000	\$ 2,575,788	\$ 2,400,631
Employer benefits	184,000	152,157	120,538
Supplies and materials	254,000	302,628	139,110
Travel	---	20,286	19,923
Building rental	---	66,575	45,469
Telephone	25,000	56,021	51,136
Other	---	74,799	424,324
	\$ 2,005,000	\$ 3,248,254	\$ 3,201,131

HALIFAX REGIONAL SCHOOL BOARD

**Supplementary Detail of Expenditure (continued)
March 31, 1999**

	1999		1998
	Budget	Actual	Actual
Summer School			
Salaries and wages	\$ ---	\$ 98,097	\$ 156,991
Employer benefits	---	1,010	4,610
Supplies and materials	---	336	1,439
	\$ ---	\$ 99,443	\$ 163,040
 Federal Programs			
Co-op education	\$ ---	\$ 681	\$ 32,355
Stay-in-school	---	70,259	67,356
Reading recovery	---	74,687	50,721
Other	---	---	2,943
	\$ ---	\$ 145,627	\$ 153,375
 Operating Capital			
Minor repairs and renovations	\$ 1,638,000	\$ 3,068,831	\$ 1,958,282
Furniture and equipment	1,839,000	1,541,066	720,056
Capital debt service	586,000	536,392	494,843
	\$ 4,063,000	\$ 5,146,289	\$ 3,173,181

HALIFAX REGIONAL SCHOOL BOARD

**Schedule of Trust Funds
March 31, 1999**

	George Perrin	Christopher Maxwell	Abbie J Lane	Doane Hatfield	Annie M Piercey	James R Pineo	Almar H Shatford	Mengie Shulman	Harold T Barrett	Carl & Rita Turner	Donald Keith	1999 Total	1998 Total
Cash.	\$ 620	\$ ---	\$ ---	\$ 6	\$ ---	\$ 2,085	\$ 1,221	\$ 4,382	\$ 758	\$ 4,122	\$ 630	\$ 13,824	\$ 36,308
Restricted cash.	10,000	---	---	500	---	---	---	---	10,000	---	---	20,500	---
Due from													
Operating Fund	---	---	1,483	16	---	5,900	---	---	---	---	---	7,399	9,397
Investments. . .	---	500	8,500	---	5,000	109,000	16,317	---	---	---	7,022	146,339	128,402
	<u>\$ 10,620</u>	<u>\$ 500</u>	<u>\$ 9,983</u>	<u>\$ 522</u>	<u>\$ 5,000</u>	<u>\$ 116,985</u>	<u>\$ 17,538</u>	<u>\$ 4,382</u>	<u>\$ 10,758</u>	<u>\$ 4,122</u>	<u>\$ 7,652</u>	<u>\$ 188,062</u>	<u>\$ 174,107</u>
Equity	<u>\$ 10,620</u>	<u>\$ 500</u>	<u>\$ 9,983</u>	<u>\$ 522</u>	<u>\$ 5,000</u>	<u>\$ 116,985</u>	<u>\$ 17,538</u>	<u>\$ 4,382</u>	<u>\$ 10,758</u>	<u>\$ 4,122</u>	<u>\$ 7,652</u>	<u>\$ 188,062</u>	<u>\$ 174,107</u>
Balance, beginning of year	\$ 10,414	\$ 500	\$ 11,380	\$ 515	\$ 5,000	\$ 118,284	\$ 18,879	\$ 4,640	\$ 10,279	\$ 4,399	\$ 7,214	\$ 191,504	\$ 169,342
Donations.	---	---	---	---	---	---	---	---	---	---	---	---	2,268
Interest earned .	<u>527</u>	<u>15</u>	<u>276</u>	<u>22</u>	<u>325</u>	<u>9,101</u>	<u>459</u>	<u>242</u>	<u>816</u>	<u>223</u>	<u>438</u>	<u>12,444</u>	<u>10,899</u>
	10,941	515	11,656	537	5,325	127,385	19,338	4,882	11,095	4,622	7,652	203,948	182,509
Awards paid . . .	<u>(321)</u>	<u>(15)</u>	<u>(1,673)</u>	<u>(15)</u>	<u>(325)</u>	<u>(10,400)</u>	<u>(1,800)</u>	<u>(500)</u>	<u>(337)</u>	<u>(500)</u>	<u>---</u>	<u>(15,886)</u>	<u>(8,402)</u>
Balance, end of year	<u>\$ 10,620</u>	<u>\$ 500</u>	<u>\$ 9,983</u>	<u>\$ 522</u>	<u>\$ 5,000</u>	<u>\$ 116,985</u>	<u>\$ 17,538</u>	<u>\$ 4,382</u>	<u>\$ 10,758</u>	<u>\$ 4,122</u>	<u>\$ 7,652</u>	<u>\$ 188,062</u>	<u>\$ 174,107</u>

AUDITOR'S REPORT

To the Shareholder of Highway 104
Western Alignment Corporation

We have audited the balance sheet of Highway 104 Western Alignment Corporation as at March 31, 1999, and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Halifax, Canada
June 18, 1999

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Project bank accounts	\$ 512,103	\$ 1,095,535
Inventory	14,214	12,137
Prepays (Note 3)	192,248	214,029
Receivables (Note 4)	175,180	1,198,583
Restricted assets (Note 5)	10,504,211	7,929,146
Facility (Note 6)	121,907,867	123,585,732
Deferred costs (Note 7)	<u>1,130,701</u>	<u>1,280,017</u>
	\$ <u>134,436,524</u>	\$ <u>135,315,179</u>

LIABILITIES

Payables and accruals	\$ 1,946,365	\$ 1,168,717
Deferred revenue	447,952	260,090
Long term debt (Note 9)	80,649,045	80,288,098
Payable to the Province of Nova Scotia (Note 10)	250,000	250,000
Deferred government assistance (Note 2)	<u>54,188,344</u>	<u>55,022,911</u>
	<u>137,481,706</u>	<u>136,989,816</u>

SHAREHOLDERS' DEFICIENCY

Capital stock, one no par value share issued and outstanding in favour of the Province of Nova Scotia	1	1
Reserve for restricted assets (Note 11)	4,483,885	1,908,808
Deficit	<u>(7,529,068)</u>	<u>(3,583,446)</u>
	<u>(3,045,182)</u>	<u>(1,674,637)</u>
	\$ <u>134,436,524</u>	\$ <u>135,315,179</u>

Commitments and contractual obligations (Note 13)
Uncertainty due to the Year 2000 Issue (Note 14)

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Statements of Loss and Deficit
year ended March 31, 1999**

	REVENUE	Four Months Ended 1998
	1999	
Facility revenue.	\$ 10,452,829	\$ 2,705,173
Interest income.	<u>588,722</u>	<u>166,391</u>
	<u>11,041,551</u>	<u>2,871,564</u>
	EXPENSES	
Bondholder representative fees.	110,343	13,333
Trustee fees	43,181	13,118
Salaries & benefits.	149,909	51,682
Office	30,669	22,759
General & administrative.	121,741	50,173
Enforcement.	60,000	20,000
Independent engineer	37,277	1,753
Routine maintenance.	650,004	216,668
Facility operations.	1,361,015	430,902
Transponders	<u>123,923</u>	<u>225,563</u>
	<u>2,688,062</u>	<u>1,045,951</u>
Earnings before other items	8,353,489	1,825,613
Other items		
Government assistance amortization (Note 2)	846,222	277,450
Amortization and depreciation	(2,013,831)	(660,894)
Interest on line of credit.	(47,088)	(389,260)
Interest on long term debt	<u>(8,509,337)</u>	<u>(2,727,547)</u>
Net loss	\$ <u>(1,370,545)</u>	\$ <u>(1,674,638)</u>
Deficit, beginning of period.	\$ (3,583,446)	---
Net loss	(1,370,545)	(1,674,638)
Transfer to reserve for restricted assets (Note 11).	<u>(2,575,077)</u>	<u>(1,908,808)</u>
Deficit, end of period	\$ <u>(7,529,068)</u>	\$ <u>(3,583,446)</u>

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Statement of Cash Flows
Year ended March 31, 1999**

	1999	Four Months Ended 1998
Cash derived from (applied to)		
Operating		
Net loss.	\$ (1,370,545)	\$ (1,674,638)
Government assistance amortization.	(846,222)	(277,450)
Amortization of deferred financing fees	35,434	11,800
Amortization and depreciation	<u>2,013,831</u>	<u>660,894</u>
	(167,502)	(1,279,394)
Change in non-cash operating working		
Capital (Note 12)	<u>2,008,617</u>	<u>2,612,016</u>
	<u>1,841,115</u>	<u>1,332,622</u>
Financing		
Repayment of provincial line of credit.	(26,000,000)	---
Increase in long term debt	360,947	12,914,642
Government assistance	26,011,655	26,300,361
Advance from Province of Nova Scotia	<u>---</u>	<u>250,000</u>
	<u>372,602</u>	<u>39,465,003</u>
Investing		
(Increase) decrease in restricted assets	(2,575,065)	173,642
Construction of facility.	(222,084)	(39,446,933)
Deferred costs - start up.	<u>---</u>	<u>(428,799)</u>
	<u>(2,797,149)</u>	<u>(39,702,090)</u>
Net (decrease) increase in cash	(583,432)	1,095,535
Cash		
Beginning of year.	<u>1,095,535</u>	<u>---</u>
End of year.	<u>\$ 512,103</u>	<u>\$ 1,095,535</u>

See accompanying notes to the financial statements.

HIGHWAY 104 WESTERN ALIGNMENT CORPORATION

**Notes to the Financial Statements
March 31, 1999**

1. Nature of operations

The Corporation has been established for the purpose of financing, design, construction, operation and maintenance of the Facility consisting mainly of a 45 km stretch of highway (referred to as the Highway 104 Western Alignment) between Masstown and Thomson Station in the Counties of Colchester and Cumberland, Nova Scotia.

2. Summary of significant accounting policies

Pre-operating and operating periods

The pre-operating period was the twenty month construction period commencing April 1, 1996 until the date of acceptance in November 1997. Operations began December 1, 1997.

Facility

The Facility consists of the highway referred to as the Highway 104 Western Alignment and the toll plaza constructed on the highway. The costs of the facility include certified progress payments to the Facility's contractor, independent engineer fees, professional fees and interest costs incurred during the pre-operating period. These costs are being amortized over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

Deferred costs - start up

Administrative expenses incurred during the pre-operating period have been deferred as start-up costs and are being amortized to operations, on a pro-rata basis, over a five year period commencing at the start of the operating period.

Deferred costs - financing fee

Financing, commitment and bondholder representative fees related to the establishment and placement of the senior and junior toll revenue bonds have been deferred and are being amortized to operations over the term of the related bond debt commencing at the start of the operating period.

Deferred government assistance

Government assistance provided by the Province of Nova Scotia has been recorded as a deferral and is being amortized to operations over thirty years commencing at the start of the operating period using the sinking fund method with an annual compounding rate of 5%.

3. Prepays

	1999	1998
Operating expenses	\$ 27,840	\$ 50,421
Advance to operator	164,408	163,608
	<u>\$ 192,248</u>	<u>\$ 214,029</u>

4. Receivables

	1999	1998
Final contract adjustments \$	---	174,795
Provincial contribution (Note 8)	---	675,637
Provincial supplemental payments	5,855	214,052
Interest	2,724	---
Harmonized Sales Tax	85,172	134,099
Other	81,429	---
	<u>\$ 175,180</u>	<u>\$ 1,198,583</u>

5. Restricted assets

	Cash	Investment	1999 Total	1998 Total
Construction account \$	---	---	---	20,338
Senior debt service				
reserve account	218	4,515,953	4,516,171	5,636,766
Capital reserve account	775	5,405,195	5,405,970	1,764,308
Major maintenance				
reserve account	50,773	531,297	582,070	507,734
Total	<u>\$ 51,766</u>	<u>10,452,445</u>	<u>\$ 10,504,211</u>	<u>\$ 7,929,146</u>

Investments are recorded at costs, have a weighted average term of 3.48 months to maturity and a weighted average interest rate of 4.91%. The market value of the investments approximates the carrying value.

The following restricted accounts have been established in accordance to trust indenture agreements between the Corporation and the senior and junior bondholders and an Omnibus Agreement between the Corporation and the Province of Nova Scotia:

- (i) The construction trust account includes funds held in trust, in accordance with the Construction Trust Agreement, for the benefit of the Corporation and were eligible for withdrawal based on approved payment directives and certified progress payment requests. The residual funds will be transferred to the project bank account.
- (ii) The capital reserve account has been established to provide funds to pay the interest and principal on the senior and junior bonds and the subordinated notes. These funds are also available to pay the trustee and bondholders' representative fees to the extent they are not paid out of the project account. This account provides funding to the major maintenance reserve and the senior debt reserve accounts. The capital reserve account is funded from excess funds transferred from the project bank account of the Corporation.
- (iii) The senior debt reserve account has been established to provide a reserve of funds to be available for payments as they come due for the senior toll revenue bonds. Funds can only be transferred from this fund when funds in the capital reserve account are insufficient to pay senior toll revenue bond payments. The account should maintain sufficient reserves equal to 12 months principal and interest payments due on the senior toll revenue bonds. The replenishment of the reserve comes from the capital reserve account.

5. Restricted assets (continued):

(iv) The major maintenance reserve account has been established for the purpose of paying major maintenance repair and rehabilitation expenses. This reserve is funded from the capital reserve account in accordance with a maintenance budget recommended by the Independent Engineer through the terms of the major maintenance reserve fund agreement.

6. Facility

	Cost	Accumulated Depreciation	1999 Net book Total	1998 Net book Total
Facility	\$ <u>124,430,751</u>	\$ <u>2,522,884</u>	\$ <u>121,907,867</u>	\$ <u>123,585,732</u>

7. Deferred costs

	1999	1998
Start up	\$ 417,567	\$ 531,449
Financing fees	<u>713,134</u>	<u>748,568</u>
	<u>\$ 1,130,701</u>	<u>\$ 1,280,017</u>

8. Offset of asset and liability

Pursuant to the Omnibus Agreement with the Province of Nova Scotia, the Corporation had drawn on the Provincial line of credit. The outstanding balance on the line of credit was repaid on April 15, 1998, with a contribution receivable from the Province of Nova Scotia. The Provincial contribution receivable has been offset by the outstanding balance of the Provincial line of credit in the financial statements. The values of the offset amounts at March 31, 1999 are as follows:

	1999	1998
Provincial contribution receivable	\$ ---	\$ 26,000,000
Provincial line of credit	<u>---</u>	<u>(25,324,363)</u>
	<u>\$ ---</u>	<u>\$ 675,637</u>

The Provincial line of credit bore interest at a rate of 4.5% per annum.

9. Long term debt

	1999	1998
Senior toll revenue bonds bearing interest at 10.13%, maturing March 31, 2026, repayable in partial interest payments from June 30, 1998 until March 31, 2006 and then 80 equal blended quarterly payments of interest and principal of \$2,251,191. Interest from the date of issue has been capitalized as part of the principal and continued to be fully capitalized until June 30, 1998. As security, the Corporation has provided an assignment of all the present and future property and assets, including rights to operate the Facility, a security interest in the Debt Service Reserve Account and the Major Maintenance Reserve Account.	\$ 64,406,982	\$ 62,293,389

9. Long term debt (continued):

	1999	1998
Junior toll revenue bonds bearing interest at 10.76%, maturing March 31, 2011, repayable in interest payments only from June 30, 1998 until March 31, 2001 and then 40 equal blended quarterly payments of principal and interest of \$503,395. Interest from the date of issue has been capitalized as part of the principal and continued to be capitalized until June 30, 1998. As security, the Corporation has assigned a second charge security interest in all security pledged to senior toll revenue bondholders.	12,242,063	12,242,063

Subordinated notes bearing interest at 13.4%, interest only is payable monthly out of excess cash, to the extent it is not paid, it will be compounded semi-annually in arrears, quarterly principal repayments are to begin when surplus cash is available. The notes are expressly subordinated and postponed in right of payment to the senior toll revenue bonds and the junior toll revenue bonds.

	4,000,000	5,752,646
	\$ 80,649,045	\$ 80,288,098

Minimum principal repayments required will begin in year 2002 and are as follows:

2002	\$	725,000
2003	\$	806,000
2004	\$	897,000

10. Payable to the Province of Nova Scotia

On the date of acceptance, the Province advanced \$250,000 to the Corporation to facilitate the Provincial subsidy. Under the First Amendment to the Omnibus Agreement, the Province reduced the tolls for transponder users and created a Provincial subsidy payable to the Corporation to offset the reduction. The advance is to be repaid to the Province on the earlier of the date when the toll rates are increased back to the original rates laid out in the Omnibus Agreement or when the Corporation has fully extinguished its obligations under the Senior and Junior Bond Indentures.

11. Reserve for restricted assets

The capital reserve account is to be funded from excess funds in the Project Bank Account. In addition, any interest earned on restricted assets forms part of the reserve account.

	1999	1998
Reserve for restricted assets, beginning of year	\$ 1,908,808	\$ ---
Transfers from project account	10,129,646	1,750,000
Interest income	558,387	158,808
Long term debt payments, including interest	(8,112,956)	---
	2,575,077	1,908,808
Reserve for restricted assets, end of year	\$ 4,483,885	\$ 1,908,808

12. Change in non-cash operating working capital

	1999	1998
Inventory..... \$	(2,077)\$	(12,137)
Prepays.....	21,781	(214,029)
Receivables.....	1,023,403	(1,001,621)
Loan receivable.....	---	3,507,612
Payables and accruals.....	777,648	72,101
Deferred revenue.....	187,862	260,090
	<u>\$ 2,008,617</u>	<u>\$ 2,612,016</u>

13. Commitments and contractual obligations

The Corporation has entered into the following agreements to finance, design, construct, operate and maintain the Highway 104 Western Alignment:

- **Omnibus Agreement**

Agreement dated April 1, 1996, between the Corporation, the Contractor, the Operator and the Province of Nova Scotia to design, finance, construct, operate and maintain the Highway 104 Western Alignment. This agreement acknowledges that the Corporation has entered into a Design Build Agreement and an Operating Agreement to fulfil its obligations to the Province.

Under this agreement, the Province of Nova Scotia retains ownership of the Facility, however, the Corporation is granted the right to operate and collect tolls for a thirty-year period, at which time this right will revert back to the Province.

The Province contributed \$55,000,000 to the project.

- **Operating Agreement**

Agreement dated May 22, 1996 between the Corporation and Atlantic Highways Management Corporation (the Operator) whereby the Operator is required to operate the Facility which includes the toll collection system, toll plaza and the administration building.

Operator compensation is based on the annual operating budget plus a variable fee, subject to adjustment under certain conditions, equal to 10% of the total annual budget.

- **Major Maintenance Reserve Fund Agreement**

Agreement between the Corporation, the Trustee and the Bondholders' Representative to provide for the major maintenance work required during the operating period of the Facility. The Agreement requires the Corporation, on an annual basis, to engage an independent engineer to report on all major maintenance work to be completed in the upcoming year, as well as a major maintenance budget to determine the required annual amount to be deposited in the Major Maintenance Reserve Account. The maximum annual fee is \$50,000.

- **Annual Roadway Maintenance Agreement**

Five year agreement between the Corporation and the Department of Transportation and Public Works of the Province of Nova Scotia to provide annual roadway maintenance services for an annual fee of \$650,000 commencing April 1, 1998 to March 31, 2003, and subsequently adjusted thereafter for inflation.

13. Commitments and contractual obligations (continued):

• **Other**

The Corporation has also entered in various lease agreements for equipment and office space. The minimum lease payments for each of the next four years are as follows:

2000	\$	19,385
2001		18,574
2002		14,780
2003		4,181

14. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

15. Comparative figures

Certain of the amounts presented for comparative purposes have been restated to conform with the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Nova Scotia Housing Development Corporation as at March 31, 1999, and the statements of revenues and expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Housing Development Corporation as at March 31, 1999, and the results of its operations and the changes in the fund balance for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 2, 1999

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current assets		
Accounts receivable and accrued interest	\$ 1,568,478	\$ 10,781,544
Current portion of mortgages receivable (Note 5).	<u>846,560</u>	<u>715,900</u>
	2,415,038	11,497,444
Mortgages receivable (Note 5)	20,612,789	23,415,191
Investment in social housing (Note 2)	319,482,046	325,952,334
Fund for future social housing expenditures (Note 2).	<u>8,959,108</u>	<u>4,015,832</u>
	\$ <u><u>351,468,981</u></u>	\$ <u><u>364,880,801</u></u>

LIABILITIES

Current liabilities		
Payables and accruals	\$ 532,460	---
Housing Development Corporation Fund (Note 4)	8,439,972	12,749,737
Current portion of long-term debt (Note 7).	7,274,977	9,001,201
Deferred federal contributions (Note 2)	<u>8,959,108</u>	<u>4,015,832</u>
	25,206,517	25,766,770
Long-term debt (Note 7).	313,641,375	325,850,315
Reserve for social housing & interest rate risk (Note 6)	<u>12,621,089</u>	<u>13,263,716</u>
	\$ <u><u>351,468,981</u></u>	\$ <u><u>364,880,801</u></u>

Contingency (Note 9)

**Statement of Revenues and Expenditures
for the year ended March 31, 1999**

	1999	1998
Revenues		
Interest revenue	\$ 2,117,098	\$ 2,858,864
Recoveries from CMHC (Note 2)	29,614,730	14,807,365
Recoveries from provincial government departments	<u>7,425,742</u>	<u>8,221,722</u>
	39,157,570	25,887,951
Expenditures		
Interest on long-term debt	32,368,218	22,105,287
Amortization of investments in social housing	5,451,969	3,374,659
Administration fee (Note 3)	1,309,033	404,505
Miscellaneous	<u>28,350</u>	<u>3,500</u>
	39,157,570	25,887,951
Excess of revenues over expenditures (Note 3)	\$ <u><u>---</u></u>	\$ <u><u>---</u></u>

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

**Statement of Changes in Fund Balance
for the year ended March 31, 1999**

	1999	1998
Funds provided by (used for):		
Operations		
Excess of revenues over expenses	\$ ---	\$ ---
Add: Expenses not requiring cash		
Amortization	5,451,969	3,374,659
Transfer to (from) provision for concessionary assistance & doubtful recoveries.	(645,317)	(1,075,000)
Transfer to reserve for social housing.	(642,627)	12,942,627
Net change in operating assets and liabilities	<u>9,745,526</u>	<u>(10,575,629)</u>
	<u>13,909,551</u>	<u>4,666,657</u>
Investing activities		
Repayment of mortgages receivable	3,317,059	4,050,441
Investment in social housing (Note 2).	---	(240,978,257)
Disposal of social housing properties	<u>1,018,318</u>	---
	<u>4,335,377</u>	<u>(236,927,816)</u>
Financing activities		
Issue of long-term debt-social housing transfer (Note 2)	---	240,976,488
Repayment of long-term debt	<u>(13,935,164)</u>	<u>(13,829,442)</u>
	<u>(13,935,164)</u>	<u>227,147,046</u>
Increase (Decrease) in fund balance during the year	4,309,765	(5,114,113)
Fund balance, beginning of year	<u>(12,749,737)</u>	<u>(7,635,624)</u>
Fund balance, end of year	\$ <u><u>(8,439,972)</u></u>	\$ <u><u>(12,749,737)</u></u>

NOVA SCOTIA HOUSING DEVELOPMENT CORPORATION

**Notes to Financial Statements
March 31, 1999**

1. Authority

On June 17, 1986 the Nova Scotia Housing Development Corporation Act established the Nova Scotia Housing Development Corporation. The purpose of the Corporation is to provide long-term mortgage financing through outside lenders for social housing programs, and the home ownership programs of the Department of Housing and Municipal Affairs, and loan guarantees for housing purposes.

2. Accounting Policies

Mortgages Receivable

Mortgages receivable are carried net of provisions for concessionary assistance and doubtful recoveries as described in Note 5 to the financial statements.

Provision for Concessionary Assistance

Concessionary assistance consists of subsidies provided by the Department of Housing and Municipal Affairs to low income borrowers to assist them in meeting their monthly mortgage payments. The amount of concessionary assistance is calculated as the difference between the net present value of the anticipated future repayments to be received by the Corporation and the amount of the loans advanced. Any adjustments to, or recovery of, the net present value of this assistance is reflected in the Provision for Concessionary Assistance in the year in which the related recovery or adjustment occurs. The net change in the Provision for Concessionary Assistance is funded by the Department of Housing and Municipal Affairs legislative vote and is recorded as a direct charge to the Housing Development Corporation Fund.

Provision for Doubtful Recoveries

The Department of Housing and Municipal Affairs maintains Mortgage Insurance Funds. The Funds consist of mortgage insurance fees charged to borrowers which are used to finance the write off of bad debts from the mortgage receivable portfolios of the Housing Development Fund and the Housing Development Corporation. A Provision for Doubtful Recoveries is established to the extent that anticipated losses on bad debts exceed the funding available in the Mortgage Insurance Funds. The net change in the Provision for Doubtful Recoveries is funded by the Department of Housing and Municipal Affairs legislative vote and is recorded as a direct charge to the Housing Development Corporation Fund.

Social Housing Transfer Agreement

Effective October 1, 1997, the Corporation entered into an Agreement to transfer program delivery responsibilities for certain social housing programs from Canada Mortgage and Housing Corporation (CMHC) to the Nova Scotia Housing Development Corporation. The Agreement included the transfer of the assets, liabilities and reserves and involves funding commitments as described in Note 2.

Investment in Social Housing

Investments in Social Housing are carried at cost which includes the cost of site investigation, land, construction, administration, and interest during construction less accumulated amortization. Properties acquired under the Social Housing Transfer Agreement (see Note 6) are recorded at the book values stipulated in the Agreement less subsequent accumulated amortization.

There are some programs which are jointly funded with the Nova Scotia Housing Development Fund. Only the Corporation's 75% share of these programs are reflected in these financial statements.

Amortization of Investments in Social Housing

The capital cost of social housing properties is amortized, using the sinking fund method, by the amount of the principal repaid on the related long-term debt financing the project. Long-term debt is obtained for periods of 20 to 35 years. Amortization for the year ended March 31, 1999 amounted to \$5,451,969 (1998 - \$3,374,659).

Recoveries From CMHC - Social Housing

Pursuant to the Social Housing Transfer Agreement, CMHC is required to pay to the Corporation annual contributions to assist with program expenses. Contributions from CMHC are used by both the Corporation and the Department of Housing and Municipal Affairs to meet the interest, amortization, subsidy and administration expenses of programs under the Agreement.

The Corporation records recovery revenue from CMHC in an amount equal to the interest and amortization expenses incurred by the Corporation for programs under the Social Housing Transfer Agreement.

CMHC funding not used during the fiscal year by the Corporation or the Department is eligible for carry forward to future years. Unused CMHC funding is recorded separately in two interest bearing accounts entitled Fund for Future Social Housing Expenditures and Deferred Federal Contributions. These accounts are subject to final settlement reviews.

Final Settlements

Recoveries from CMHC and provincial government departments are subject to final settlement reviews. Adjustments to recoveries, accounts receivable, deferred federal contributions and the fund for future social housing expenditures, arising from the final settlement process, are recorded in the year the review is finalized.

3. Administration Fee

The administration of the Nova Scotia Housing Development Corporation is carried out by the staff of the Department of Housing and Municipal Affairs. The Corporation reimburses the Department to the extent that revenues earned by the Corporation exceed expenditures.

4. Housing Development Corporation Fund

To provide working capital for the Nova Scotia Housing Development Corporation, the Housing Development Corporation Fund was established by Order-In-Council. The Fund is set up as a revolving account which records all receipts and expenditures, and allows the Corporation to borrow up to \$20 million.

5. Mortgages Receivable

Mortgages receivable have an amortization period of 25 years and five or ten-year renewal terms. Aggregate monthly payments are approximately \$219,000 including interest. Interest rates vary from 6.5% to 13.00%, with renewal dates ranging from May 1, 1999 to Oct. 1, 2012. The mortgages are secured by registered first mortgages on the related properties. The Corporation has assigned the mortgages receivable as security for notes payable.

	1999	1998
Mortgages receivable.	\$ <u>22,439,032</u>	\$ <u>25,756,091</u>
Less: Current portion due within one year	846,560	715,900
Provision for concessionary assistance and doubtful recoveries	<u>979,683</u>	<u>1,625,000</u>
	<u>1,826,243</u>	<u>2,340,900</u>
	\$ <u><u>20,612,789</u></u>	\$ <u><u>23,415,191</u></u>

Estimated principal repayments for the next five years are as follows:

1999-2000	\$ 846,560
2000-2001	\$ 888,900
2001-2002	\$ 983,800
2002-2003	\$ 1,088,900
2003-2004	\$ 1,205,200

6. Reserve for Social Housing and Interest Rate Risk

The Corporation has established reserves for the risks associated with interest rate fluctuation, mortgage default, and fire losses.

7. Long -Term Debt

	1999	1998
Notes payable.	\$ 237,557,097	\$ 248,698,886
Mortgages payable	<u>83,359,255</u>	<u>86,152,630</u>
	320,916,352	334,851,516
Less: Current portion due within one year	<u>7,274,977</u>	<u>9,001,201</u>
	\$ <u><u>313,641,375</u></u>	\$ <u><u>325,850,315</u></u>

Long term debt is comprised of mortgages and notes payable from various lenders. The amortization of the notes payable ranges from 5 - 36 years. The mortgage amortization periods range from 20 - 35 years with either five or ten year renewal terms. Mortgages and notes payable are secured by an assignment of mortgages receivable and investments in social housing. Monthly installments of interest and principal total \$3,142,000. Interest rates vary from 4.00% to 21.50% with renewal dates ranging from April 1, 1999 to January 1, 2034.

Estimated principal repayments for the next five years are as follows:

1999-2000	\$ 7,274,977
2000-2001	\$ 7,432,460
2001-2002	\$ 7,956,493
2002-2003	\$ 8,673,047
2003-2004	\$ 9,191,737

8. Contingent Liability

The Corporation provides mortgage guarantees of interest and principal to lenders financing certain housing projects. As at March 31, 1999 a total of 29 (1998 - 30) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$27,282,000 (1998 - \$23,588,000). The Corporation has recorded reserves for possible losses on this portfolio of \$900,000 (1998 - \$600,000). These reserves have been established to the extent that anticipated losses exceed funding available in the Mortgage Insurance Funds established by the Department as described in Note 2.

The Corporation has indemnified CMHC against future losses related to their insured loan portfolio for Nova Scotia. As at March 31, 1999 there were 468 loans with an approximate outstanding balance of \$185,715,000 (1998 - \$192,539,000). The Corporation has recorded reserves for possible losses on this portfolio of \$7,200,000 (1998 - \$7,200,000).

9. Uncertainty Due to the Year 2000 Issue

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

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Housing and Municipal Affairs

I have audited the balance sheet of the Housing Development Fund as at March 31, 1999, and the statement of continuity of net advances for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Housing Development Fund as at March 31, 1999, and the continuity of the net advances for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 2, 1999

HOUSING DEVELOPMENT FUND

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Accounts receivable and advances	\$ 464,596	\$ 25,795
Mortgages receivable (Note 3)	20,536,635	20,782,271
Investment in land and housing projects (Note 4)	<u>108,723,242</u>	<u>114,711,067</u>
	\$ <u>129,724,473</u>	\$ <u>135,519,133</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 21,678	\$ 591,980
Notes payable (Note 5)	<u>34,640,033</u>	<u>36,455,272</u>
	<u>34,661,711</u>	<u>37,047,252</u>

Fund Balance

Advances from Consolidated Fund (Authorized \$154,000,000)	101,024,530	103,708,726
Less: Allowance for Doubtful Recoveries	<u>(5,961,768)</u>	<u>(5,236,845)</u>
Net advances	<u>95,062,762</u>	<u>98,471,881</u>
	\$ <u>129,724,473</u>	\$ <u>135,519,133</u>

**Statement of Continuity of Net Advances
March 31, 1999**

	1999	1998
Balance, beginning of the year	\$ <u>98,471,881</u>	\$ <u>94,979,508</u>
 Add: Advances for lending, public housing and land development programs	 <u>18,291,657</u>	 <u>16,037,336</u>
 Less: Recoveries from lending and land development programs	 20,975,853	12,455,707
Increase in Provision for Doubtful Recoveries	715,568	2,019,256
Increase (decrease) in Provision for Concessionary Assistance	<u>9,355</u>	<u>(1,930,000)</u>
	<u>21,700,776</u>	<u>12,544,963</u>
Balance, end of the year	\$ <u>95,062,762</u>	\$ <u>98,471,881</u>

HOUSING DEVELOPMENT FUND

Notes to Financial Statements March 31, 1999

1. Authority

The Provincial share of capital housing programs is financed through the Housing Development Fund as established by Section 20(1) of the Housing Act. These programs include the construction of lease purchase housing units, low interest loans for home construction and rehabilitation, the assembly and servicing of land, and the construction of public housing.

2. Accounting Policies

Mortgages Receivable

Mortgages receivable are carried at cost less provisions for concessionary assistance and doubtful recoveries as described in Note 3 to the financial statements.

Provision for Doubtful Recoveries

The Department of Housing and Municipal Affairs maintains Mortgage Insurance Funds. The Funds consist of mortgage insurance fees charged to borrowers which are used to finance the write off of bad debts from the mortgage receivable portfolios of the Housing Development Fund and the Housing Development Corporation. A Provision for Doubtful Recoveries is established to the extent that anticipated losses on bad debts exceed the funding available in the Mortgage Insurance Funds.

Provision for Concessionary Assistance

Concessionary assistance consists of subsidies provided by the Department of Housing and Municipal Affairs to low income borrowers to assist them in meeting their monthly mortgage payments. The amount of concessionary assistance is calculated as the difference between the net present value of the anticipated future repayments to be received by the Fund and the amount of the loans advanced. Any adjustments to, or recovery of, the net present value of this assistance is reflected in the Provision for Concessionary Assistance in the year in which the related recovery or adjustment occurs. The net change in the Provision for Concessionary Assistance is funded by the Department of Housing and Municipal Affairs legislative vote.

Investment in Housing Projects

Housing projects are carried at cost which includes the cost of site investigation, land, construction, administration and interest during construction.

There are some programs which are jointly funded with the Nova Scotia Housing Development Corporation. Only the Fund's 25% share of these programs are reflected in these financial statements.

Amortization of Housing Projects

The capital cost of housing projects is amortized each year, using the sinking fund method, over periods of 25 to 50 years. Amortization of housing projects amounted to \$744,290 (1998 - \$654,527).

2. **Accounting Policies (continued):**

Investment in Land Projects

Land projects are carried at cost of acquisition plus servicing costs, capitalized interest charges and administrative costs where applicable. If recovery is doubtful, the net capital cost is reduced to its estimated net realizable value.

Profit or loss on the sale of land is recorded as lots are sold except when revenue or costs cannot be reasonably determined. Costs incurred plus estimated costs to complete are accumulated and allocated to individual units on the basis of relative sales values and written off as lots are sold. Certain common costs, such as main roadways, are allocated to that phase of the project with the applicable spending authority.

Operating Revenues and Expenditures

The Provincial share of operating expenditures related to capital programs is funded by the legislative vote of the Department of Housing and Municipal Affairs. Operating revenues consist primarily of interest revenue on loan programs and profits and losses on land sales and are credited to the revenues of the Province. Operating expenditures include administrative costs of the Fund, the Province's share of operating deficits on public housing projects, the net change in provision for concessionary assistance and doubtful recoveries and grants and assistance associated with capital and other programs. Details of operating revenues and expenditures are reported in the Province's Public Accounts Volume 1.

3. **Mortgages Receivable**

Mortgages receivable have amortization periods of 25 to 35 years and renewal terms ranging from 5 to 35 years. Aggregate monthly payments are approximately \$297,000, including interest. Interest rates vary from 5.00% to 14.00% with renewal dates ranging from April 1, 1999 to May 1, 2023. The mortgages are secured by a registered first or second mortgage on the related properties or a promissory note.

	1999	1998
Mortgages Receivable	\$ 20,966,168	\$ 21,102,271
Less: Provision for doubtful recoveries	250,178	150,000
Provision for Concessionary Assistance	<u>179,355</u>	<u>170,000</u>
	<u>\$ 20,536,635</u>	<u>\$ 20,782,271</u>

Estimated principal repayments for the next five years are as follows:

1999-2000	\$ 2,048,900
2000-2001	\$ 1,747,700
2001-2002	\$ 1,711,300
2002-2003	\$ 1,699,800
2003-2004	\$ 1,699,200

4. Investment in Land and Housing Projects

	1999	1998
Investment in Housing Projects	\$ 95,755,334	\$ 97,576,645
Investment in Land Projects	17,354,541	20,781,930
Department owned foreclosed properties	<u>1,145,602</u>	<u>1,269,337</u>
	114,255,477	119,627,912
Less: Allowance for doubtful recoveries	<u>5,532,235</u>	<u>4,916,845</u>
	<u>\$ 108,723,242</u>	<u>\$ 114,711,067</u>

5. Notes Payable

Notes payable are owing to Canada Mortgage & Housing Corporation, for a variety of public housing, co-operative housing and residential rehabilitation assistance programs. The amortization periods range from 20 to 50 years, and interest rates range from 6.375% to 10.15%.

	1999	1998
Notes Payable	\$ <u>34,640,033</u>	\$ <u>36,455,272</u>

Estimated principal repayments for the next five years are as follows:

1999-2000	\$	1,958,000
2000-2001	\$	1,919,000
2001-2002	\$	1,944,000
2002-2003	\$	2,014,000
2003-2004	\$	1,252,000

6. Subsequent Event

On December 18, 1998, Executive Council approved a proposal to discontinue further land development of the Sackville Second Lake property. Title to this property is to be transferred to the Department of Natural Resources and converted to use as a park. Title transfer is to take place during the 1999-2000 fiscal year. The transfer will be recorded at the property's book value, of approximately \$4.8 million, as a reduction to Net Advances of the Fund.

7. Uncertainty Due to the Year 2000 Issue

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

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Economic Development and Tourism

I have audited the balance sheet of the Industrial Expansion Fund as at March 31, 1999, and the statements of continuity of fund for the year then ended. These financial statements are the responsibility of the Nova Scotia Business Development Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

These financial statements reflect proposed write-offs of assistance outstanding of \$24,377,735 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which I might determine to be necessary should the Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the fund as at March 31, 1999 and the continuity of fund for the year then ended in accordance with the basis of accounting required by Section 8 of the Industrial Development Act and the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 14, 1999

INDUSTRIAL EXPANSION FUND

Balance Sheet March 31, 1999

ASSETS

	1999	1998
	(in thousands)	
Financial Assets, at cost		
Loans - Industrial Development Act	\$ 83,912	\$ 77,139
Loans - Venture Corporations Act (Note 3)	2,188	2,188
Royalty rights (Note 4)	9,991	5,186
Shares (Note 5)	<u>8,940</u>	<u>11,551</u>
	<u>105,031</u>	<u>96,064</u>
<i>Less:</i> Provision for concessionary assistance (Note 6)	54,632	62,397
Allowance for doubtful accounts	<u>4,725</u>	<u>7,432</u>
	<u>59,357</u>	<u>69,829</u>
	<u>45,674</u>	<u>26,235</u>
Other Assets	<u>---</u>	<u>846</u>
Due from Consolidated Fund		
Guarantees (Note 7)	143,600	39,782
<i>Less:</i> Provision for payments under guarantees	<u>50</u>	<u>2,075</u>
	143,550	37,707
Assistance authorized but unadvanced (Note 8)	<u>54,302</u>	<u>51,079</u>
	<u>197,852</u>	<u>88,786</u>
	<u>\$ 243,526</u>	<u>\$ 115,867</u>

FUNDING AUTHORIZED AND COMMITTED

Authorized, net of write-offs		
Industrial Development Act	\$ 332,449	\$ 276,827
Venture Corporations Act	5,685	5,685
Contributed Surplus (Note 9)	<u>1,138</u>	<u>1,984</u>
	339,272	284,496
<i>Less:</i> Provision for concessionary assistance and possible losses on assistance (Note 10)	<u>59,407</u>	<u>71,904</u>
Net Fund balance	279,865	212,592
<i>Less:</i> Uncommitted balance of Fund	<u>36,339</u>	<u>96,725</u>
	<u>\$ 243,526</u>	<u>\$ 115,867</u>

Contingency (Note 11)
Uncertainty due to the Year 2000 Issue (Note 12)

See accompanying notes to financial statements.

INDUSTRIAL EXPANSION FUND

**Statement of Continuity of Fund
Under the Industrial Development Act**

March 31, 1999

	1999	1998
	(in thousands)	
Balance, beginning of year	\$ 276,827	\$ 292,145
<i>Add:</i> Additional funds authorized	80,000	---
	<u>356,827</u>	<u>292,145</u>
<i>Deduct:</i>		
Accounts written off	24,378	15,318
	<u>24,378</u>	<u>15,318</u>
Balance, end of year	\$ <u>332,449</u>	\$ <u>276,827</u>
Comprising:		
Loans, shares, rights and other assets	\$ 101,775	\$ 92,808
Guarantees in effect and utilized	15,700	31,282
Loans and other investments authorized but unadvanced, and guarantees in effect but not utilized	182,202	59,579
Uncommitted balance	32,772	93,158
	<u>\$ 332,449</u>	<u>\$ 276,827</u>

**Statement of Continuity of Fund
Under the Venture Corporations Act**

March 31, 1999

Balance, beginning of year	\$ 5,685	\$ 6,738
<i>Deduct:</i> Accounts written off	---	1,053
	<u>5,685</u>	<u>5,685</u>
Balance, end of year	\$ <u>5,685</u>	\$ <u>5,685</u>
Comprising:		
Loans advanced	\$ 2,188	\$ 2,188
Uncommitted balance	3,497	3,497
	<u>\$ 5,685</u>	<u>\$ 5,685</u>

**Statement of Continuity of Fund
Under the Terms of the Canada-Nova Scotia
Development Fund Agreement**

March 31, 1999

Balance	\$ 1,984	1,984
<i>Deduct:</i> Provision for loss	846	---
	<u>1,138</u>	<u>1,984</u>
Comprising:		
Acquired assets	\$ ---	\$ 845
Loans advanced	1,068	1,069
Uncommitted balance	70	70
	<u>\$ 1,138</u>	<u>\$ 1,984</u>

See accompanying notes to financial statements.

INDUSTRIAL EXPANSION FUND

Notes to the Financial Statements March 31, 1999

1. Authority

The Industrial Expansion Fund was established under the Industrial Development Act. The Fund is used for the purposes of establishing, assisting, developing or expanding industries in the Province.

The Business Development Corporation Act provides that the Industrial Expansion Fund may be administered by the Nova Scotia Business Development Corporation. A ministerial letter of assignment was issued authorizing the Corporation to administer the Industrial Expansion Fund as it related to the accounts sent to the Corporation for administration from time to time. The Corporation's activities are administered through a division of the Nova Scotia Department of Economic Development and Tourism.

2. Accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraph (a), (b) and (c) below. Paragraph (d), (e) and (f) describe significant accounting policies of the Fund.

Administrative expenses and interest revenue

- (a) Administrative expenses of the Fund, and revenues earned on guarantees are included in the accounts of the Department of Economic Development and Tourism and are not reflected in the financial statements. In addition, accrued loan interest is not recognized as a receivable in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in the financial statements.

Statement of cash flows

- (b) A statement of cash flows is not provided since disclosure in the statements of continuity of the fund and the balance sheet are considered adequate.

Current assets

- (c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Provision for concessionary assistance

- (d) The Fund provides for the effect of the decrease in the valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for doubtful accounts

- (e) The Fund provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis.

2. Accounting policies (continued):

Royalty rights

(f) Royalty rights are valued at cost. The value of these rights is assessed annually by estimating the net present value of anticipated cash flows. If the carrying value of the right exceeds the net present value of future cash flows, the right is written down to the net present value.

3. Venture Corporation Act

The Venture Corporations Act was assented to June 5, 1980 and came into force January 28, 1981. This Act was enacted to provide a means of encouraging investment in small businesses in Nova Scotia.

A company that qualifies as a venture corporation may receive loans under this Act. Loan proceeds must be used to purchase shares or grant unsecured loans to eligible small businesses. Principal repayments and accrual of interest are not required to commence until the tenth anniversary of such loans.

The Act directs that money provided shall be financial assistance within the meaning of the Industrial Development Act, and payments made pursuant to the Act shall be made out of the Industrial Expansion Fund.

During the year no repayments (1998 - \$75,000) were received.

	1999	1998
		(restated Note 13)
		(in thousands)
Loans made to venture corporations	\$ 2,188	\$ 2,188
Less: Allowance for doubtful accounts	<u>1,566</u>	<u>1,648</u>
	<u>\$ 622</u>	<u>\$ 540</u>

4. Royalty rights

During the year, the Fund provided funds (\$4,545,000; 1998 - \$5,446,000) to companies under royalty agreements to provide a return on its investment. The royalty payments are based upon net sales of the company.

5. Shares

	1999	1998
		(in thousands)
Preferred shares	\$ 7,384	\$ 9,995
Common shares	<u>1,556</u>	<u>1,556</u>
	<u>\$ 8,940</u>	<u>\$ 11,551</u>

6. Provision for concessionary assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Fund.

6. Provision for concessionary assistance (continued):

The terms of concessionary assistance provided by the Fund has included low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance.

The assistance outstanding, provision for concessionary assistance and net book value related to loans and shares are as follows:

	<u>1999</u>		<u>1998</u>	
	<u>Provision for</u>		<u>Net</u>	
	<u>Assistance essionary</u>		<u>Book</u>	
	<u>Outstanding Assistance</u>		<u>Value</u>	
			(in thousands)	
Loans	\$ 58,201	\$ 51,712	\$ 6,489	\$ 10,071
Shares	5,884	2,920	2,964	2,556
	<u>\$ 64,085</u>	<u>\$ 54,632</u>	<u>\$ 9,453</u>	<u>\$ 12,627</u>

7. Guarantees

Guarantees have been provided for the following purposes:

	<u>1999</u>	<u>1998</u>
	(in thousands)	
Authorized		
Bank loan guarantees	\$ 143,600	\$ 14,782
Performance guarantee	---	25,000
	<u>\$ 143,600</u>	<u>\$ 39,782</u>
In effect and utilized		
Bank loan guarantees	\$ 15,700	\$ 6,282
Performance guarantee	---	25,000
	<u>15,700</u>	<u>31,282</u>
In effect but not utilized		
	<u>127,900</u>	<u>8,500</u>
	<u>\$ 143,600</u>	<u>\$ 39,782</u>

During the year, one guarantee of \$27,500 was paid out.

8. Assistance authorized but unadvanced

	<u>1999</u>	<u>1998</u>
	(in thousands)	
Loans	\$ 51,968	\$ 48,745
Shares	2,334	2,334
	<u>\$ 54,302</u>	<u>\$ 51,079</u>

9. Contributed Surplus

Contributed surplus represents the balance of funds provided to the Industrial Expansion Fund for the purpose of providing assistance in accordance with the terms of the Canada-Nova Scotia Development Fund Agreement.

10. Provision for concessionary assistance and possible losses on assistance

The following is a continuity of the provision:

	1999	1998
	(in thousands)	
Balance, beginning of year	\$ 71,904	\$ 73,832
<i>Add:</i> Current year provision	14,341	14,443
<i>Deduct:</i> Accounts written-off	24,378	16,371
Change in accounting estimate (Note 13)	<u>2,460</u>	<u>---</u>
	<u>(12,497)</u>	<u>(1,928)</u>
Balance, end of year	<u>\$ 59,407</u>	<u>\$ 71,904</u>

11. Contingency

The Fund has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. Estimates of the amount of future costs, if any, under these agreements cannot be made with any certainty and are not reflected in the financial statements.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

13. Change in accounting estimate

During the year, the Fund changed its methods of calculating the allowance for doubtful accounts. Due to the limited number of authorized accounts, it is appropriate to determine reserves on an item by item basis. Management feels a general reserve over this amount is not required. This change in accounting estimate is being accounted for prospectively.

AUDITOR'S REPORT

To the Minister of Health, the Minister of Finance; and
To the Chair and Members of Seniors' Pharmacare Board

I have audited the balance sheet of the Insured Prescription Drug Plan Trust Fund as at March 31, 1999, and the statement of revenues, expenses, and fund balance for the year then ended. These financial statements are the responsibility of the management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 7, 1999

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

**Balance Sheet
as at March 31, 1999**

ASSETS		1999	1998
Cash	\$	2,387,074	\$ 1,132,952
Receivables			
Seniors		240,494	170,593
Low Income Credit Fund (Note 4)		11,957	---
Province of Nova Scotia (Note 3)		7,192,872	3,384,303
Investments (Note 2)		598,842	7,588,019
	\$	<u>10,431,239</u>	<u>\$ 12,275,867</u>

LIABILITIES AND FUND BALANCE

Liabilities			
Payables and accruals	\$	3,254,530	\$ 2,776,534
Prepaid premiums		7,176,709	9,465,213
Payable to Low Income Credit Fund (Note 4)		---	34,120
		<u>10,431,239</u>	<u>12,275,867</u>
Fund Balance (Note 5)		<u>---</u>	<u>---</u>
	\$	<u>10,431,239</u>	<u>\$ 12,275,867</u>

**Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 1999**

	1999	1998
Revenues		
Seniors		
Premiums paid by seniors	\$ 12,652,324	\$ 11,861,528
Premiums paid from the		
Low Income Credit Fund (Note 4)	10,302,127	10,920,727
Co-payments to pharmacies	<u>13,249,576</u>	<u>12,474,096</u>
	36,204,027	35,256,351
Department of Health		
Department's 50% share of expense	49,651,866	44,451,501
Investment income	<u>1,451,534</u>	<u>1,069,197</u>
	<u>87,307,427</u>	<u>80,777,049</u>
Expenses		
Provider claims	99,303,733	88,903,002
Excess of Expenses over Revenues	<u>(11,996,306)</u>	<u>(8,125,953)</u>
Additional contribution from		
Province of Nova Scotia (Note 5)	<u>11,996,306</u>	<u>13,310,065</u>
Excess of Revenues over Expenses (Expenses over Revenues) and Additional Contribution	---	5,184,112
Fund Deficit, beginning of year	---	(5,184,112)
Fund Balance , end of year (Note 5)	<u>---</u>	<u>---</u>

INSURED PRESCRIPTION DRUG PLAN TRUST FUND

**Notes to Financial Statements
March 31, 1999**

1. Authority

Seniors' Pharmacare is a voluntary prescription drug insurance plan with costs shared equally between seniors and the Government of Nova Scotia effective April 1, 1995. The Insured Prescription Drug Plan Trust Fund was established pursuant to Order-In-Council 95-557 on July 25, 1995. Contributions made by seniors and government are placed in the Insured Prescription Drug Plan Trust Fund and are used to pay Seniors' Pharmacare program costs.

2. Significant Accounting Policies

Investments

Investments consist of government and corporate bonds, and short-term investments. All investments are carried at cost which approximate market value.

Premium Revenues

Premium revenues are recorded on the accrual basis.

Claim Expenses

Claim expenses are recorded on the accrual basis. Claims, submitted by providers, are subject to audit by the program administrators. Any adjustments to claims as a result of these audits are recorded in the year of settlement.

Administration of Program

Maritime Medical Care Inc. administers Seniors' Pharmacare on behalf of the Department of Health, on a cost recovery basis. Administration costs for the year are paid by the Province of Nova Scotia and are not reported in these financial statements.

3. Receivable - Province of Nova Scotia

This receivable consists primarily of unpaid funding from the Province of Nova Scotia at year end as follows:

	1999	1998
Department of Health 50% share of expenses	\$ 49,651,866	\$ 44,451,501
Additional contribution from Province of Nova Scotia	11,996,306	13,310,065
Miscellaneous other receivables	<u>17,700</u>	<u>122,737</u>
	61,665,872	57,884,303
<i>Less:</i> Payments from Province of Nova Scotia	<u>54,473,000</u>	<u>54,500,000</u>
Receivable - Province of Nova Scotia	<u>\$ 7,192,872</u>	<u>\$ 3,384,303</u>

4. Low Income Credit Fund

The Insured Prescription Drug Plan Low Income Credit Fund was established pursuant to Order-In-Council 95-558 on July 25, 1995. The Province of Nova Scotia's contributions to the Low Income Credit Fund are used to assist low income seniors with Seniors' Pharmacare premiums and co-payments costs. These financial statements include the premium revenues for which the Low Income Credit Fund is responsible but do not include the assets, liabilities, fund balance, revenues and other expenses of the Low Income Credit Fund.

The receivable from the Low Income Credit Fund of \$11,957 (1998 - \$34,120 payable) represents amounts owing for assessments of seniors that will be reimbursed from the Low Income Trust Fund.

5 Fund Balance

For the 1998-99 fiscal years, revenues from seniors were insufficient to cover 50% of program expenses. The total revenue shortfall for the year amounted to \$11,996,306.

For the 1998-99 fiscal year, the Province of Nova Scotia provided or has agreed to provide, an additional contribution of \$11,996,306 to fund shortfalls in revenue from seniors. The full amount of the revenue shortfall has been recorded in these financial statements as an additional contribution from the Province of Nova Scotia.

6 Uncertainty due to the Year 2000 Issue

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

7. Subsequent event

On February 26, 1999, amendments to the regulations respecting the Seniors' Pharmacare Program were made by Order in Council #1999-68. The key amendments to the regulations include:

- Specifying that the benefits paid under this Program are insurance of last resort and, accordingly, if an item or service is supplied to any senior it would not be paid by the Program where the senior is already covered by another contract or plan of insurance.
- Removing the requirement that Seniors' premium and co-pay contributions be sufficient to pay for one half the total Program costs.
- Eliminating premiums for low income seniors, defined as seniors receiving the federal Guaranteed Income Supplement.
- Eliminating the low income credit, of up to \$300 annually per eligible senior, and the Insured Prescription Drug Plan Low Income Credit Fund.

7. Subsequent event

The amended regulations are effective April 1, 1999. Details of the implementation are being discussed with the private insurers. Implementation of these changes is expected to be completed in the 1999-2000 fiscal year. An estimate of the financial impact of these changes is not determinable at this time.

AUDITORS' REPORT

To the Board of The Izaak Walton Killam Grace
Health Centre for Children, Women & Families

We have audited the balance sheet of The Izaak Walton Killam Grace Health Centre for Children, Women & Families as at March 31, 1999 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Halifax, Canada
May 31, 1999

**THE IZAAK WALTON KILLAM GRACE HEALTH CENTRE
FOR CHILDREN, WOMEN & FAMILIES**

**Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Current		
Cash and term deposits	\$ 2,210,000	\$ 2,208,000
Receivables (Note 4)	6,643,000	9,440,000
Receivable from the Health Centre Foundations	854,000	996,000
Inventories	821,000	1,077,000
Prepays	<u>1,304,000</u>	<u>1,172,000</u>
	11,832,000	14,893,000
Property and equipment (Note 5)	102,817,000	103,014,000
Department of Health grant (Note 6)	---	2,475,000
Deposit - Salvation Army	---	339,000
Capital pledge receivable	---	90,000
Employee advances (Note 7)	130,000	370,000
Investments, as cost (Note 8)	<u>2,175,000</u>	<u>2,301,000</u>
	<u>\$ 116,954,000</u>	<u>\$ 123,482,000</u>

LIABILITIES

Current		
Payables and accruals (Note 9)	\$ 15,524,000	\$ 14,008,000
Deferred revenue - DOH advance	6,515,000	3,137,000
Current portion of demand loan (Note 10)	<u>---</u>	<u>825,000</u>
	22,039,000	17,970,000
Demand loan (Note 10)	---	675,000
Note payable	---	90,000
Appropriations and reserves (Note 11)	<u>4,287,000</u>	<u>3,526,000</u>
	<u>26,326,000</u>	<u>22,261,000</u>

EQUITY (DEFICIENCY) (Page 4)

Capital Fund	102,817,000	103,014,000
Operating Fund	(13,457,000)	(3,061,000)
General Fund	<u>1,268,000</u>	<u>1,268,000</u>
	90,628,000	101,221,000
	<u>\$ 116,954,000</u>	<u>\$ 123,482,000</u>

Uncertainty due to operating fund deficiency (Note 1)
Commitment (Note 16)
Uncertainty of Year 2000 issue (Note 19)

See accompanying notes to the financial statements.

**THE IZAAK WALTON KILLAM GRACE HEALTH CENTRE
FOR CHILDREN, WOMEN & FAMILIES**

**Statement of Operations
Year ended March 31, 1999**

	1999	1998
Revenue		
Inpatient, outpatient and clinics. \$	77,970,000	\$ 73,159,000
Rentals, recoveries and sales	5,995,000	5,595,000
Mental health.	5,943,000	5,644,000
Estimated year end settlement	---	179,000
	89,908,000	84,577,000
Expenses		
Children's acute and continuing care.	14,509,000	12,524,000
Children's acute and emergency care.	14,562,000	12,353,000
Maternal and newborn health.	19,959,000	16,879,000
Mental health services	5,687,000	5,635,000
Women's health	3,797,000	1,756,000
Maritime health and partnership	664,000	623,000
Professional and academic.	12,883,000	12,296,000
Operations and support	26,224,000	22,877,000
Executive offices and administration	748,000	1,868,000
Non portable	1,622,000	1,485,000
	100,655,000	88,296,000
	(10,747,000)	(3,719,000)
Grants from the Health Centre Foundations	1,400,000	1,660,000
Net loss from operations \$	(9,347,000)	(2,059,000)

See accompanying notes to the financial statements.

**THE IZAAK WALTON KILLAM GRACE HEALTH CENTRE
FOR CHILDREN, WOMEN & FAMILIES**

**Statement of Equity
Year ended March 31, 1999**

	1999	1998
Capital Fund Equity		
Balance, beginning of year	\$ 103,014,000	\$ 101,274,000
Funding for capital additions		
Capital grants	1,560,000	1,750,000
Specified donations for equipment	242,000	243,000
DOH Y2K funding	231,000	---
Transfers from appropriations and reserves	2,707,000	5,866,000
Transfer from operations	1,049,000	---
	5,789,000	7,859,000
Capital debt repayment	(145,000)	(204,000)
Depreciation	(5,841,000)	(5,915,000)
	(5,986,000)	(6,119,000)
Balance, end of year	\$ 102,817,000	\$ 103,014,000

Operating Fund Deficiency

Balance, beginning of year	\$ (3,061,000)	\$ (1,002,000)
Net loss from operations	(9,347,000)	(2,059,000)
Transfer to capital fund equity	(1,049,000)	---
Balance, end of year	\$ (13,457,000)	\$ (3,061,000)

General Fund Equity

Balance, beginning of year	\$ 1,268,000	\$ 1,302,000
Investment income	127,000	360,000
Investment income paid to operations	(127,000)	(394,000)
Balance, end of year	\$ 1,268,000	\$ 1,268,000

See accompanying notes to the financial statements.

**THE IZAAK WALTON KILLAM GRACE HEALTH CENTRE
FOR CHILDREN, WOMEN & FAMILIES**

**Statement of Cash Flows
Year ended March 31, 1999**

	1999	1998
Cash derived from (applied to)		
Operating		
Net loss for the year.	\$ (9,347,000)	\$ (2,059,000)
Net distribution of General Fund.	---	(34,000)
	(9,347,000)	(2,093,000)
Change in non-cash operating working capital (Note 15)	8,718,000	73,000
	(629,000)	(2,020,000)
Financing		
Construction grant.	2,475,000	(2,475,000)
Capital debt repayment	(145,000)	(204,000)
Capital grants.	1,560,000	1,750,000
Demand loan	(1,500,000)	1,500,000
Note payable.	(90,000)	---
Specified donations for equipment.	242,000	243,000
Y2K Capital Financing	231,000	---
Transfers from appropriations and reserves	2,707,000	5,866,000
	5,480,000	6,680,000
Investing		
Proceeds on sale of investments (net)	126,000	1,800,000
Purchase of property and equipment.	(5,644,000)	(7,655,000)
Deposit - Salvation Army	339,000	(13,000)
Employee advances (net).	240,000	224,000
Capital pledge receivable.	90,000	---
	(4,849,000)	(5,644,000)
Net increase (decrease) in cash	2,000	(984,000)
Cash and cash equivalents*		
Beginning of year.	2,208,000	3,192,000
End of year.	\$ 2,210,000	\$ 2,208,000

*Cash and cash equivalents is comprised of balances with banks and term deposits.

See accompanying notes to the financial statements.

**THE IZAAK WALTON KILLAM GRACE HEALTH CENTRE
FOR CHILDREN, WOMEN & FAMILIES**

**Notes to the Financial Statements
March 31, 1999**

1. Uncertainty due to operating fund deficiency

The IWK Grace Health Centre has an accumulated operating fund deficiency of \$13,457,000 as at March 31, 1999. Given that the 1999-2000 budget was not approved prior to dissolution of the General Assembly on June 18, 1999, the Province did not move to formally consolidate the debt of the IWK Grace Health Centre and the other health care organizations with the public debt of the Province. There exists uncertainty as to when and how the accumulated operating fund deficiency of the IWK Grace Health Centre will be addressed. In addition to the accumulated deficiency, in 1999-2000 the ongoing operational expenditures of the Health Centre are not adequately funded.

The future viability of the Health Centre requires resolution of the ongoing funding issues of the Health Centre.

2. Purpose of Organization

The IWK Grace Health Centre provides quality care for children, women and families in the three Maritime Provinces and beyond. It is a tertiary care health centre dedicated to family-centred care, education, research and health promotion. The IWK Grace Health Centre offers a broad range of health services to women, children, and their families. The IWK Grace Health Centre is committed to helping children and women in the Maritimes be the healthiest in the world.

The IWK Grace Health Centre is a not-for-profit organization and is a registered charity under the Income Tax Act.

3. Summary of significant accounting policies

Inventories

Inventories are valued at the lower of cost and replacement cost.

Property and equipment

Property and equipment assets are stated at cost. Depreciation is provided on the straight-line basis over the expected useful life of the asset as determined by the Canadian Hospital Accounting Manual:

Buildings and services equipment	2% to 2.5%
Major equipment	
Shareable, various	5% to 20%
Non-shareable, various	5% to 20%

Investments

All investments are recorded at cost except donated investments which are recorded at values assigned at a date of acquisition.

Appropriations and reserves

Appropriations and reserves represent the balance of unexpended funds allocated for approved research, capital equipment and special purposes.

3. Summary of significant accounting policies (continued):

Donations

Specified donations transferred from the Foundations are recorded as direct additions either to appropriations and reserves or funds held in trust, depending on the source on specified purpose thereof.

4. Receivables

	1999	1998
Patients and other accounts receivable (less allowance for doubtful accounts (1999 - \$256,000; 1998 - \$198,000)	\$ 3,688,000	\$ 6,868,000
Nova Scotia Department of Health		
Estimated year end adjustments	480,000	2,572,000
Construction grant (Note 6)	<u>2,475,000</u>	<u>---</u>
	<u>\$ 6,643,000</u>	<u>\$ 9,440,000</u>

The estimated year end adjustments are comprised of:

1998	\$ 249,000
1999	<u>231,000</u>
	<u>\$ 480,000</u>

The \$249,000 was received in April 1999 and the remaining \$231,000 relates to Y2K capital costs.

During 1999, the Nova Scotia Department of Health instructed the Health Centre not to accrue a year end settlement as funding for operations. Final settlement of the 1999 estimated year end claim for capital funding is subject to final approval of the Nova Scotia Department of Health. Any adjustments to prior years' funding are recorded in the statement of operations in the year settled.

5. Property and equipment

			1999	1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 3,854,000	\$ ---	\$ 3,854,000	\$ 3,854,000
Building and service equipment	101,575,000	18,413,000	83,162,000	82,449,000
Major equipment	32,323,000	16,708,000	15,615,000	16,515,000
Group home	<u>206,000</u>	<u>20,000</u>	<u>186,000</u>	<u>196,000</u>
	<u>\$ 137,958,000</u>	<u>\$ 35,141,000</u>	<u>\$ 102,817,000</u>	<u>\$ 103,014,000</u>

6. Department of Health grant

The remaining balance of the grant from the Department of Health for funding of the mechanical and electrical systems upgrade was received in April and May 1999. This amount of \$2,475,000 is included in current receivables.

7. Employee advances

In December 1996, the Health Centre entered into computer purchase plan agreements with employees whereby the Health Centre purchased computers on behalf of eligible employees and employees reimbursed the Health Centre for the purchase price.

The computer purchase plan was available to all permanent full and part time employees of the Health Centre, and is repayable either through payroll deduction over a period not to exceed three years, or a lump sum payment for the total cost of the computer including taxes.

8. Investments

	1999		1998	
	Book Value	Market Value	Book Value	Market Value
Short term investment	\$ 4,000	\$ 4,000	---	---
Bonds and debentures	1,766,000	1,741,000	1,896,000	1,886,000
Canadian stocks	390,000	327,000	395,000	370,000
Foreign stocks	<u>15,000</u>	<u>22,000</u>	<u>10,000</u>	<u>15,000</u>
Total investments	<u>\$ 2,175,000</u>	<u>\$ 2,094,000</u>	<u>\$ 2,301,000</u>	<u>\$ 2,271,000</u>

Short term investments, bonds and debentures have interest rates ranging from 4.714% to 7.171% and maturity dates ranging from June 1999 to June 2027.

9. Payables and accruals

	1999	1998
Trade payables	\$ 4,425,000	\$ 4,734,000
Accrued salaries and benefits	9,463,000	8,074,000
Funds held on behalf of others	1,286,000	996,000
Nova Scotia Department of Health(Note 13)	<u>350,000</u>	<u>204,000</u>
	<u>\$ 15,524,000</u>	<u>\$ 14,008,000</u>

10. Demand loan

The Health Centre has been approved for a line of credit of \$3,000,000. At year end, no amount has been advanced on the line of credit from the Royal Bank (1998 - \$1,500,000). Any outstanding amount is repayable on demand and bears interest at prime plus 3/4%.

11. Appropriations and reserves

	1999	1998
Capital		
Air quality renovations	\$ 762,000	\$ 1,964,000
Equipment	348,000	554,000
General renovations	---	(1,116,000)
Civic hospital project	<u>540,000</u>	<u>---</u>
	1,650,000	1,402,000
Board fellowship	62,000	51,000
Windsor fellowship	150,000	1,000
Perinatal database/reproductive endocrine	123,000	164,000
Research equity	2,294,000	1,900,000
Memorial funds	<u>8,000</u>	<u>8,000</u>
	<u>\$ 4,287,000</u>	<u>\$ 3,526,000</u>

12. Capital debt repayment

As part of the assumption of capital debt by the Nova Scotia Department of Health, the Health Centre is required to make an annual capital debt payment based on its "ability to pay" which is calculated at the annual per capita tax grant and 12 1/2% of the room differential as at March 31, 1999. The Health Centre is required to make this annual payment until the year 2002.

13. Retirement allowances

It was not possible to make a reasonable estimate of retirement allowances payable. Accordingly, no amount has been recorded as a payable in these financial statements.

14. Pension plan

The Health Centre participates in a multi-employer plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 1998 and indicates a funding surplus. The Health Centre's pension expense for the year amounted to \$2,540,000 (1998 - \$2,340,000).

15. Change in non-cash operating working capital

	1999	1998
Receivables	\$ 2,797,000	\$ (2,955,000)
Receivable from Health Centre Foundations	142,000	(626,000)
Inventories	256,000	65,000
Prepays	(132,000)	189,000
Payables and accruals	1,516,000	2,620,000
Deferred revenue	3,378,000	---
Appropriations and reserves, net	761,000	780,000
	<u>\$ 8,718,000</u>	<u>\$ 73,000</u>

16. Commitment

The Health Centre has entered into a contract to upgrade the mechanical and electrical systems. The total project is budgeted for \$4,400,000, of which \$3,300,000 was funded from the Department of Health, as disclosed in Note 6. To date, capital expenditures on this project amount to \$3,638,000. This project is expected to be completed by September 1999.

17. Controlled not-for-profit organizations

The Health Centre controls the IWK Grace Health Centre Charitable Foundation, the Izaak Walton Killam Hospital for Children Charitable Foundation, and the Halifax Grace Maternity Hospital Foundation ("Foundations"). The Foundations are incorporated under the Nova Scotia Companies Act and are registered charities under the Income Tax Act. The Health Centre has the power to appoint the Board of Directors of the Halifax Grace Maternity Hospital Foundation, to confirm the appointments to the Board of IWK Grace Health Centre Charitable Foundation, and to replace the Board of the Izaak Walton Killam Hospital for Children Charitable Foundation if they do not act in accordance with Foundation By-laws or fail to act in furtherance of the purposes for which the Foundation was established.

17. Controlled not-for-profit organizations (continued):

As well, the Health Centre's Board must confirm all amendments to the By-laws of the Foundations. The Boards of the IWK Grace Health Centre Charitable Foundation and the Izaak Walton Killam Hospital for children Charitable Foundation may only distribute up to 20 percent of their annual income not subject to donor restrictions or other charitable purposes after they have fulfilled their primary responsibility in support of the Health Centre programs. All money raised by the Halifax Grace Maternity Hospital Foundation must be used exclusively for the charitable purposes of the Health Centre.

The Foundations have not been consolidated in the Health Centre's financial statements. Financial statements of the Foundations are available on request. Financial statements of these unconsolidated entities as at March 31 and for the years then ended are as follows:

The Izaak Walton Killam Hospital for Children Charitable Foundation Halifax Grace Maternity Hospital Foundation IWK Grace Health Centre Charitable Foundation	1999	1998
	(in thousands)	
Combined financial position		
Total assets.	\$ 27,082	\$ 27,112
Total liabilities.	\$ 1,112	\$ 1,263
Total fund balances (a).	25,970	25,849
	<u>\$ 27,082</u>	<u>\$ 27,112</u>
Combined results of operations		
Total revenues.	\$ 8,321	\$ 11,799
Total expenses and distributions (b).	8,200	9,138
Excess of revenues over expenses.	<u>\$ 121</u>	<u>\$ 2,661</u>
Combined cash flows		
Cash from operations.	\$ 222	\$ 2,788
Cash used in investing activities.	(682)	(2,661)
Net (decrease) increase in cash	<u>\$ (460)</u>	<u>\$ 127</u>

(a) In accordance with donor imposed restrictions, \$12,660,927 of the fund balances of the Foundations is a Specified Endowment Fund whereby the capital must be maintained permanently, with the investment revenue earned to be used for the purpose specified by the donor.

As well, Board restrictions require that \$8,000,708 of the fund balances of the Foundations be maintained permanently as a General Endowment Fund, with the investment income to be used for the general charitable purposes of the Foundation.

A further \$2,005,051 of the fund balances of the Foundations is not required to be maintained permanently, but must be used in accordance with donor imposed restrictions.

(b) Total expenses and distributions included \$6,331,000 in grants to the IWK Grace Health Centre and \$209,000 to external grants.

18. Comparative figures

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

19. Uncertainty due to Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

LAW REFORM COMMISSION OF NOVA SCOTIA

**Balance Sheet
as at March 31, 1999**

ASSETS

1999

Current Assets

Petty Cash	\$	25.66
Bank Operating Account		5,106.08
Term Deposits		<u>62,512.39</u>
Total Cash		<u>67,618.47</u>
Total Current Assets		<u><u>67,644.13</u></u>

Fixed Assets

Computer Office Equipment	11,795.83	
Accum Computer Office Equipment	<u>(11,795.83)</u>	
Net Office Equipment		<u>---</u>
Total Fixed Assets		<u>---</u>
Total Assets	\$	<u><u>67,644.13</u></u>

LIABILITIES

Current Liabilities

Accrued Salary	\$	24,564.00
Accounts Payable		1,880.09
Accrued Payables		6,700.00
Accrued Audit		500.00
Vacation Payable		640.18
UIC Payable	357.70	
CPP Payable	257.46	
Income Tax Payable	<u>1,037.04</u>	
Receiver General Payable		<u>1,652.20</u>
Total Current Liabilities		<u><u>35,936.47</u></u>
Total Liabilities		<u>35,936.47</u>

EQUITY

Surplus

Surplus Beginning of Year		48,537.48
Surplus Current Year		<u>(16,829.82)</u>
Accumulated Surplus		<u>31,707.66</u>
Total Equity		<u>31,707.66</u>
Liabilities and Equity	\$	<u><u>67,644.13</u></u>

LAW REFORM COMMISSION OF NOVA SCOTIA

**Income Statement
as at March 31, 1999**

1999

Revenue

Operating & Project Income

Dept. of Justice	\$	150,000.00
NS Law Foundation Contribution		50,000.00
Interest Income		4,433.84
Total Contributions		204,433.84
Total Revenue		204,433.84

Expense

Project Expenses

Total Special Project Cost		---
-----------------------------------	--	-----

Administrative Expenses

Wages	145,615.61	
UIC	1,589.31	
CPP	956.98	
Group Insurance	672.20	
Total Personnel Related		148,834.10
Non Legal Consultants Fees		8,039.59
Commissioners Fees & Expenses		8,873.61
Electrical Expense		1,035.88
Meeting Costs		499.18
Library		1,278.68
Amortization		3,931.95
Audit Fees		350.00
Professional Fees		737.08
Vacation Relief		967.26
Computer Office Equipment		2,164.16
Internet		310.00
Staff Expenses		401.38
Rent	18,442.06	
Office Equipment	2,719.40	
Insurance	507.00	
Total Premises Related		21,668.46
Office Supplies	2,705.15	
Parking	13.50	
Photocopy/Printing	9,080.79	
Postage & Courier	2,556.95	
Telephone Equipment	3,706.81	
Telephone Long Distance Charges	307.74	
Conference/Workshop	22.35	
Staff Deve. & Reg. Fees	275.00	
Office Equipment Maintenance	60.00	
Total Office Related		18,728.29
Bank Charges		316.71
Miscellaneous		528.43
HST Paid on Purchases		2,499.75
GST Paid on Purchases		99.15
Total Administration		221,263.66
Total Expense		221,263.66
Net Income	\$	(16,829.82)

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the statement of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1999. This financial statement is the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statement based on my audit.

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

In my opinion, this statement presents fairly, in all material respects, the transactions of the accounts established under the Members' Retiring Allowances Act for the year ended March 31, 1999 in accordance with the provisions of the Members' Retiring Allowances Act as disclosed in the notes to the financial statement.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 15, 1999

**STATEMENT OF THE ACCOUNTS ESTABLISHED UNDER
THE MEMBERS' RETIRING ALLOWANCES ACT**

for the year ended March 31, 1999

	1999	1998
Balance, beginning of year	\$ 43,904,000	\$ 41,964,000
<i>Add:</i>		
Standard contributions		
Members	264,187	233,950
Government	264,187	233,950
Interest	3,661,259	3,511,019
Additional government contributions (Note 3)	781,995	692,492
	<u>4,971,628</u>	<u>4,671,411</u>
<i>Deduct:</i>		
Allowances (pensions)	2,604,090	2,395,417
Professional services	8,746	---
Refunds		
- contributions	331,477	73,440
- interest	31,679	7,312
Actuarial adjustment (Note 3)	2,230,836	255,242
	<u>5,206,828</u>	<u>2,731,411</u>
Balance, end of year	<u>\$ 43,668,800</u>	<u>\$ 43,904,000</u>
Note:		
Number of contributors during the year	47	44
Number of persons receiving allowances during the year	98	95

**THE ACCOUNTS ESTABLISHED UNDER
THE MEMBERS' RETIRING ALLOWANCES ACT**

**Notes to Financial Statement
for the year ended March 31, 1999**

1. Authority and Description of Plans

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated Fund of the Province a Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account to which members and government contributions and interest are credited, and payments to pensioners and terminating members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the Consolidated Fund.

Members contribute 10% of indemnities, allowances and salaries and the Province contributes an equal amount. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities, allowances and salaries for the three highest years, at the rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

A member qualifies for benefits on ceasing to be a member after having served five years during two or more General Assemblies, and having attained age 55 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Significant Accounting Policies

In accordance with the provisions of the Members' Retiring Allowances Act this financial statement has been prepared on a modified cash basis of accounting. Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually.

For reporting purposes, the contributions and allowances under the Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account are combined.

3. Actuarial Valuation

Actuarial valuations of benefits under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of liabilities as at the valuation date, calculated on the basis of various assumptions with respect to pension plan costs and interest rates. The latest actuarial valuation was conducted by Eckler Partners Ltd. based on information as of September 30, 1998.

The actuarial valuation projects liabilities for each member on the basis of service earned to that date and the projected average indemnities, allowances and salaries at the date of retirement.

3. Actuarial Valuation

The valuation indicated that at September 30, 1998 the accounts had actuarial liabilities of \$42,707,100. The liability accounts at the same date had balances totalling \$44,460,000 giving rise to an accounting surplus of \$1,752,900. The valuation was based on the following key assumptions.

- Investment earnings
 - pre-retirement rate of 7.5%
 - post-retirement rate of 4.37% (net of assumed pensioner cost-of-living increases per annum)
- Salary escalation
 - 3% per annum
- Cost of living escalation
 - 3%

During the year, the Province made additional contributions of \$781,995 (1998 - \$692,492). This was based on the September 3, 1993 valuation which indicated that the Province would be required to contribute 39.6% of total payroll (indemnities, allowances and salaries) of contributing members, including the 10% matching portion.

An Eckler Partners Ltd. prepared estimate as at March 31, 1999, calculated the surplus in the accounts at \$2,230,836. The accounts were adjusted to reflect this revised estimate of actuarial values.

4. 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 (or beyond) dates, is processed. In addition, similar problems may arise in some systems with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by management, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the management's ability to conduct normal operations. Management and Province of Nova Scotia have initiated certain steps aimed at identifying the scope and alternative resolutions for the issue and it is acknowledged that additional effort will be required to address the issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the accounts, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITORS' REPORT

To the Board of Directors of the
Northern Regional Health Board

We have audited the statement of financial position of Northern Regional Health Board as at March 31, 1999 and the statements of operations changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Truro, Nova Scotia
August 19, 1999

NORTHERN REGIONAL HEALTH BOARD

**Statement of Financial Position
Year ended March 31, 1999**

ASSETS

	Operating Fund	Capital Fund	Endowment Fund	Total 1999	Total 1998
Current					
Cash and cash equivalents \$	2,232,582	\$ 473,151	\$ 781,920	\$ 3,487,653	\$ 3,268,534
Receivables (Note 4)	2,429,640	2,229,565	---	4,659,205	3,285,510
Due from (to) other funds	611,804	(474,779)	(137,025)	---	---
Inventories (Note 5)	687,552	---	---	687,552	692,318
Prepaid expenses	<u>1,420,549</u>	<u>4,882</u>	<u>---</u>	<u>1,425,431</u>	<u>1,319,269</u>
	7,382,127	2,232,819	644,895	10,259,841	8,565,631
Capital assets (Note 6)	<u>---</u>	<u>68,855,230</u>	<u>---</u>	<u>68,855,230</u>	<u>70,057,742</u>
	<u>\$ 7,382,127</u>	<u>\$ 71,088,049</u>	<u>\$ 644,895</u>	<u>\$ 79,115,071</u>	<u>\$ 78,623,373</u>

LIABILITIES

Current					
Payables and accruals (Note 7)	\$ 16,720,155	\$ 1,449,393	\$ 953	\$ 18,170,501	\$ 12,422,636
Deferred revenue	3,678,598	1,383,076	15,000	5,076,674	4,225,788
Current portion of long term debt (Note 8)	<u>---</u>	<u>387,609</u>	<u>---</u>	<u>387,609</u>	<u>204,240</u>
	20,398,753	3,220,078	15,953	23,634,784	16,852,664
Long term debt (Note 8)	<u>---</u>	<u>1,322,918</u>	<u>---</u>	<u>1,322,918</u>	<u>1,097,467</u>
	20,398,753	4,542,996	15,953	24,957,702	17,950,131

FUND BALANCES

Restricted surplus (Note 11)	661,700	---	193,669	855,369	359,450
Unrestricted (deficit) surplus	(13,678,326)	---	435,273	(13,243,053)	(7,950,712)
Investment in capital assets	<u>---</u>	<u>66,545,053</u>	<u>---</u>	<u>66,545,053</u>	<u>68,264,504</u>
	<u>(13,016,626)</u>	<u>66,545,053</u>	<u>628,942</u>	<u>54,157,369</u>	<u>60,673,242</u>
	<u>\$ 7,382,127</u>	<u>\$ 71,088,049</u>	<u>\$ 644,895</u>	<u>\$ 79,115,071</u>	<u>\$ 78,623,373</u>

Contingencies, commitments and uncertainty (Notes 12, 13 and 15)

See accompanying notes to the financial statements.

NORTHERN REGIONAL HEALTH BOARD

**Statement of Operations
Operating Fund
Year ended March 31, 1999**

	1999	1998
Revenue		
Nova Scotia Department of Health	\$ 71,338,238	\$ 68,968,952
Charges to M.S.I.	4,060,674	3,716,418
Department of Veterans Affairs	1,539,481	1,527,539
In-patients.	1,456,175	1,612,512
Out-patients	1,448,816	1,302,992
Long term care	696,266	719,141
Rental income	653,854	588,282
Investment income.	183,075	105,374
Foundations	72,867	372,558
Other income	546,675	559,309
	<u>81,996,121</u>	<u>79,473,077</u>
Expenses		
In-patient services.	29,912,073	27,096,267
Ambulatory services.	14,530,836	12,148,556
Diagnostic and therapeutic services	14,385,993	13,549,169
Support services.	21,464,368	21,201,790
Public Health services.	2,178,269	2,050,255
Drug addiction services	2,496,732	2,435,076
Early departure and retirement incentives	481,997	1,016,139
Rental expenses	462,344	358,233
Interest	---	62,896
Other expenses	294,419	265,524
Transfer to restricted surplus	468,552	256,939
	<u>86,675,583</u>	<u>80,440,844</u>
Excess of operational expenses over revenues.	(4,679,462)	(967,767)
Accounting for increase in vacation pay accrual.	<u>635,810</u>	<u>161,412</u>
Excess of expenses over revenues.	<u>\$ (5,315,272)</u>	<u>\$ (1,129,179)</u>

See accompanying notes to the financial statements.

NORTHERN REGIONAL HEALTH BOARD

**Statement of Changes in Fund Balances
Year ended March 31, 1999**

	Operating Fund	Capital Fund	Endow- ment Fund	Total 1999	Total 1998
Restricted					
Balance, beginning					
of year.	\$ 256,939	\$ ---	\$ 102,511	\$ 359,450	\$ 96,386
Excess of revenues over expenses.	---	---	8,491	8,491	6,125
Interfund transfer - capital asset funding.	(90,081)	---	---	(90,081)	---
Interfund transfer - Endowments.	---	---	46,425	46,425	---
Prior year program residuals	26,290	---	---	26,290	---
Contributions	---	---	36,242	36,242	---
Transfer from operations (page 3)	468,552	---	---	468,552	256,939
Balance, end of year	<u>\$ 661,700</u>	<u>\$ ---</u>	<u>\$ 193,669</u>	<u>\$ 855,369</u>	<u>\$ 359,450</u>
Unrestricted					
Balance, beginning					
of year.	\$ (8,360,054)	\$ 68,264,504	\$ 409,342	\$ 60,313,792	\$ 64,148,153
(Deficiency) excess of revenues over expenses.	(5,315,272)	---	25,931	(5,289,341)	(1,103,337)
Capital asset funding	---	2,704,353	---	2,704,353	2,141,887
Interfund transfer - capital asset funding.	---	90,081	---	90,081	---
Capital debt charges funding	---	305,729	---	305,729	---
Capital debt assistance preferred accommodations	---	86,451	---	86,451	138,057
Final settlement estimates adjusted.	---	---	---	---	29,548
Interfund transfer - Endowments.	(3,000)	(43,425)	---	(46,425)	---
Amortization	---	(4,676,694)	---	(4,676,694)	(4,828,772)
Capital debt charges.	---	(185,946)	---	(185,946)	(211,744)
Balance, end of year.	<u>\$ (13,678,326)</u>	<u>\$ 66,545,053</u>	<u>\$ 435,273</u>	<u>\$ 53,302,000</u>	<u>\$ 60,313,792</u>

See accompanying notes to the financial statements

NORTHERN REGIONAL HEALTH BOARD

**Statements of Cash Flows
Year ended March 31, 1999**

	1999	1998
Increase (decrease) in cash and cash equivalents		
Operations		
Excess of expenses over revenues		
Operating Fund	\$ (5,315,272)	\$ (1,129,179)
Transfer to surpluses	468,552	256,939
Prior year program residuals	26,290	---
Contributions - Endowment Fund	36,242	---
Excess of revenues over expenses - Endowment Fund	<u>34,422</u>	<u>31,967</u>
	(4,749,766)	(840,273)
Change in non-cash working capital		
Receivables	(1,373,695)	(47,223)
Inventories	4,766	(118,588)
Prepaid expenses	(106,162)	(101,562)
Payables and accruals	5,747,865	1,515,541
Deferred revenue	<u>850,886</u>	<u>1,320,052</u>
	<u>373,894</u>	<u>1,727,947</u>
Financing and investing		
Final settlement estimates adjusted	---	29,548
Capital asset funding	2,704,353	2,141,887
Interfund transfer - capital asset funding	90,081	---
Long term debt proceeds	617,815	528,488
Purchase of capital assets	(3,474,181)	(2,233,570)
Capital debt charges funding	305,729	---
Repayment of long term debt	(208,996)	(117,294)
Capital debt assistance from preferred accommodations	86,451	138,057
Capital debt charges	<u>(185,946)</u>	<u>(211,744)</u>
	(64,694)	275,372
Decrease in restricted funds	<u>(90,081)</u>	<u>---</u>
	<u>(154,775)</u>	<u>275,372</u>
Net increase in cash and cash equivalents	219,119	2,003,319
Cash and cash equivalents, beginning of year	<u>3,268,534</u>	<u>1,265,215</u>
Cash and cash equivalents, end of year	<u>\$ 3,487,653</u>	<u>\$ 3,268,534</u>

See accompanying notes to the financial statements.

NORTHERN REGIONAL HEALTH BOARD

Notes to the Financial Statements March 31, 1999

1. **Nature of operations**

The Northern Regional Health Board was formed by an Act of the Province of Nova Scotia, as assented to by the Lieutenant Governor, on June 30, 1994.

The Northern Regional Health Board responds to the health care needs of the region's citizens through effective consultation and links with communities, health care providers and other key stakeholders.

2. **Designation**

On October 1, 1996, the Northern Regional Health Board acquired the assets and assumed the liabilities of nine individual acute care facilities and community health centres.

The facilities acquired were Aberdeen Hospital Commission, All Saints Springhill Hospital Corporation, Bayview Memorial Health Centre, Colchester Regional Hospital Commission, Highland View Regional Hospital, Lillian Fraser Memorial Hospital, North Cumberland Memorial Hospital, South Cumberland Community Care Centre and Sutherland Harris Memorial Hospital.

As of April, 1997, Public Health and Drug Dependency services for the Northern Region and Cobequid Drug Dependency Services were devolved by the Nova Scotia Department of Health to the Northern Regional Health Board.

3. **Summary of significant accounting policies**

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

Fund accounting

Revenues and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenues and expenses related to the Northern Regional Health Board's capital assets. Endowment contributions are reported in the Endowment Fund.

Revenue recognition

The Northern Regional Health Board follows the deferral method of accounting for non-capital contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in Endowment Fund net assets.

Capital contributions are treated as additions to investment in capital assets in the year in which the asset is acquired.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

3. Summary of significant accounting policies (continued):

Capital assets

Assets purchased during the year were recorded in the Capital Fund at cost. Amortization is provided on a straight line basis at the following rates:

Buildings	2%
Land improvements	5%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

Amortization on construction in progress is not recorded until the projects are completed.

Investments

Investments are recorded at the lower of cost of market value.

Inventories

Inventories are recorded at the lower of cost or replacement value.

Compensation accruals

The Northern Regional Health Board follows the policy of recording the vacation pay liability. Retirement allowances, accumulated overtime and call back are not accrued in the financial statements and are expensed in the year in which they are incurred.

4. Receivables

	Operating Fund	Capital Fund	Total 1999	Total 1998
Patients	\$ 718,333	\$ ---	\$ 718,333	\$ 656,899
Nova Scotia Department of Health Construction and equipment	---	123,270	123,270	---
Foundations and Auxiliaries . .	77,519	1,918,520	1,996,039	1,101,511
Charges to M.S.I.	289,030	---	289,030	236,500
Harmonized Sales Tax	818,529	56,743	875,272	643,193
Other	526,229	131,032	657,261	647,407
	<u>\$ 2,429,640</u>	<u>\$ 2,229,565</u>	<u>\$ 4,659,205</u>	<u>\$ 3,285,510</u>

5. Inventories

	1999	1998
Drugs	\$ 424,201	\$ 456,725
General Supplies	111,817	96,983
Medical and surgical supplies	151,534	138,610
	<u>\$ 687,552</u>	<u>\$ 692,318</u>

6. Capital assets

	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 223,672	\$ ---	\$ 223,672	\$ 223,672
Land improvements	810,081	307,511	502,570	335,982
Buildings	77,804,238	18,717,464	59,086,774	59,164,515
Equipment	26,730,229	19,963,707	6,766,522	8,139,061
Equipment under capital lease	1,615,286	600,426	1,014,860	1,164,604
Construction in progress . . .	1,260,832	---	1,260,832	1,029,908
	<u>\$ 108,444,338</u>	<u>\$ 39,589,108</u>	<u>\$ 68,855,230</u>	<u>\$ 70,057,742</u>

7. Payables and accruals

	Operating Fund	Capital Fund	Endow- ment Fund	Total 1999	Total 1998
Trade.	\$ 7,188,057	\$ 943,315	\$ 953	\$ 8,132,325	\$ 7,965,799
Vacation pay.	3,604,369	---	---	3,604,369	2,968,560
Department of Veteran Affairs Final settlement	<u>35,956</u>	<u>---</u>	<u>---</u>	<u>35,956</u>	<u>30,312</u>
	<u>10,828,382</u>	<u>943,315</u>	<u>953</u>	<u>11,772,650</u>	<u>10,964,671</u>
 Nova Scotia Department of Health					
Advance.	3,083,518	---	---	3,083,518	33,400
Current business plan repayment	620,000	---	---	620,000	620,000
Final settlement - prior years	2,611,348	---	---	2,611,348	1,660,644
Retirement incentives.	(423,093)	---	---	(423,093)	(876,144)
Capital debt assistance.	---	86,451	---	86,451	---
Construction.	---	419,627	---	419,627	448,178
Final settlement	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(428,113)</u>
	<u>5,891,773</u>	<u>506,078</u>	<u>---</u>	<u>6,397,851</u>	<u>1,457,965</u>
	<u>\$ 16,720,155</u>	<u>\$ 1,449,393</u>	<u>\$ 953</u>	<u>\$ 18,170,501</u>	<u>\$ 12,422,636</u>

The resolution of final settlement estimates are dependent upon approval of the Nova Scotia Department of Health and Federal Department of Veteran Affairs. An adjustment, if any, on the resolution of these amounts will be accounted for as an adjustment to fund balances in the period in which they occur.

Based on verbal instructions from the Department of Health, the Board did not set up a final year end settlement for the March 31, 1999 operations.

8. Long term debt

Obligations under capital leases

Banker's Acceptance Capital Corporation maturing in 2006 and TeleHealth Services maturing in 2001, Newcourt Financial, maturing in 2001 and 2002, and Toshiba maturing in 2004. The capital leases are secured by specific equipment having a net book value of \$1,014,860.

Future minimum lease payments are as follows:

	1999	1998
1999.	\$ ---	\$ 264,062
2000.	278,997	264,062
2001.	275,225	258,375
2002.	198,289	193,189
2003.	129,780	129,599
2004.	120,114	120,114
Subsequently	<u>269,890</u>	<u>274,767</u>
	1,272,295	1,504,168
Less: amount representing interest at 7.2% to 10%	<u>274,717</u>	<u>359,757</u>
	997,578	1,144,411
 CIBC capital financing bearing interest at 6 3/4%, repayable at varying terms	<u>712,949</u>	<u>157,296</u>
	1,710,527	1,301,707
Less: current portion	<u>387,609</u>	<u>204,240</u>
	<u>\$ 1,322,918</u>	<u>\$ 1,097,467</u>

8. Long term debt (continued):

Principal repayments on the 6 3/4% loans in each of the next five years are follows:

2000.....	\$	185,173
2001.....	\$	186,950
2002.....	\$	189,463
2003.....	\$	33,472
2004.....	\$	27,578

The Aberdeen Hospital Foundation has registered a chattel mortgage on specific equipment donated to Aberdeen Hospital commission before designation. The agreement specified certain restrictions on the use and disposition of this equipment. If the equipment is not used in accordance with the agreement, the greater of net book value at the time of designation (408,354) or fair market value is to be repaid to the foundation on an item by item basis.

9. Pension Plan

The Northern Regional Health Board participates in a multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 1996 and showed no unfunded liability.

10. Credit Facilities

On April 1, 1998 the board entered into a consolidated financing arrangement with a financial institution which provided an available operating line of credit totalling \$4,000,000 and term borrowing arrangement of \$3,000,000. As of march 31, 1999 there was \$712,949 of the \$3,000,000 borrowing arrangement used.

11. Restricted fund balances

Surpluses generated by excess operating revenue over expenditures for Mental Health Services, Public Health Services and Drug Addiction Services are restricted by the Department of Health. These surpluses can only be used to fund future expenditures of Mental Health, Public Health and Drug Addiction Services and are transferred to the restricted fund balances. The restricted fund balances are as follows:

		1999	1998
Mental Health Services	\$	525,030	\$ 202,460
Public Health Services		25,427	25,427
Drug Addiction Services		111,243	29,052
	\$	<u>661,700</u>	<u>\$ 256,939</u>

12. Contingencies

There is an outstanding claim against the Northern Regional Health Board for breach of contract and negligence. The amount of the loss resulting from the claim, if any, is not determinable as at March 31,1999.

Aberdeen Hospital had a renovation project completed during March 31, 1998. The Northern Regional Health Board has not recorded capital asset additions in the amount of \$2,984,230, which is in dispute with the Nova Scotia Department of Health. The amount payable, if any, cannot be determined as at March 31, 1999.

13. Commitments

- a) The Northern Regional Health Board is committed to the following operating and occupancy lease payments in each of the next five fiscal years ended March 31:

2000.....	\$	115,949
2001.....	\$	115,862
2002.....	\$	85,004
2003.....	\$	82,204
2004.....	\$	74,954

- b) The Northern Regional Health Board has entered into an agreement to spend \$4,102,800 on additions to property and equipment.

14. Subsequent event

Subsequent to March 31, 1999, The Province of Nova Scotia had stated, as part of its Budget announcement, that it will be assuming the current year's and prior years' operating deficits of the Northern Regional Health Board. Final ratification of the deficit assumption will depend on approval of a budget and related legislation in the Provincial legislature.

15. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which would affect an entity's ability to conduct normal business operations. The organization has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on the organization. As at March 31, 1999, identification and assessment of the Year 2000 readiness of third parties, such as clients, suppliers, and others, is ongoing. The organization is carrying out ongoing activities to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the organization, including those related to the efforts of clients, suppliers, or other third parties, will be fully resolved.

16. Comparative figures

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

AUDITORS' REPORT

To the Board of Directors of the
Nova Scotia Alcohol & Gaming Authority

We have audited the balance sheet of the Nova Scotia Alcohol & Gaming Authority as at March 31, 1999 and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Dartmouth, Nova Scotia
May 28, 1999

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

**Balance Sheet
March 31, 1999**

	1999	(Restated) 1998
ASSETS		
Current		
Cash	\$ 76,327	\$ 264,106
Receivables (Note 3)	1,344,759	812,304
Prepaid expenses	---	1,000
	<u>\$ 1,421,086</u>	<u>\$ 1,077,410</u>

LIABILITIES		
Current		
Payables and accruals	\$ 47,490	\$ 114,388
Deferred revenue	7,700	11,050
Current portion of lease obligation	<u>187,534</u>	<u>---</u>
	242,724	125,438
 Lease obligation (Note 4)	 <u>301,816</u>	 <u>---</u>
	<u>544,540</u>	<u>125,438</u>

EQUITY		
Due to Minister of Finance		
Balance, beginning of year	951,972	271,862
Net revenue	3,730,743	3,830,077
Remittances	<u>(3,806,169)</u>	<u>(3,149,967)</u>
Balance, end of year	<u>876,546</u>	<u>951,972</u>
	<u>\$ 1,421,086</u>	<u>\$ 1,077,410</u>

Contingency (Note 5)

**Statement of Revenue and Expenditures
Year Ended March 31, 1999**

	1999	(Restated) 1998
Revenue		
Liquor license fees	\$ 7,163,700	\$ 7,055,639
Lottery licenses and fees	1,622,647	1,745,697
Casino fees	264,644	263,985
Amusement licenses	121,950	137,525
Amusement tax	21,954	314,324
Pari-mutuel tax	1,190,495	1,057,310
Film screening and distribution fees	<u>331,612</u>	<u>368,344</u>
	10,717,002	10,942,824
 Administrative expenditures (Page 88)	 <u>6,986,259</u>	 <u>7,112,747</u>
Net revenue	<u>\$ 3,730,743</u>	<u>\$ 3,830,077</u>

See accompanying notes to the financial statements.

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

**Notes to the Financial Statements
March 31, 1999**

1. Nature of operations

The Nova Scotia Alcohol & Gaming Authority is the regulatory body responsible for the administration and enforcement of the Gaming Control Act, the Theatres and Amusement Act and the Liquor Control Act. Revenues are derived from the sale and renewal of licenses and registration fees and collection of taxes.

2. Significant accounting policies

Capital assets

These financial statements have been prepared in accordance with generally accepted accounting principles except that all items of a capital nature are expensed in the year of acquisition.

3. Receivables

	1999	(Restated) 1998
Amusement tax	\$ 153,256	\$ 150,156
Film screening fees	71,555	72,551
Gaming fees	92,953	143,077
Liquor license fees	130,440	398,840
Other	58,977	61,166
Pari-mutuel tax	<u>2,120,087</u>	<u>1,732,905</u>
	2,627,268	2,558,695
Less: Allowance for doubtful accounts	<u>1,282,509</u>	<u>1,746,391</u>
	<u>\$ 1,344,759</u>	<u>\$ 812,304</u>

4. Lease obligation

	1999	1998
Newcourt Financial Limited, thirty-six monthly blended payments of \$18,709 to July, 2001, effective annual rate of interest of 9.83%.	\$ 489,350	\$ ---
Less: current portion	<u>187,534</u>	<u>---</u>
	<u>\$ 301,816</u>	<u>\$ ---</u>

Minimum principal payments required in each of the next three years are as follows:

2000	\$ 187,534
2001	\$ 206,822
2002	\$ 94,994

5. Contingency

Legal actions have been filed against the Authority by two airlines to recover fees paid on liquor during flights. No provision has been made in the financial statements for this action as the outcome is not yet determinable.

6. Uncertainty due to the Year 2000 issue

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

7. Comparative figures

The comparative figures have been restated to reflect pari-mutuel tax revenue and accounts receivable of \$631,109 and a corresponding allowance for doubtful accounts and bad debt expense for the same amount. When the 1998 financial statements were being prepared this information was not available and management was unable to determine what revenue was owing to the Authority. If management had been able to determine the amount of revenue and receivable, a corresponding allowance for doubtful accounts and bad debt expense would also have been recorded, as collection of the receivable would have been uncertain.

NOVA SCOTIA ALCOHOL & GAMING AUTHORITY

**Schedule of Administrative Expenditures
year ended March 31, 1999**

	1999	(Restated) 1998
Advertising and promotion	\$ 31,776	\$ 46,216
Bad debts.	173,737	644,714
Computer processing	67,977	28,637
Equipment.	654,406	135,810
Equipment leasing	21,352	24,353
Freight and duty.	6,626	11,092
Interest on lease obligation	21,554	---
Meetings	6,188	29,168
Office.	28,954	13,663
Other.	24,199	8,542
Postage	36,111	34,273
Printing and stationery	94,700	92,029
Professional fees	509,572	934,121
Relocation	(3,232)	165,981
Rent	273,788	106,968
Repairs and maintenance.	1,438	3,720
Security services	805,200	788,700
Telephone.	158,067	162,917
Travel	425,163	434,165
Training and development	23,766	21,051
Wages and benefits.	3,624,917	3,426,627
	<u>\$ 6,986,259</u>	<u>\$ 7,112,747</u>

AUDITORS' REPORT

To the Directors of the
Nova Scotia Arts Council

We have audited the statement of financial position of the Nova Scotia Arts Council as at March 31, 1999, and the statement of operations, statement of changes in equity and statement of cash flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

HORNBY TINKHAM MARSHALL
Chartered Accountants

May 18, 1999
Dartmouth, Nova Scotia

NOVA SCOTIA ARTS COUNCIL

**Statement of Financial Position
as at March 31, 1999**

	1999	1998
ASSETS		
Cash	\$ 140,856	\$ ---
Investments (Note 3)	948,424	991,509
Accounts receivable	51,194	24,350
Capital assets (Note 4)	39,969	54,530
	<u>\$ 1,180,443</u>	<u>\$ 1,070,389</u>
LIABILITIES		
Bank indebtedness	\$ ---	\$ 9,123
Accounts payable and accrued liabilities (Note 5)	267,135	216,476
Deferred contributions (Note 6)	183,231	156,488
	<u>450,366</u>	<u>382,087</u>
EQUITY		
Unrestricted for operations	14,561	---
Invested in capital assets	39,969	54,530
Restricted for endowment purposes	675,547	633,772
	<u>730,077</u>	<u>688,302</u>
	<u>\$ 1,180,443</u>	<u>\$ 1,070,389</u>

NOVA SCOTIA ARTS COUNCIL

**Statement of Changes in Equity
Year ended March 31, 1999**

	Invested in Capital Assets	Restricted For Endowment Purposes	Unrestricted For Operations	Total 1999	Total 1998
Balance, beginning of the year	\$ 54,530	\$ 633,772	\$ ---	\$ 688,302	\$ 605,430
Excess (deficiency) of revenue over expenses	(17,760)	---	17,760	---	24,268
Endowment contributions (Notes 10 and 12)	---	41,775	---	41,775	58,604
Investment in capital assets	3,199	---	(3,199)	---	---
Balance, end of year	<u>\$ 39,969</u>	<u>\$ 675,547</u>	<u>\$ 14,561</u>	<u>\$ 730,077</u>	<u>\$ 688,302</u>

NOVA SCOTIA ARTS COUNCIL

**Statement of Operations
Year ended March 31, 1999**

	1999	1999	1998
	Budget	Actual	Actual
Revenue			
Grants (Note 7)	\$ 1,552,557	\$ 1,498,105	\$ 1,317,974
New media awards (Note 8)	27,000	17,000	---
McConnell Foundation (Note 9)	103,911	70,152	1,089
Other (Schedule 1)	16,500	21,366	12,609
	<u>1,699,968</u>	<u>1,606,623</u>	<u>1,331,672</u>
Expenses			
Grants			
Grant programs for individuals (Schedule 2)	448,447	448,447	385,155
Portia White award	25,000	25,000	25,000
ArtsSmarts - Arts inFusion program	90,000	63,713	---
Artists in the community	25,000	---	---
New media awards	25,000	15,000	---
Sector strategy contribution	3,000	3,000	---
Interim grants	---	---	20,499
	<u>616,447</u>	<u>555,160</u>	<u>430,654</u>
Grant programs for organizations (Schedule 3)	615,000	615,000	539,900
Total grants	<u>1,231,447</u>	<u>1,170,160</u>	<u>970,554</u>
Program delivery			
Salaries - program officers	107,510	102,668	50,895
Employee benefits	11,826	14,972	3,867
Travel - officers (individuals)	4,000	3,045	3,716
Travel - officers (organizations)	4,000	4,217	2,597
Travel - officers (arts/ed)	1,000	1,800	---
ArtsSmarts - Arts inFusion - startup	18,911	19,673	1,089
ArtsSmarts - Arts inFusion - admin	10,000	1,765	---
Assessments - juries (Schedule 4)	33,500	34,400	32,406
MT & T Peer assessment	---	165	---
Meetings	---	---	1,995
Total program delivery	<u>190,747</u>	<u>182,705</u>	<u>96,565</u>
Administrative (Schedule 5)	<u>277,774</u>	<u>253,758</u>	<u>240,285</u>
Total expenses	<u>1,699,968</u>	<u>1,606,623</u>	<u>1,307,404</u>
Excess of revenue over expenses	\$ <u>---</u>	\$ <u>---</u>	\$ <u>24,268</u>

NOVA SCOTIA ARTS COUNCIL

Statement of Cash Flow
Year ended March 31, 1999

	1999	1998
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenses \$	---	\$ 24,268
Item not affecting cash Amortization	17,760	13,632
	<u>17,760</u>	<u>37,900</u>
Changes in non-cash operating working capital items (Note 11)	50,556	780,091
	<u>68,316</u>	<u>817,991</u>
Financing		
Endowment contributions (Note 12)	41,775	58,604
	<u>41,775</u>	<u>58,604</u>
Investing		
Acquisition of capital assets	(3,197)	(37,901)
Decrease (increase) in investments	43,085	(991,509)
	<u>39,888</u>	<u>(1,029,410)</u>
Increase (decrease) in cash	149,979	(152,815)
Cash position, beginning of year	(9,123)	143,692
Cash position, end of year \$	<u>140,856</u>	<u>\$ (9,123)</u>

NOVA SCOTIA ARTS COUNCIL

Notes to the Financial Statements
March 31, 1999

1. PURPOSE OF THE ORGANIZATION

An Act to Establish the Nova Scotia Arts Council was approved on January 11, 1996 by the 56th General Assembly of the Legislature of the Province of Nova Scotia. The purpose of the Organization is to:

- Make the arts integral to the lives of Nova Scotians;
- Foster artistic excellence throughout the Province;
- Encourage creative expression by funding activity in the arts;
- Utilize peer assessment in the determination of artistic merit and the allocation of funding;
- Educate the public regarding the cultural, social and economic importance of the arts;
- Strive for regional, cultural and developmental equity in the distribution of funding; and
- Carry out research on matters related to the Arts.

The Organization is also responsible for establishing and maintaining the Nova Scotia Arts Endowment Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies.

Revenue recognition

The Nova Scotia Arts Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in equity.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are being amortized on a straight-line basis over a period of five years.

Investments

Investments are recorded at the lower of cost and market value.

3. INVESTMENTS

	Market value		1999		1998
Unrestricted for operations	\$ 274,839	\$	274,839	\$	359,702
Restricted for endowment purposes	680,188	\$	673,585	\$	631,807
	<u>\$ 955,027</u>	<u>\$</u>	<u>948,424</u>	<u>\$</u>	<u>991,509</u>

4 CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 1999	Net 1998
Office furniture	\$ 34,594	\$ 13,533	\$ 21,061	\$ 26,864
Computer equipment.	36,081	17,516	18,565	27,666
Computer software.	686	343	343	---
	<u>\$ 71,361</u>	<u>\$ 31,392</u>	<u>\$ 39,969</u>	<u>\$ 54,530</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1999	1998
Trade payables and accrued liabilities.	\$ 28,151	\$ 23,656
Grants payable	238,984	192,820
	<u>267,135</u>	<u>216,476</u>

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent restricted operating funding received in the current period that is related to the subsequent period. This deferred revenue will be expensed as indicated in next year's budget:

	1999	1998
Grant programs	\$ 25,000	\$ 2,447
Office renovations	---	8,700
Operations	29,472	41,430
	<u>54,472</u>	<u>52,577</u>
New media awards	10,000	---
McConnell Foundation Arts Smarts Program	118,759	103,911
	<u>\$ 183,231</u>	<u>\$ 156,488</u>

7. GRANT REVENUE

	1999	1998
Grants received from Province of Nova Scotia.	\$ 1,500,000	\$ 1,300,000
Deferred grant revenue from prior years.	52,577	70,551
	<u>1,552,577</u>	<u>1,370,551</u>
Less contributions deferred until next year	<u>(54,472)</u>	<u>(52,577)</u>
Amount recognized as revenue in the year	<u>\$ 1,498,105</u>	<u>\$ 1,317,974</u>

8. NEW MEDIA AWARDS

	1999	1998
Program grants received from MT & T	\$ 27,000	\$ ---
Deferred grant revenue from prior year.	---	---
	<u>27,000</u>	<u>---</u>
Less contributions deferred until next year	<u>(10,000)</u>	<u>---</u>
Amount recognized as revenue in the year	<u>\$ 17,000</u>	<u>\$ ---</u>

9. McCONNELL FOUNDATION

	1999	1998
Program grants received from McConnell Foundation	\$ 85,000	\$ 105,000
Deferred grant revenue from prior year	<u>103,911</u>	<u>---</u>
	188,911	105,000
Less contributions deferred until next year	<u>(118,759)</u>	<u>(103,911)</u>
Amount recognized as revenue in the year	<u>\$ 70,152</u>	<u>\$ 1,089</u>

During the year \$85,151 (\$65,478 for projects and \$19,673 for startup costs) was spent on the ArtsSmarts program. Of this amount, \$70,152 was contributed by the McConnell Foundation and \$15,000 was provided by the Nova Scotia Arts Council.

10. ENDOWMENT FUND

The endowment fund was established in March 1997 with a grant from the Province of Nova Scotia. The Governor in Council has established the Regulations for this fund under the Regulations Act. The Council shall only make withdrawals of capital from the Endowment Fund for the purpose of investing the money and in accordance with the instructions of the investment managers. The fund advisors shall recommend annually to the Council the amount of income of the Endowment Fund, including, without limitation, interest, dividends, and realized capital gains, to be distributed to the Council for expenditures either as set out in the Endowment Fund budget prepared by the Council or with approval of the Minister. The value of the capital of the Endowment Fund after inflation should not diminish over time. Until such time as the endowed funds reach \$1 million, all earnings of the fund will be retained to grow the Endowment Fund.

11. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	1999	1998
Accounts receivable	\$ (26,844)	\$ 550,818
Prepaid expense	---	676
Accounts payable and accrued liabilities	50,657	142,660
Deferred contributions	<u>26,743</u>	<u>85,937</u>
	<u>\$ 50,556</u>	<u>\$ 780,091</u>

12. ENDOWMENT CONTRIBUTIONS

	1999	1998
Donations	\$ 23,870	\$ 45,000
Investment income	25,081	13,639
Bank and investment management charges	<u>(7,176)</u>	<u>(35)</u>
	<u>\$ 41,775</u>	<u>\$ 58,604</u>

NOVA SCOTIA ARTS COUNCIL

Other Revenue
Year ended March 31, 1999

	1999 Budget	1999 Actual	1998 Actual
Interest	\$ 15,000	\$ 19,866	\$ 12,109
Other	1,500	1,500	500
	<u>\$ 16,500</u>	<u>\$ 21,366</u>	<u>\$ 12,609</u>

Schedule 2

GRANT PROGRAMS FOR INDIVIDUALS
Year ended March 31, 1999

Professional development	\$ 45,447	\$ 41,467	\$ 37,600
Travel	20,000	19,490	20,550
Presentation	60,000	60,560	59,994
Creation	300,000	299,950	247,110
Research	23,000	26,980	19,901
	<u>\$ 448,447</u>	<u>\$ 448,447</u>	<u>\$ 385,155</u>

Schedule 3

GRANT PROGRAMS FOR ORGANIZATIONS
Year ended March 31, 1999

Production	\$ 220,000	\$ 220,000	\$ 200,000
Touring	52,000	52,000	50,000
Commissioning	28,000	28,000	28,000
Operating grants	285,000	285,000	241,900
Professional development	30,000	30,000	20,000
	<u>\$ 615,000</u>	<u>\$ 615,000</u>	<u>\$ 539,900</u>

**NOVA SCOTIA ARTS COUNCIL
ASSESSMENTS - JURIES**

Year ended March 31, 1999

	1999		1999		1998
	Budget		Actual		Actual
Assessment - juries (individual)					
Per diems.	\$ 2,304	\$	2,478	\$	2,520
Travel.	2,432		2,049		1,354
Accommodation.	4,544		5,296		4,907
Honorarium.	10,560		10,088		10,920
Meetings.	1,600		1,323		582
	<u>21,440</u>		<u>21,234</u>		<u>20,283</u>
Assessment - juries (organizations)					
Per diems.	1,296		1,724		973
Travel.	1,368		2,136		2,212
Accommodation.	2,556		3,374		1,954
Honorarium.	5,940		5,668		5,564
Meetings.	900		264		1,420
	<u>12,060</u>		<u>13,166</u>		<u>12,123</u>
Total assessments - juries.	\$ <u>33,500</u>	\$	\$ <u>34,400</u>	\$	\$ <u>32,406</u>

Schedule 5

ADMINISTRATIVE EXPENSES

Year ended March 31, 1999

Salaries	\$ 95,000	\$	91,805	\$	72,333
Employee benefits	10,615		9,452		4,068
Travel - Executive Director	8,300		8,288		8,578
Travel - relocation	---		---		7,704
Board honoraria	8,000		7,190		9,530
Board travel	9,000		6,115		10,247
Board meetings	2,000		4,347		2,186
Office rent	24,000		22,236		20,558
Supplies and services (Schedule 6)	79,200		59,427		62,426
Professional fees	15,500		16,098		15,301
Amortizaiton	11,700		17,760		13,632
Public relations.	3,000		2,802		2,173
Miscellaneous	11,459		8,238		11,549
Total administrative	\$ <u>277,774</u>	\$	\$ <u>253,758</u>	\$	\$ <u>240,285</u>

NOVA SCOTIA ARTS COUNCIL

SUPPLIES AND SERVICES
Year ended March 31, 1999

	1999	1999	1998
	Budget	Actual	Actual
Professional development	\$ 1,800	\$ 391	\$ 559
Conference	400	1,795	1,184
Courier	1,500	1,404	1,056
Postage	4,500	4,687	4,546
Telephone	12,000	8,533	10,895
Stationary and supplies	16,200	12,663	21,234
Membership dues	200	135	135
Bank charges	600	860	287
Insurance	1,000	803	796
Equipment rental	2,600	2,330	2,001
Advertising and promotion	2,400	---	14,445
Job search costs	5,000	1,769	5,288
Annual report	10,000	9,927	---
Newsletter	6,000	3,210	---
Printing costs	12,000	10,520	---
Public relations	3,000	400	---
	<u>\$ 79,200</u>	<u>\$ 59,427</u>	<u>\$ 62,426</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Economic Development and Tourism

I have audited the balance sheet of the Nova Scotia Business Development Corporation as at March 31, 1999, and the statement of continuity of fund for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

These financial statements reflect proposed write-offs of assistance outstanding of \$9,206,734 which were yet to be approved by Governor in Council as required under Section 23 of the Provincial Finance Act.

In my opinion, except for the effect of adjustments, if any, which I might determine to be necessary should the Governor in Council not approve the amounts for write-off, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999, and the continuity of fund for the year then ended in accordance with the basis of accounting required by Section 15 of the Business Development Corporation Act and the accounting policies detailed in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 14, 1999

**NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
	(in thousands)	
Loans and Shares, at cost		
Loans receivable	\$ 145,765	\$ 140,225
Venture investments	7,034	---
Community Business Loan Program	4,008	4,038
Shares (Note 3)	<u>17,272</u>	<u>17,560</u>
	<u>174,079</u>	<u>161,823</u>
 <i>Less:</i> Provision for concessionary assistance (Note 4)	 24,402	 24,703
Allowance for doubtful accounts	<u>20,271</u>	<u>27,279</u>
	<u>44,673</u>	<u>51,982</u>
	<u>129,406</u>	<u>109,841</u>
 Industrial parks (Note 5)	 <u>24,408</u>	 <u>23,891</u>
 Other assets	 1,769	 5,894
<i>Less:</i> Provision for decline in value	<u>263</u>	<u>711</u>
	<u>1,506</u>	<u>5,183</u>
 Due from consolidated fund		
Guarantees (Note 6)	12,213	17,624
<i>Less:</i> Provision for payment under guarantees	<u>2,461</u>	<u>2,062</u>
	9,752	15,562
Assistance authorized but unadvanced	<u>42,848</u>	<u>27,305</u>
	<u>52,600</u>	<u>42,867</u>
	<u>\$ 207,920</u>	<u>\$ 181,782</u>

FUNDING AUTHORIZED AND COMMITTED

Authorized, net of write-offs	\$ 294,595	\$ 303,802
<i>Less:</i> Provision for concessionary assistance and possible losses on assistance (Note 7)	<u>47,397</u>	<u>54,755</u>
Net fund balance	247,198	249,047
 <i>Less:</i> Uncommitted balance of fund	 39,278	 67,265
	<u>\$ 207,920</u>	<u>\$ 181,782</u>

Contingency (Note 8)
Uncertainty due to the Year 2000 issue (Note 9)

See accompanying notes to the financial statements

**NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**Statement of Continuity of Fund
March 31, 1999**

	1999	1998
	(in thousands)	
Balance, beginning of year	\$ 303,802	\$ 312,938
<i>Deduct: Accounts written-off</i>	<u>9,207</u>	<u>9,136</u>
Balance, end of year	\$ <u>294,595</u>	\$ <u>303,802</u>
Comprising:		
Loans receivable, shares and other assets	\$ 175,848	\$ 167,717
Industrial parks	24,408	23,891
Guarantees in effect and utilized.	10,870	9,059
Loans and other investments authorized but unadvanced and guarantees in effect but not utilized.	44,191	35,870
Uncommitted balance	<u>39,278</u>	<u>67,265</u>
	\$ <u>294,595</u>	\$ <u>303,802</u>

See accompanying notes to the financial statements

**NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION
NOVA SCOTIA BUSINESS DEVELOPMENT CORPORATION FUND**

**Notes to the Financial Statements
March 31, 1999**

1. Authority

The Nova Scotia Business Development Corporation was established pursuant to the Business Development Corporation Act. The Act provided for the creation of the Nova Scotia Business Development Corporation Fund. The object of the Corporation is to encourage business development in the Province by providing financial assistance to business through the Fund, or such other assistance as may be determined by the Governor-in-Council. The Corporation's activities are administered through a division of the Department of Economic Development and Tourism.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by paragraphs (a), (b), (c), (f) and (g) below.

Administrative Expenses and Interest Revenue

- (a) Administrative expenses of the Corporation and revenues earned on guarantees are included in the accounts of the Department of Economic Development and Tourism and are not reflected in the financial statements of the Fund. Interest and other income earned on loans and shares is included in the accounts of the Department of Finance and are not reflected in the financial statements.

Statement of Cash Flows

- (b) A statement of cash flows is not provided since disclosure in the statements of continuity of the fund and the balance sheet are considered adequate.

Current Assets

- (c) Payments receivable within one year of the balance sheet date are not segregated and classified as current assets.

Venture Investments

- (d) Venture investments represent financial assistance (in the form of loans) to companies in emerging technology sectors and are primarily secured by interests in intellectual property and other assets.

Venture investments are initially recorded at cost. These investments continue to be carried at cost unless there exists persuasive evidence of a decrease in value as indicated by the assessment of the financial condition of the investment based on operational results, forecasts and other developments.

- (e) Industrial parks are carried at cost of acquisition plus direct costs of improvements, net of proceeds of disposal. Selling prices are established using estimated market value. The park lands are reflected on an aggregate basis at the lower of cost or estimated market value.

2. Accounting Policies (continued):

Industrial Parks

- (f) The buildings in the parks are carried at book value. No depreciation is charged on the buildings.
- (g) Operational responsibility for the industrial parks has been assigned to the Department of Transportation and Public Works. Revenues and expenses associated with the operation of the industrial parks are accounted for by the Department of Transportation and Public Works and are not reflected in these financial statements.

Other Assets

- (h) Properties acquired through foreclosure are carried at the cost of acquisition and are subject to a provision for write down annually to estimated realizable value.

Provision for Concessionary Assistance

- (i) The Corporation provides for the effect of the decrease in valuation of certain loans and shares due to assistance being provided with concessionary terms.

Allowance for Doubtful Accounts

- (j) The Corporation provides for possible losses on guarantees authorized, loans receivable, shares and other assets on an item-by-item basis except for loans under the Community Business Loan Program for which a blanket provision is determined based on prior years' loan performance. In addition, a general reserve is provided on any unreserved assistance outstanding.

3. Shares

	1999	1998
	(in thousands)	
Preferred shares	\$ 13,372	\$ 12,960
Common shares and equity interests	<u>3,900</u>	<u>4,600</u>
	<u>\$ 17,272</u>	<u>\$ 17,560</u>

4. Provision for Concessionary Assistance

Concessionary assistance is the difference between the net present value at year end of the anticipated future repayments to be received by the Fund and the amount of assistance advanced to an economic entity on the usual established commercial terms of the Corporation.

4. Provision for Concessionary Assistance (continued):

The terms of concessionary assistance through the Corporation include low interest rates, extended repayment terms and forgiveness clauses. This assistance is recorded at cost and reduced by the Provision for Concessionary Assistance. Any adjustments to or recovery of the net present value of this assistance in subsequent years is reflected in the Provision for Concessionary Assistance. The assistance outstanding, provision for concessionary assistance and net book value related to each of loans and shares is as follows:

	1999		1998	
	Assistance Outstanding	Provision for Concessionary Assistance	Net Book Value	Net Book Value
			(in thousands)	
Loans	\$ 25,090	\$ 17,195	\$ 7,895	\$ 17,290
Shares	<u>12,425</u>	<u>7,206</u>	<u>5,219</u>	<u>4,920</u>
	<u>\$ 37,515</u>	<u>\$ 24,401</u>	<u>\$ 13,114</u>	<u>\$ 22,210</u>

5. Industrial Parks

These parks consist of land in various stages of development from unimproved to fully developed and serviced lots. The parks also include buildings which are mainly used as incubator malls.

No provision has been made to reflect on an individual park-by-park basis the difference between the carrying cost and fair market value. As at March 31, 1999 the cost of parks in excess of management's determination of market value totalled \$7,104,592 (market value - \$2,830,000). The cost of parks where market value exceeded cost was \$10,729,758 (market value - \$18,300,000). This results in an estimated net excess of current market value over carrying costs of approximately \$3,296,000.

The balance of the cost of industrial parks of \$6,573,220 is represented by the book value of the incubator malls, other buildings and property at March 31, 1999.

6. Guarantees

	1999	1998
	(in thousands)	
Guarantees - In effect and utilized	\$ 10,870	\$ 9,059
Guarantees - In effect but not utilized	<u>1,343</u>	<u>8,565</u>
	<u>\$ 12,213</u>	<u>\$ 17,624</u>

During the year one guarantee totalling \$221,443 was paid out.

7. Provision for Concessionary Assistance and Possible Losses on Assistance

The following is a continuity of the provision:

	1999	1998
	(in thousands)	
Balance, beginning of year	\$ 54,755	\$ 65,584
Add: Current year provision (recovery)	1,849	(1,693)
Deduct: Accounts written off	<u>9,207</u>	<u>9,136</u>
Balance, end of year	<u>\$ 47,397</u>	<u>\$ 54,755</u>

8. Contingency

The Corporation has entered into agreements which provide for the funding of expenditures incurred by third parties in respect of environmental remediation of contaminated sites. An estimate of the amount of future costs under these agreements cannot be reasonably determined and is not reflected in the financial statements.

9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

AUDITORS' REPORT

To the Board of Governors of the
Nova Scotia Community College

We have audited the balance sheet of the Nova Scotia Community College as at March 31, 1999 and the statements of financial position, revenue and expenditures, changes in financial position and statement of changes in net assets for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

DELOITTE & TOUCHE LLP
Chartered Accountants

June 15, 1999

NOVA SCOTIA COMMUNITY COLLEGE

**Statement of Financial Position
as at March 31, 1999**

ASSETS

	1999	1998
Current assets		
Cash	\$ 12,887,538	\$ 17,547,517
Accounts receivable (Note 3)	8,870,769	4,384,582
Inventory	465,336	442,624
Prepays	<u>160,468</u>	<u>9,692</u>
	22,384,111	22,384,415
Capital assets (Notes 2 and 4)	4,344,545	2,711,138
Endowment assets (Note 5)	<u>541,162</u>	<u>344,208</u>
	\$ <u>27,269,818</u>	\$ <u>25,439,761</u>

LIABILITIES

Current liabilities		
Accounts payable and accrued liabilities	\$ 14,378,931	\$ 14,781,038
Deferred revenue (Note 6)	2,444,843	1,258,265
Deferred salary	53,021	44,345
College service award (Note 8)	<u>17,326</u>	<u>---</u>
	16,894,121	16,083,648
Deferred revenue related to capital assets (Note 7)	<u>2,000,000</u>	<u>1,333,000</u>
	<u>18,894,121</u>	<u>17,416,648</u>
Net assets		
Invested in capital assets (Note 9)	2,344,545	1,378,138
Unrestricted	767,067	1,577,844
Restricted for endowment purposes (Note 5)	541,162	344,208
Restricted for Campus Development (Note 14)	<u>4,722,923</u>	<u>4,722,923</u>
	<u>8,375,697</u>	<u>8,023,113</u>
	\$ <u>27,269,818</u>	\$ <u>25,439,761</u>
Contingency (Note 17)		

NOVA SCOTIA COMMUNITY COLLEGE

**Statement of Revenue and Expenditures
year ended March 31, 1999**

	1999	1998
Revenue		
Province of Nova Scotia (Note 10)	\$ 48,232,000	\$ 44,971,000
Government of Canada	6,859,635	6,638,863
Tuition and fees	7,515,242	7,419,844
Customized training	8,677,362	9,761,049
Amortization of deferred revenue related to capital assets	1,333,000	667,000
Other (Note 11)	<u>8,851,240</u>	<u>7,222,109</u>
	81,468,479	76,679,865
Expenditures		
Salaries and benefits	50,064,523	47,511,706
Operating supplies and services	19,837,496	14,453,830
Equipment, rentals, other	4,446,029	6,366,183
Utilities and maintenance	4,845,296	5,638,512
Early retirement incentive program	---	1,248,100
Amortization	<u>2,119,505</u>	<u>1,088,792</u>
	81,312,849	76,307,123
Excess of revenue over expenditures	<u>\$ 155,630</u>	<u>\$ 372,742</u>

**Statement of Changes in Financial Position
year ended March 31, 1999**

	1999	1998
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expenditures	\$ 155,630	\$ 372,742
Items not affecting cash		
Amortization	<u>2,119,505</u>	<u>1,088,792</u>
	2,275,135	1,461,534
Changes in non-cash working capital items (Note 12)	<u>(3,849,202)</u>	<u>11,246,750</u>
	(1,574,067)	12,708,284
Investing		
Purchase of capital assets	<u>(3,752,912)</u>	<u>(3,799,930)</u>
Financing		
Deferred revenue related to capital assets	667,000	1,333,000
Designated funds (Note 13)	<u>---</u>	<u>7,306,163</u>
	667,000	8,639,163
Net cash inflow (outflow)	(4,659,979)	17,547,517
Cash position, beginning of year	<u>17,547,517</u>	<u>---</u>
Cash position, end of year	<u>\$ 12,887,538</u>	<u>\$ 17,547,517</u>

NOVA SCOTIA COMMUNITY COLLEGE

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

	Invested in Capital Assets	Unrestricted	Restricted for Endowment Purposes	Restricted for Campus Development	1999 Total	1998 Total
	<u>Assets</u>	<u>Unrestricted</u>	<u>Purposes</u>	<u>Development</u>	<u>Total</u>	<u>Total</u>
Balance, beginning of year.	\$ 1,378,138	\$ 1,577,844	\$ 344,208	\$ 4,722,923	\$ 8,023,113	---
Excess (deficiency) of revenue over expenditures.	(786,505)	942,135	---	---	155,630	372,742
Designated funds (Note 13).	---	---	---	---	---	7,306,163
Investment in capital assets.	1,752,912	(1,752,912)	---	---	---	---
Transfer of Restricted Funds (Note 15).	---	---	---	---	---	270,805
Endowment contributions and interest.	---	---	247,083	---	247,083	81,466
Endowment disbursements.	---	---	(50,129)	---	(50,129)	(8,063)
Balance, end of year	<u>\$ 2,344,545</u>	<u>\$ 767,067</u>	<u>\$ 541,162</u>	<u>\$ 4,722,923</u>	<u>\$ 8,375,697</u>	<u>\$ 8,023,113</u>

NOVA SCOTIA COMMUNITY COLLEGE

Notes to the Financial Statements year ended March 31, 1999

1. OVERVIEW OF OPERATIONS

The Nova Scotia Community College was established as a post-secondary public education corporation under the authority of the Community College Act of Nova Scotia effective April 1, 1996.

The College, with thirteen campuses across the Province, is responsible for enhancing the economic and social well-being of Nova Scotia by meeting the occupational training requirements of the population and the labour market.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Revenue Recognition

The College follows the deferral method of accounting for revenue. Tuition fees, residence fees and sales are recognized when the services are provided or the goods are sold. Funding for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding received for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

b) Capital Assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis over the following estimated useful life:

Computer equipment	3 years
Furniture and equipment	5 years

Land and buildings are owned by the Province and are not reflected in the assets of the College. Improvements made to these buildings are therefore expensed in the year.

On March 31, 1996, the Province transferred title to all computers, furniture, fixtures and equipment contained within the buildings to the College. The assets have not been reflected in the financial statements. The capital policies described have been implemented on a prospective basis as the information for retroactive treatment is not readily available.

c) Contributed Services

The Province provides the College with buildings at 13 campuses (in excess of two million square feet) and is responsible for the maintenance of the physical plant and building infrastructure, the benefit of which is not reflected in these financial statements.

d) Inventory

Inventories consist of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

3. ACCOUNTS RECEIVABLE

	1999	1998
Customized training/other	\$ 4,144,638	\$ 3,242,991
Province of Nova Scotia	2,500,000	---
Tuition fees	520,911	381,164
Harmonized Sales Tax	2,075,855	760,427
Allowance for doubtful accounts	(370,635)	---
	<u>\$ 8,870,769</u>	<u>\$ 4,384,582</u>

4. CAPITAL ASSETS

	Cost	Accumulated amortization	Net Book Value	
			1999	1998
Computer equipment	\$***** \$ 2,343,875	\$ 2,224,603	\$ 1,644,031	
Furniture and equipment	***** 863,455	2,119,942	1,067,107	
	<u>\$***** \$ 3,207,330</u>	<u>\$ 4,344,545</u>	<u>\$ 2,711,138</u>	

5. ENDOWMENT ASSETS

The balance restricted for endowment purposes represents donations and related interest restricted for scholarships, awards and other specified purposes.

6. DEFERRED REVENUE

Deferred revenue represents the unexpended portion of amounts received for specific purposes and is summarized as follows:

	1999	1998
Apprenticeship	\$ 801,099	\$ 618,426
Direct purchase option students - HRDC	780,000	---
Customized training	368,453	74,936
Student information system development	205,065	205,065
Co-operative education	25,617	219,845
Other	264,609	139,993
	<u>\$ 2,444,843</u>	<u>\$ 1,258,265</u>

7. DEFERRED REVENUE RELATED TO CAPITAL ASSETS

Deferred revenue related to capital assets represents the unamortized portion of funding received from the Province of Nova Scotia for capital asset additions. The changes in the deferred balance are as follows:

	1999	1998
Beginning balance	\$ 1,333,000	\$ ---
Contributions received	2,000,000	2,000,000
Amortization of deferred revenue related to capital assets	(1,333,000)	(667,000)
Ending balance	<u>\$ 2,000,000</u>	<u>\$ 1,333,000</u>

8. COLLEGE SERVICE AWARD

As per the new collective agreements, some college employees are eligible for the College Service Award. This award replaces the Public Service Award for these employees. One percent of the employees pay is contributed to the fund by the college.

9. NET ASSETS INVESTED IN CAPITAL ASSETS

	1999	1998
Capital assets, net	\$ 4,344,545	\$ 2,711,138
Deferred revenue related to capital assets.	<u>(2,000,000)</u>	<u>(1,333,000)</u>
	<u>\$ 2,344,545</u>	<u>\$ 1,378,138</u>

10. REVENUE-PROVINCE OF NOVA SCOTIA

	1999	1998
Funding received	\$ 50,232,000	\$ 46,971,000
Portion related to capital assets.	<u>(2,000,000)</u>	<u>(2,000,000)</u>
	<u>\$ 48,232,000</u>	<u>\$ 44,971,000</u>

11. OTHER REVENUE

Other revenue is summarized as follows:

	1999	1998
Bookstore revenue	\$ 2,639,674	\$ 2,430,689
Food sales.	1,237,267	1,223,091
Apprenticeship/Shop.	1,141,951	991,543
Interest	882,522	769,475
Lodging, rent and miscellaneous	<u>2,949,826</u>	<u>1,807,311</u>
	<u>\$ 8,851,240</u>	<u>\$ 7,222,109</u>

12. CHANGES IN NON-CASH WORKING CAPITAL

	1999	1998
Increase in accounts receivable	\$ (4,486,187)	\$ (4,384,582)
Increase in inventory.	(22,712)	(442,624)
Increase in prepaids	(150,776)	(9,692)
(Decrease) increase in accounts payable.	(402,107)	14,781,038
Increase in deferred revenue	1,186,578	1,258,265
Increase in deferred salary.	8,676	44,345
Increase in College Service Award.	<u>17,326</u>	<u>---</u>
	<u>\$ (3,849,202)</u>	<u>\$ 11,246,750</u>

13. DESIGNATED FUNDS

The \$7,306,163 represents designated funds that the College has earned prior to March 31, 1997. The majority of these earnings were accumulated as a result of the College's customized training programs in that prior period.

14. RESTRICTED FOR CAMPUS DEVELOPMENT

Earnings arising from the College's customized training programs prior to March 31, 1997 have been internally restricted to ensure that the funds are used solely for campus development projects.

15. TRANSFER OF RESTRICTED FUNDS

In July, 1997, the Province of Nova Scotia transferred control of endowment funds, in the amount of \$270,805, to the college.

16. COMMITMENTS

The College is committed to the following lease and maintenance agreement payments over the next five years:

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
\$568,670	\$ 365,011	\$ 135,571	\$ 77,418	\$ 31,383

17. CONTINGENCY

An assessment by Revenue Canada has denied the College's claim for 100% of input tax credits (ITC's) for Harmonized Sales Tax and has deemed the College eligible for ITC's at only 67% as a member of the MUSH sector. In 1998, Revenue Canada has assessed the College to owe \$1,050,000 plus penalties and interest of approximately \$32,000. This represents the period April 1, 1997 to April 1, 1998.

The Province is appealing the decision on behalf of the College and is making application to enable the College to claim the full 100% ITC. In the event of an unsuccessful appeal, it is the College's understanding that the Province of Nova Scotia - Department of Education will fund the deficiency. No accrual has been made in the financial statements.

18. PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been restated to comply with the 1999 financial statement groupings.

19. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and

To the Chair and Members of the Nova Scotia Crop
and Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop and Livestock Insurance Commission as at March 31, 1999, and the statement of income and fund balances for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 30, 1999

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current Assets		
Cash	\$ 135,086	\$ 74,296
Short-term investments	4,658,176	5,076,304
Accounts receivable	202,216	19,971
Accrued interest receivable	135,813	4,396
	<u>\$ 5,131,291</u>	<u>\$ 5,174,967</u>

LIABILITIES AND FUND BALANCES

Current Liabilities

Unearned premiums	\$ 35,464	\$ 33,722
Deposits for insurance	11,924	751
Provision for payment of unsettled indemnities (Note 3)	17,046	16,200
	<u>64,434</u>	<u>50,673</u>

Fund Balances

Crop insurance	4,100,739	4,168,871
Livestock insurance	966,118	955,423
	<u>5,066,857</u>	<u>5,124,294</u>
	<u>\$ 5,131,291</u>	<u>\$ 5,174,967</u>

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

**Statement of Income and Fund Balances
for the year ended March 31, 1999**

	Crop Insurance	Livestock Insurance	Other	Totals 1999	1998
Revenues					
Insurance premiums (Schedule A)	\$ 648,655	\$ 18,183	\$ ---	\$ 666,838	\$ 621,138
Interest income	205,710	47,617	---	253,327	196,983
	854,365	65,800	---	920,165	818,121
Expenses					
Indemnity claims (Schedule A)	921,489	55,105	---	976,594	826,486
Bad debt expense	1,008	---	---	1,008	---
Administrative expenses (Note 4) (Schedule B)	552,121	5,635	5,635	563,391	648,187
	1,474,618	60,740	5,635	1,540,993	1,474,673
Income (loss) before Government contributions	(620,253)	5,060	(5,635)	(620,828)	(656,552)
Government contributions (Note 5)	552,121	5,635	5,635	563,391	648,187
Net Income (Loss)	(68,132)	10,695	---	(57,437)	(8,365)
Fund Balance					
Beginning of year	4,168,871	955,423	---	5,124,294	5,132,659
End of year	\$ 4,100,739	\$ 966,118	\$ ---	\$ 5,066,857	\$ 5,124,294

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Notes to Financial Statements

March 31, 1999

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment purchases to expense in the year of acquisition.

3. Provision for Payment of Unsettled Indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

4. Related Party Transactions

Administrative expenses include \$30,000 for rent and \$44,240 for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Marketing.

5. Government Contributions

Under the crop insurance programs, producers pay 50% of the insurance premiums and the Federal and Provincial governments each pay 25%. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 1999 fiscal year, the Federal government contributed 49% (1998 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

6. Insurance Coverage

The total insurance coverage as of March 31, 1999 was \$37,976,409 (1998-\$37,000,322), comprising crop insurance of \$13,772,409 (1998 - \$12,592,922) and livestock insurance of \$24,204,000 (1998 - \$24,407,400).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Transactions concerning this Fund are recorded by the Province and are not reflected in the accounting records of the Commission.

There is no Re-Insurance Fund for livestock. The Province is responsible for any deficiency in these funds.

7. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability.

8. 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 with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Nova Scotia Crop and Livestock Insurance Commission, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

**Premium Revenue and Indemnity Claims
for the year ended March 31, 1999**

	Premium Revenue					Indemnity Claims	
	Farmer	Federal	Provincial	1999	1998	1999	1998
Crop Insurance							
Spring grain	\$ 38,137	\$ 19,067	\$ 19,067	\$ 76,271	\$ 71,068	\$ 58,567	\$ 69,444
Winter grain	16,731	8,365	8,365	33,461	22,223	29,103	99,090
Tree fruit	108,334	54,166	54,166	216,666	228,619	77,080	124,559
Corn	33,563	16,782	16,782	67,127	69,835	24,290	115,198
Peas & Beans	37,106	18,552	18,552	74,210	100,448	259,434	50,756
Blueberries	39,487	19,743	19,743	78,973	60,896	281,337	255,784
Strawberries	4,284	2,141	2,141	8,566	7,245	3,609	9,620
Forage	1,061	530	530	2,121	2,859	967	2,864
Soybeans	4,879	2,438	2,438	9,755	11,104	738	24,169
Potatoes	40,753	20,376	20,376	81,505	22,284	186,364	30,323
	<u>324,335</u>	<u>162,160</u>	<u>162,160</u>	<u>648,655</u>	<u>596,581</u>	<u>921,489</u>	<u>781,807</u>
Livestock Insurance							
Dairy	18,183	---	---	18,183	24,557	55,105	44,679
Total	<u>\$ 342,518</u>	<u>\$ 162,160</u>	<u>\$ 162,160</u>	<u>\$ 666,838</u>	<u>\$ 621,138</u>	<u>\$ 976,594</u>	<u>\$ 826,486</u>

NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION

Administrative Expenses
for the year ended March 31, 1999

	Crop Insurance	Livestock Insurance	Other	Totals	
				1999	1998
Personnel	\$ 352,180	\$ 3,594	\$ 3,594	\$ 359,368	\$ 396,057
Transportation and communication	49,777	508	508	50,793	57,268
Information	7,339	75	75	7,489	9,291
Professional and special services	49,192	502	502	50,196	25,354
Office accommodation and equipment rental	31,119	318	318	31,755	30,339
Repair and maintenance of equipment	518	5	5	528	2,148
Utilities, materials and supplies	3,781	39	39	3,859	14,049
Capital purchases less than \$50,000	14,860	152	152	15,164	69,442
Other expenditures	43,355	442	442	44,239	44,239
	<u>\$ 552,121</u>	<u>\$ 5,635</u>	<u>\$ 5,635</u>	<u>\$ 563,391</u>	<u>\$ 648,187</u>

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and
To the Chair and Members of the Nova Scotia Farm Loan Board

I have audited the balance sheet of the Nova Scotia Farm Loan Board as at March 31, 1999. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on the financial statements based on my audit.

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

In my opinion, these financial statements presents fairly, in all material respects, the financial position of the Board as at March 31, 1999 in accordance with the accounting policies set out in Note 2 of the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 4, 1999

NOVA SCOTIA FARM LOAN BOARD

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
	(in thousands)	
Accounts receivable	1,609 \$	1,256
Loans receivable (Note 3, Schedule 1)	146,788	132,659
Real estate (Note 4)	4,373	4,691
	<u>\$ 152,770</u>	<u>\$ 138,606</u>

LIABILITIES

Insurance reserve (Note 5)	2,380 \$	2,098
Advance from Department of Finance (Note 6)	<u>150,390</u>	<u>136,508</u>
	<u>\$ 152,770</u>	<u>\$ 138,606</u>

Commitments (Note 7)
Contingency (Note 8)

NOVA SCOTIA FARM LOAN BOARD

**Notes to Balance Sheet
March 31, 1999**

1. Authority

The Nova Scotia Farm Loan Board operates under the authority of the Agricultural and Rural Credit Act. The Board was established to increase agricultural activities in the Province by providing financial assistance to farmers.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policy.

Administrative expenses of the Board, and interest and lease revenues earned are included in the records of the Nova Scotia Department of Agriculture and Marketing. Capital advance interest charges are recorded in the accounts of the Department of Finance. These amounts are not reflected in these financial statements. These statements also exclude accrued loan interest receivable.

3. Loans Receivable

	1999	1998
	(in thousands)	
Farm loans	\$ 150,694	\$ 136,461
Timber loans	1,845	1,608
	<u>152,539</u>	<u>138,069</u>
<i>Less:</i> Allowance for doubtful accounts	5,751	5,410
	<u>\$ 146,788</u>	<u>\$ 132,659</u>

4. Real Estate - at lower of cost and net realizable value

	1999	1998
	(in thousands)	
Real estate being leased or held	\$ 1,462	\$ 990
Land bank	2,916	3,670
Land consolidation		
Agricultural Rural Development		
Agreement (ARDA)	163	163
<i>Less:</i> Federal Government share of cost of		
ARDA properties	(96)	(82)
Held for Department of Agriculture and		
Marketing	770	699
	<u>5,215</u>	<u>5,440</u>
<i>Less:</i> Allowance for doubtful recoveries	842	749
	<u>\$ 4,373</u>	<u>\$ 4,691</u>

5. Insurance Reserve

The Board requires borrowers to participate in a group life program administered by the Board. The carrier of the insurance will pay claims up to 100% and above 125% of premiums received from borrowers during the year. The insurance reserve will be used to fund the portion of claims that fall between these two limits. In addition, the Board may use the reserve to maintain or reduce future premiums charged to borrowers under the policy and pay for professional services related to the program.

Of the total reserve, \$936,000 (1998 -\$1,079,000) is held by the Department of Finance, which reduces the Board's advances from the Department. The remaining \$1,444,000 (1998 -\$1,019,000) is held by the carrier of the insurance plan, and is included in the accounts receivable of the Board. Interest is paid by the insurance plan carrier on an annual basis for certain funds and on a daily basis for other funds, and the interest rates used are set at the beginning of each policy year. The funds held by the Department of Finance bear no interest.

6. Advance from Department of Finance

	1999	1998
	(in thousands)	
Advance from Department of Finance	\$ 159,363	\$ 144,765
<i>Less:</i> Insurance reserve	2,380	2,098
Allowance for doubtful accounts and recoveries	6,593	6,159
	8,973	8,257
	\$ 150,390	\$ 136,508

7. Commitments

As at March 31, 1998, the Board had authorized loans of \$6,266,945 (1998 - \$10,607,214) which had not been disbursed.

8. 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 with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If the issue is not adequately addressed by the Farm Loan Board, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of clients, suppliers or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Economic Development and Tourism

I have audited the statement of financial position of the Nova Scotia Film Development Corporation as at March 31, 1999 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and changes in fund balances for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
June 3, 1999

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

**Statement of Financial Position
March 31, 1999**

ASSETS

	<u>General Fund</u>	<u>MTT New Media Fund</u>	<u>Total 1999</u>	<u>Total 1998</u>
Cash and short-term investments	\$ 1,427,909	\$ 225,469	\$ 1,653,378	\$ 1,155,796
Other receivables	139,903	---	139,903	28,637
Due from MTT new media fund	6,000	---	---	---
Prepays expenses	14,980	---	14,980	20,447
	<u>\$ 1,588,792</u>	<u>225,469</u>	<u>\$ 1,814,261</u>	<u>\$ 1,204,880</u>

LIABILITIES

Current

Payables and accruals, trade	\$ 58,220	\$ 1,500	\$ 59,720	\$ 15,558
Deferred Revenue - MTT	---	---	---	150,000
Deferred Revenue	12,423	---	12,423	17,482
Due to general fund	---	6,000	6,000	---
	<u>70,643</u>	<u>7,500</u>	<u>78,143</u>	<u>183,040</u>

FUND BALANCES

Unrestricted	(3,460)	(663)	(4,123)	291,156
Committed	<u>1,521,609</u>	<u>218,632</u>	<u>1,740,241</u>	<u>730,684</u>
	<u>1,518,149</u>	<u>217,969</u>	<u>1,736,118</u>	<u>1,021,840</u>
	<u>\$ 1,588,792</u>	<u>\$ 225,469</u>	<u>\$ 1,814,261</u>	<u>\$ 1,204,880</u>

Contingent Commitments

- General \$1,521,609 (1998 - \$730,684)
- MT & T New Media Fund \$218,632 (1998 - \$56,981) (Note 3)

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

**Statement of Operations and Changes in Fund Balances
year ended March 31, 1999**

	General Fund	MTT New Media Fund	Total 1999	Total 1998
Revenue				
Contributions from the Department of Economic Development and Tourism (note 4)	\$ 3,447,847	\$ ---	\$ 3,447,847	\$ 3,009,400
Recovery of equity investments and develop- ment loans (notes 6, 7)	285,510	---	285,510	200,774
Contributions from MTT (note 5)	---	150,000	150,000	75,000
Contributions from general fund	---	150,000	150,000	75,000
Interest and other income	38,170	---	38,170	37,747
	<u>3,771,527</u>	<u>300,000</u>	<u>4,071,527</u>	<u>3,397,921</u>
Expenditures				
Equity investments (note 6)	\$ 1,933,474	\$ ---	\$ 1,933,474	\$ 1,880,190
Project development loans (note 7)	184,469	---	184,469	208,715
Special project grants	269,281	---	269,281	202,828
Training assistance	159,273	---	159,273	---
Film school feasibility	45,961	---	45,961	---
New Media development loans	---	153,669	153,669	78,362
Contributions of MTT new media fund	150,000	---	150,000	75,000
Advertising and marketing (page 7)	125,586	---	125,586	161,952
Administrative expenses (page 8))	335,536	---	335,536	377,755
	<u>3,203,580</u>	<u>153,669</u>	<u>3,357,249</u>	<u>2,984,802</u>
Excess of revenues over expenditures	567,947	146,331	714,278	413,119
Fund balances, beginning of year	950,202	71,638	1,021,840	608,721
Fund balances, end of year	<u>\$ 1,518,149</u>	<u>\$ 217,969</u>	<u>\$ 1,736,118</u>	<u>\$ 1,021,840</u>

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

Notes to Financial Statements March 31, 1999

1. Authority

The Nova Scotia Film Development Corporation was incorporated through an act proclaimed by the Governor in Council on August 1, 1990. The chief purpose of the Corporation is to promote the development of, and to create and stimulate employment and investment in, the Nova Scotia film and video industry by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Nova Scotia Film Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant Accounting Policies

- a) A statement of cash flow is not provided since disclosure in the statement of operations and changes in fund balances is considered adequate.
- b) The act of incorporation required the establishment of a special account known as the Nova Scotia Film Development Corporation Fund. Any investments or guarantees were to be charged to the fund and corporate administrative expenses were to be paid from the Consolidated Fund of the Province. No fund has been established and all charges and expenses of the Corporation have been paid out of an appropriation from the Consolidated Fund of the Province.
- c) The accompanying financial statements have been prepared in accordance with generally accepted accounting principles except for the following items:
 - (i) Program grants, loans and equity participation are charges to current expenditures as disbursed. Recoveries derived from equity investments are recorded as revenue when received. Recoveries of project development loans are offset against expenditures when received. It is not feasible to accrue recoveries from equity investments and project development loans since these recoveries remain uncertain until received, as they are based upon the financial results of the recipients' activities.
 - (ii) Capital asset acquisitions are recorded as current expenditures. Any proceeds from disposal thereof are recorded as revenues.
 - (iii) The costs incurred by government departments providing certain services to the Corporation are not reflected in these statements.

3. Surplus and Contingent Commitments

Because of the lead times required to obtain all the resources necessary to complete film and video productions, the Corporation approves applications for funding which will not result in program disbursements until subsequent fiscal periods.

As at March 31, 1999, the Corporation is contractually committed to advance funds totalling \$1,521,609 (1998 - \$730,684) from the general fund and \$218,632 (1998 - \$56,981) from the MTT New Media fund as investments and loans in respect of current and future projects.

4. Economic Dependence/Services Provided

The Corporation is economically dependent on the Department of Economic Development and Tourism for annual funding. During the year, services were provided to the Corporation by government departments, including the following:

	1999	1998
Legal services	\$ 57,937	\$ 56,250
Rent	<u>30,000</u>	<u>30,000</u>
	<u>\$ 87,937</u>	<u>\$ 86,250</u>

The cost of these services is not reflected in these financial statements.

5. MTT New Media Fund

The Corporation and Maritime Tel & Tel (MTT) entered into an agreement on August 18, 1997 for the purpose of assisting the corporation's mandate to develop Nova Scotia film, video and multi-media productions. MTT agreed to contribute \$400,000 over three years (1997-98, \$75,000; 1998-99, \$150,000; 1999-2000, \$175,000) which contribution will be matched by the corporation. These funds are to be segregated and disbursed according to guidelines jointly development by the corporation and MTT. The activities, assets and liabilities of this fund have therefore been distinguished from those of the general funds of the corporation in these financial statements.

6. Equity Investments

Production assistance in the form of equity investment is provided to eligible producers for the financing of productions that will provide employment and economic benefit to Nova Scotians. Equity investments are made with the condition of repayment through participation in revenues by projects. Revenue is recorded as received.

During the year the Corporation received \$242,510 (1998 - \$170,774). The total of equity investments of the Corporation to March 31, 1999 is \$11,848,640, with recoupment to March 31, 1999 of \$637,229, for a net of \$11,211,411.

7. Project Development Loans

The Corporation provides loans to qualified applicants to support the essential process of development which takes an idea through the stages of research, writing, market analysis and costing, which must precede the completion of production financing arrangements. Support for the development of a project does not necessarily imply support for a production. All project development loans are charged to current expenditures when disbursed. Project development loans are interest free and are to be repaid the earlier of the first day of principal photography or on the optioning, sale or transfer of the property to a third party. Total development loans outstanding on March 31, 1999 were \$781,125 (1998 - \$657,456). Development loans of \$43,000 (1998 - \$30,000) were recouped during the year.

8. Public Service Superannuation Fund

All full-time employees of the Corporation are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Corporation's administrative expenses. The Public Service Superannuation Fund is administered by the Department of Finance.

9. Uncertainty due to the Year 2000 Issue

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

10. Comparative figures

In come cases, the comparative figures have been reclassified to conform with the current year's presentation.

NOVA SCOTIA FILM DEVELOPMENT CORPORATION

**Schedule of Advertising and Marketing Expenses
year ended March 31, 1999**

	1999	1998
Advertising	18,935	38,235
Annual report	8,014	---
Business travel and expenses	33,092	58,759
Familiarization tour	11,339	---
Location scout	8,935	5,467
Photos/location services	6,288	4,477
Production guide, net of receipts of \$63,342 (1998 - \$35,239)	873	18,014
Salaries and benefits	38,110	37,000
	<u>\$ 125,586</u>	<u>161,952</u>

**Schedule of Administrative Expenses
year ended March 31, 1999**

	1999	1998
Bank charges \$	1,244	\$ 1,105
Board honorarium and expenses	38,918	39,806
Capital equipment	9,444	3,505
Conference/marketing	4,796	5,079
Consultants	6,400	9,404
Courier services	7,024	4,299
Dues, fees and subscriptions	3,699	3,364
Insurance	1,480	1,389
Library	---	454
Office supplies	10,867	8,964
Photocopier/fax rental	5,369	5,223
Postage	3,990	4,430
Professional fees	3,890	---
Repairs & maintenance	596	3,385
Salaries and benefits	224,042	272,838
Staff training	2,850	4,157
Telephone and fax	10,927	10,353
	<u>\$ 335,536</u>	<u>377,755</u>

AUDITORS' REPORT

To the Minister of Justice and
Nova Scotia Freedom of Information and Protection of Privacy Review Office

We have audited the balance sheet of the Nova Scotia Freedom of Information and Protection of Privacy Review Office as at March 31, 1999 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Halifax, Nova Scotia
May 14, 1999

**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION
OF PRIVACY REVIEW OFFICE**

**Balance Sheet
March 31, 1999**

	1999
ASSETS	
Current	
Cash	\$ 12,457
Accounts receivable	7,463
	19,920
Capital assets	3,353
	\$ 23,273
LIABILITIES	
Current	
Payments and accruals	\$ 19,920
	19,920
SURPLUS	
Investment in capital assets (Note 3)	3,353
	\$ 23,273
Uncertainty due to the Year 2000 issue (Note 5).	

**Statements of Operations and Surplus
year ended March 31, 1999**

Revenue	
Grant from the Province of Nova Scotia	\$ 126,461
Interest and other revenue	946
	127,407
Expenses	
Salaries, wages and benefits	89,399
Shared support costs	10,866
Rent	6,730
Legal, audit and consulting	5,610
Travel	3,788
Equipment	2,569
Depreciation	1,676
Telephone	1,551
Office supplies and services	915
Printing and copying	742
Dues and fees	175
Repairs and maintenance	33
	124,054
Operating surplus	\$ 3,353
Surplus, beginning of year	\$ ---
Operating surplus	3,353
Transfer from (to) investment in capital assets for	
Depreciation	1,676
Capital asset acquisitions	(5,029)
	(3,353)
Surplus, end of year	\$ ---
See accompanying notes to the financial statements	

**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION
OF PRIVACY REVIEW OFFICE**

**Statement of Capital Assets
year ended March 31, 1999**

	Accumulated Depreciation				
Cost	Balance Beginning of year	Depreciation Expense	Balance End of Year	1999 Net Book Value	
Computer equipment.	\$ 5,029	\$ ---	\$ 1,676	\$ 1,676	\$ 3,353

**Statements of Cash Flows
year ended March 31, 1999**

	1999
Cash derived from (applied to)	
Operating	
Operating surplus	\$ 3,353
Depreciation	1,676
	5,029
Change in non-cash operating working capital:	
(Increase) in accounts receivable	(7,463)
Increase in accounts payable	19,920
	17,486
Investing	
Purchase of capital assets	(5,029)
Increase in cash	12,457
Cash,	
beginning of year	---
end of year	\$ 12,457

See accompanying notes to the financial statements.

**NOVA SCOTIA FREEDOM OF INFORMATION AND PROTECTION
OF PRIVACY REVIEW OFFICE**

**Notes to the Financial Statements
March 31, 1999**

1. Incorporation

The Nova Scotia Freedom of Information and Protection of Privacy Review Office was created pursuant to the Freedom of Information and Protection of Privacy Act, Chapter 5 of the Acts of Nova Scotia, 1993.

Prior to April 1, 1998, the activities of the Review officer were supported and funded by the Nova Scotia Utility and Review Board. Beginning on April 1, 1998, the Review Office became a separate entity. The Review Office continues to share some administrative and support costs with the Nova Scotia Utility and Review Board.

2. Summary of significant accounting policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector.

b) Capital assets

Capital assets purchased by the Review Office with a value greater than \$1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment 3 years

3. Investment in capital assets 1999

Balance, beginning of year.	\$	---
Capital asset acquisitions.		5,029
Depreciation.		<u>(1,676)</u>
Balance, end of year.	\$	<u><u>3,353</u></u>

4. Pensions

The full time employees of the Review Office are entitled to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Review Office's operating expenses. The Review Office is not responsible for any unfunded liability.

5. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Corporation as at March 31, 1999 and the statements of income and retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 22, 1999

NOVA SCOTIA GAMING CORPORATION

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
		(Note 14)
<i>Current</i>		
Cash & short term investments in Casino Accounts (Note 3a)i)	\$ 20,386,943	\$ 10,960,384
Less: Capital Reserve Accounts (Note 3a)i)	<u>(3,165,361)</u>	<u>(2,323,363)</u>
Cash & short term investments in Casino Accounts (Note 3a)i)	17,221,582	8,637,021
Due from Atlantic Lottery Corporation Inc.	12,512,169	10,533,717
Due from Metropolitan Entertainment Group (Notes 2d and 4)	4,053,166	5,715,692
Prepays	<u>1,361</u>	<u>1,361</u>
	<u>33,788,278</u>	<u>24,887,791</u>
<i>Long-term</i>		
Investment in Atlantic Lottery Corporation Inc. (Note 5a) . . .	100	100
Investment in Interprovincial Lottery Corporation (Note 6) . .	1	1
Fixed Assets (Note 7)	<u>78,534</u>	<u>41,082</u>
	<u>78,635</u>	<u>41,183</u>
	\$ <u>33,866,913</u>	\$ <u>24,928,974</u>

LIABILITIES

<i>Current</i>		
Accounts Payable	\$ 928,481	\$ 813,693
Due to Nova Scotia Harness Racing Incorporated (Note 13) . .	1,985,766	---
Due to Nova Scotia Gaming Foundation (Note 2f)	44,923	57,955
Due to Province of Nova Scotia (Note 8)	26,925,438	16,261,482
Due to Casino Operations (Note 3a)i)	<u>3,982,305</u>	<u>7,795,844</u>
	\$ <u>33,866,913</u>	\$ <u>24,928,974</u>

Contingencies and Commitments (Notes 3, 9 and 11)

NOVA SCOTIA GAMING CORPORATION

**Income Statement
For the year ended March 31, 1999**

	1999	1998
		(Note 14)
REVENUE		
Atlantic Lottery Corporation Inc.		
Traditional Lottery (Schedule I)	\$ 187,037,152	\$ 181,011,081
Video Lottery (Schedule II)	130,181,449	120,995,501
Other income (Schedule I)	---	501,827
Sheraton Halifax Interim Casino (Schedule III)		
Casino	50,192,251	48,226,292
Beverage, Food and Other	1,316,435	1,167,390
Sheraton Sydney Casino (Schedule IV)		
Casino	25,686,735	25,782,596
Beverage, Food and Other	<u>1,750,831</u>	<u>1,690,169</u>
	<u>396,164,853</u>	<u>379,374,856</u>
EXPENSES		
Atlantic Lottery Corporation Inc.		
Traditional Lottery (Schedule I)	148,346,297	142,594,812
Video Lottery (Schedule II)	41,811,889	40,644,489
Special Payments (Note 5e)	200,000	200,000
Bonus Commissions (Note 5e)	21,216	33,472
Nova Scotia Gaming Foundation Contribution (Note 2f)	380,664	359,970
Nova Scotia Harness Racing Fund Contribution (Note 13)	1,985,766	---
Sheraton Halifax Interim Casino (Schedule III)		
Win tax	10,038,450	9,645,258
Operating	25,340,659	25,226,102
Payments to Operator (Note 3a)ii)	7,026,126	11,155,705
Sheraton Sydney Casino (Schedule IV)		
Win tax	5,137,347	5,156,520
Operating	13,557,551	14,685,083
Payments to Operator (Note 3a)ii)	6,459,389	6,401,070
Management expenses (Schedule V)	<u>1,629,884</u>	<u>1,173,463</u>
	<u>261,935,238</u>	<u>257,275,944</u>
Net Operating Income	134,229,615	122,098,912
Income Guarantee (Note 2d)	<u>(1,662,530)</u>	<u>5,501,514</u>
Net Income	<u>\$ 132,567,085</u>	<u>\$ 127,600,426</u>

**Statement of Retained Earnings
For the year ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ ---	\$ ---
Net income	132,567,085	127,600,426
Payments to Province of Nova Scotia	<u>(132,567,085)</u>	<u>(127,600,426)</u>
Balance, end of year	<u>\$ ---</u>	<u>\$ ---</u>

NOVA SCOTIA GAMING CORPORATION

Notes to the Financial Statements For the year ended March 31, 1999

1. Description of Business

The Corporation was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the Gaming Control Act. The purpose of the Corporation is to develop, undertake, organize, conduct and manage casinos and other lottery schemes on behalf of the Province.

Pursuant to Sections 9, 10 (a) and 24 (1) (b) of the Gaming Control Act, the Corporation is appointed as agent of the Province for the purpose of conducting and managing gaming in the Province. The Corporation is authorized to enter into agreements to operate casinos and lottery schemes with the approval of the Governor in Council, pursuant to Section 25 (1) of the Gaming Control Act.

2. Accounting Policies

(a) *Basis of Presentation*

The financial statements have been prepared in accordance with generally accepted accounting principals. A statement of cash flows is not provided as disclosure in the balance sheet and the income statement is considered adequate.

(b) *Casino Revenue*

In accordance with industry practice, casino revenues are reported as the net win from gaming activities, which is the difference between amounts wagered and amounts paid as winnings. Casino revenues are reported net of accruals for anticipated amounts to be paid as winnings for progressive slot machine jackpots. (See Note 3 for description of Casino Contracts and the related impact on the Corporation's accounting policies)

(c) *Video Lottery Revenue*

In accordance with industry practice, video lottery revenues are reported as the net revenues from video lottery activities, which is the difference between amounts wagered and amounts paid as winnings. (See Note 5c)

(d) *Income Guarantee*

In accordance with the Operating Contract between Metropolitan Entertainment Group (Operator), the Corporation and Sheraton International Inc. (Guarantor) (Note 3), an income guarantee was provided to ensure defined Total Provincial Revenue in each of the first four years of operation would not be less than \$25 million. Total Provincial Revenue was defined to include the aggregate of casino win tax (20%) paid to the Province of Nova Scotia, annual registration fees of \$100,000 paid to the Nova Scotia Alcohol and Gaming Authority (formerly Nova Scotia Gaming Control Commission) and the annual net operating income of the Corporation from the casino complexes. On a cumulative monthly basis the amount of the income guarantee payment/repayment is accrued if defined Total Provincial Revenue earned is less or more than \$2,083,333, which equals the pro rata monthly portion of the \$25 million.

(d) *Income Guarantee (continued):*

The commencement date of the guarantee period was June 1, 1995, with an expiry date of July 31, 1999. If defined Total Provincial Revenue falls below \$25 million in any year of the guarantee period, the Operator is obligated to pay the deficiency to the Corporation within 90 days after the end of each guarantee year (Note 4).

If defined Total Provincial Revenue exceeds \$25 million in any year through to July 31, 2000, any previous deficiencies paid by the Operator can be recovered to the extent Total Provincial Revenue is in excess of \$25 million in such year. The Corporation will record any repayment to the Operator as a reduction of net income of the Corporation.

Between April 1, 1998 and March 31, 1999, total Provincial Revenue exceeded the income guarantee pro-rata allocation by \$1,662,530. The net operating income of the Corporation for the year ended March 31, 1999 was therefore reduced by \$1,662,530 to record the amount to be recovered by the Operator.

Of this amount of \$1,662,530, \$2,402,256 represents the amount by which Total Provincial Revenue exceeded the income guarantee pro-rata allocation for the period August 1, 1998 to March 31, 1999 and \$739,726 represents the amounts by which Total Provincial Revenue was less than the income guarantee pro-rata allocation for the period April 1, 1998 to July 31, 1998. As of March 31, 1999, the Operator is entitled to recover \$1,662,530; however this amount will be further adjusted to take into account the operating results and the effect on Total Provincial Revenues for the period April 1, 1999 to July 31, 1999.

The Operator's calculation of income guarantee amounts owed to the Corporation differs from those as described above and in Note 4. As of July 31, 1998, the Corporation's calculation indicates that it has earned \$20,896,113 of income guarantee payments for the first three years of this income guarantee period. The Operator's calculation indicates that the Corporation has earned \$8,312,772 of income guarantee payments for the same three year period. The difference in amounts calculated arises from the GST/HST dispute disclosed in Note 9c.

(e) *Fixed Assets*

Fixed Assets are stated at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates

Computer equipment	30%
Office furniture and equipment	20%

(f) *Nova Scotia Gaming Foundation Contribution*

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse funds in furtherance of the purposes set out in the Gaming Control Act, including for research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailer agreements with Atlantic Lottery Corporation Inc., to contribute 1% of their VLT commission to the Foundation. The Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

(g) *Investments*

Investments in the Atlantic Lottery Corporation Inc. and the Interprovincial Lottery Corporation are recorded using the cost method of accounting for investments.

3. The Casino Contract

(a) *Operating Contract*

i) *Term and Structure*

On May 31, 1995 the Gaming Corporation entered into an Operating Contract with Metropolitan Entertainment Group (Sheraton Casinos Nova Scotia/Operator), a partnership between Starwood Canada Corp. (formerly ITT Sheraton Canada Ltd.) and Purdy's Wharf Development Limited, to operate casinos in Halifax and Sydney for a period expiring on December 31, 2015.

Section 2.7 of the Operating Contract appoints Metropolitan Entertainment Group as agent of the Corporation for the purpose of making payments out of the Corporation's revenues as provided in Section 29(1) of the Gaming Control Act and, specifically as set out in Section 4.7 of the Operating contract. Accordingly, the Corporation has included in the Balance Sheet the Cash and Short Term Investments in Casino Accounts (See Note 9c), and included as a payable, an amount due to Casino Operations. The balance in the Capital Reserve Accounts is deducted from Cash and Short Term Investments in Casino Accounts as those funds are restricted pursuant to Section 4.2.2 of the Operating Contract. Section 4.2.2 provides for capital expenditures in each Operating Period to be taken from the Capital Reserve Account or from other funds as approved by the Corporation and the Operator. (See Note 9c)

On March 19, 1999 Metropolitan Entertainment Group invested \$10,000,000 of the Cash and Short Term Investments in Casino Accounts in a short-term investment with Starwood Canada Corp., the majority partner in Metropolitan Entertainment Group. The investment is evidenced by a promissory note in the principal amount of \$10,000,00 and bears interest at a rate of 5.15% per annum with principal and interest payable on September 2, 1999. the amount invested represented a portion of the amounts in dispute between the Corporation and Metropolitan Entertainment Group (see Note 9 (c)); however, the investment was not specifically provided for under the Operating Contract. By agreement between the Corporation and Metropolitan Entertainment Group the note was fully repaid to the Casino Accounts on June 22, 1999.

ii) *Payments to Operator*

The Operator is entitled to certain payments from each casino calculated with reference to the following items, which are listed in Section 4.7 of the Operating Contract:

- an amount based upon the Operator's Capital Investment in Halifax and Sydney with respect to each Casino Complex, which is amortized straight-line over a three year term in Halifax and a ten year term in Sydney, with interest calculated at 12% on the total outstanding capital investment. The Operator's Capital Investment in Halifax of \$24.1 million was fully repaid in May 1998.

ii) *Payments to Operator (continued):*

- an amount equal to 1.5% of casino revenue before casino win taxes (20%) to fund a capital replacement reserve. Disbursements from this reserve are required to be approved in advance by the Corporation through the annual capital budget approval process.
- an amount equal to 3% of casino revenue in Sydney as a Base Fee and 10% of casino revenue less casino win taxes, the Base Fee and defined Operating Expenses as an Incentive Fee.
- an amount equal to the Operator's shortfall in any one year that income is insufficient to make payments, as described above. The Operator will track the amount of the shortfall and will be entitled to increased payments by an amount equal to the accumulated shortfall plus interest at prime plus 1% during the period in which the shortfall is outstanding.
- an amount equivalent to 35% of cash available for distribution, as defined in the Operating Contract from the Sheraton Halifax Interim Casino.

iii) *Net Operating Income*

The Corporation's net operating income consists of 100% of the cash available for distribution from the Sydney Casino and the remaining cash available for distribution from the Halifax Interim Casino after payment of 35% to Operator.

iv) *Operating Period*

Net operating income earned by the Corporation is calculated based upon the operating period, which is defined in the Operating Contract as January 1 - December 31. The Corporation's annual financial statements are prepared based upon an April 1 - March 31 fiscal year. Any net operating income earned by the Corporation during the period January 1 - March 31, is subject to adjustment for the results of operations in the period April 1 - December 31.

v) *Approvals*

The Corporation is required to approve, annually, the Operator's annual operating and capital budgets for both casino complexes. The approval of the 1997 operating and capital budgets for the Halifax and Sydney Casinos remains outstanding.

The Corporation approved the Operator's 1998 operating and capital budgets for the Halifax and Sydney Casinos with the exception of the Operator's failure to make provision for payment of HST from the casino revenues and its failure to provide for win tax on poker revenues. The Operator has accepted the Corporation's objection with respect to win tax, however, the objection with respect to HST remains outstanding (Note 9c).

The Corporation approved the Operator's 1999 Operating and Capital budgets for the Halifax and Sydney Casinos with the exceptions of the Operator's failure to make provision for payments of HST from the casino revenues (Note 9c).

v) *Approvals (continued)*

The Corporation is also required to review annually the Operator's audited financial statements for both casino complexes. Pursuant to Section 4.16 of the Operating Contract, the Corporation may submit any objections related to the audited financial statements of each casino complex. The Corporation objected to the treatment of HST/GST in the December 31, 1997 audited financial statements, which differed from the treatment accorded GST in the audited financial statements for the periods ended December 31, 1995 and 1996.

The Corporation has given notice of its objection to the calculation of the Cash Available for Distribution included in the unaudited financial statements provided by the Operator for the Sheraton Halifax Interim and Sheraton Sydney Casinos for the months of February 1998 to March 1999. These unaudited monthly financial statements excluded HST/GST as a defined Operating Expense of each Casino Complex. The Corporation has prepared its financial statements according to the terms of the Operating Contract, to include HST/GST as a defined Operating Expense. (Note 9c)

vi) *Public Education and Problem Gaming Contribution*

Metropolitan Entertainment Group and the Corporation have agreed to an annual contribution of \$1,000,000 to be paid from casino revenues to the Department of Health to provide funds for problem gaming programs and related public education. Contributions for the year ended March 31, 1999, have been allocated as an expense between the Sheraton Halifax and Sydney Casino Complexes pro rata based upon gaming revenues.

vii) *Termination of Operating Contract*

The Corporation and the Operator have the right to terminate the Operating Contract prior to its expiration in certain circumstances. The Corporation may terminate the Operating Contract if an Event of Default has occurred and the Operator has not cured the default within a prescribed time period. The provisions of the income guarantee would remain in full force and effect until such time as the full sum of \$100 million with respect to defined Total Provincial Revenue has been paid by the Operator to the Corporation. In the event of such a termination, the Corporation could also elect to pay the balance of the Operator's Capital Investment and the outstanding principal balance of the Development Financing, if any, and acquire the casino assets as defined in the Casino Option Contract.

The Operator may terminate the Operating Contract if an Operator termination event as described in the Operating Contract occurs and is not remedied by the Corporation within a prescribed period of time. The Corporation would be required to pay the balance of the Operator's Capital Investment, the outstanding principal balance of Development Financing, if any, and the net present value of the future payments to Operator as defined and calculated in the Casino Option Contract.

The Operator may also terminate the Operating contract if Aboriginal peoples establish casinos in Nova Scotia even though the establishment occurs without the consent or sufferance of the Province of Nova Scotia and the Province of Nova Scotia derives no revenue. The Corporation would be required to pay the balance of the Operator's Capital Investment, the outstanding balance of Development Financing, if any, and the Operator's reasonable costs in winding down its operations and withdrawing as Operator.

b) *Halifax Interim Casino Construction Contract and Sydney Casino Construction Contract*

The Operator was required, pursuant to the Halifax Interim Casino Construction Contract and the Sydney Casino Construction Contract, to develop, finance and construct a temporary casino facility in Halifax and a permanent casino complex in Sydney, which opened June 1, 1995 and August 1, 1995 respectively. The working capital and capital assets of each casino complex are not recorded as assets of the Corporation.

The Operator's Capital Investment totalled \$24.1 million in Halifax and \$23.2 million in Sydney and the Operator is entitled to payments out of casino revenues based upon its Capital Investment as described in Note 3a)ii. The final payment from Halifax casino revenues was made in May 1998. As at March 31, 1999, \$14.7 million remains to be paid to the Operator from casino revenues in Sydney.

c) *Halifax Casino Construction Contract*

Pursuant to the Halifax Casino Construction Contract, the Operator is required to develop, finance and construct a permanent casino complex with budgeted costs of \$97 million plus or minus 12 per cent. Construction of the permanent casino commenced on February 1, 1998, with a scheduled completion date, according to the Halifax Casino Construction Contract, of September 15, 1999.

The Operator suspended construction in July 1998 to evaluate and revise the approved casino design because the regulatory changes recommended by Metropolitan Entertainment Group and the Corporation in November 1997, which were intended to attract high-end players, had not been approved. The regulatory changes were subsequently approved in October 1998 and construction of the permanent casino resumed on October 19, 1998 without any changes to the Casino Contracts or to the approved casino design. In its April 1999 report to the Corporation, the Operator projects that construction will be completed in January 2000. The Corporation has not extended the Scheduled Completion Date of September 15, 1999, and any delay will result in liquidated damages of \$10,000 per day to the Corporation.

The Corporation approved the casino design concept on June 27, 1997 and received from the Operator a construction budget and a construction schedule for the permanent casino on November 14, 1997. The Operator is required to submit to the Corporation for approval, the Casino Design Development Documents and, thereafter, the Casino Working Documents together with confirmation that these documents are in compliance with the previously approved Casino Design Development Documents. Any material change in any of the Casino Working Documents must be approved by the Corporation.

Throughout the construction of the casino, the Operator is required to provide a monthly status report, which includes the status of the construction to date, material changes to Casino Working Documents and status of expenditures relative to the construction budget.

Within six months following the opening of the Halifax Permanent Casino, the Operator is required to submit to the Corporation for approval a detailed summary of the total amount expended for completion of the casino. This submission would include the following costs:

- land
- construction
- furniture, fixtures and equipment
- interest
- architecture and design
- pre-opening costs

c) *Halifax Casino Construction Contract (continued):*

Within 30 days of the submission, the Corporation may approve or give notice to the Operator of its non-approval. Upon approval by the Corporation, such costs shall be deemed to be Approved Development Costs of the casino, which the Operator may finance internally (Operator's Capital Investment) or through Third party lenders (Development Financing). To the extent the Approved Development Costs are financed internally, the Operator will be entitled to payments from casino revenues equal to the Operator's Capital Investment, amortized straight line over a seven-year term at a rate of 12% per annum on the declining unpaid balance. To the extent the Approved Development Costs are financed externally, the Operator will be entitled to payments from casino revenues equal to the principal and interest with respect to the Development Financing which shall be amortized and fully repaid no later than the tenth anniversary of the commencement of the Term. The Term commenced on August 1, 1995.

d) *Casino Option Contract*

Upon expiration of the Operating Contract in 2015, the Corporation has the option to purchase each of the Halifax and Sydney casino complexes, including capital assets and working capital totalling \$2.6 million for the price of \$1.00. The Corporation also has an option to purchase each of the two casino complexes in year 10 or year 15 of the Contract. This early purchase option requires the Corporation to pay out the balance of the Operator's Capital Investment, the outstanding principal balance of Development Financing, if any, and the net present value of payments to Operator due for the balance of the term of the Operating Contract.

e) *Costs of Dispute Resolution*

Pursuant to Section 9.4 of the Operating Contract and Section 7.04 of the Halifax Casino Construction Contract, the Corporation recovered \$416,439 (\$16,698 - 1998) from casino revenues during the year ended March 31, 1999 in professional fees incurred for mediation and arbitration.

4. Due from Metropolitan Entertainment Group

	1999	1998
Income guarantee payment (August 1, 1996 - July 31, 1997) (Note 9c)	\$ 891,339	\$ 891,339
Income guarantee payment (August 1, 1997 - July 31, 1998) (Note 9c)	5,564,079	---
Income guarantee (repayment) accrual payment (August 1, 1998 - March 31, 1999) (Note 2d)	<u>(2,402,252)</u>	<u>4,824,353</u>
Total	<u>\$ 4,053,166</u>	<u>\$ 5,715,692</u>

The foregoing is based upon the Corporation's interpretation of the Operating Contract (See Note 9c).

5. Atlantic Lottery Corporation Inc.

(a) The Atlantic Lottery Corporation Inc. is the Corporation's exclusive agent to operate lottery ticket and video lottery in Nova Scotia. Each of the Corporation, Newfoundland, New Brunswick and Prince Edward Island own 25 per cent of the Atlantic Lottery Corporation Inc. The Atlantic Lottery Corporation Inc. distributes its profits to the Corporation, Newfoundland, New Brunswick and Prince Edward Island based on a profit distribution formula, which was approved in 1976 and amended in 1991.

(b) *Traditional Lottery Profit Distribution*

The profit distributed by the Atlantic Lottery Corporation Inc. to the Corporation is based upon the Corporation's percentage of net sales of traditional lottery products. Traditional lottery retailers receive a commission of 5% of sales of traditional lottery products (excluding Breakopen games). A special 3% bonus is also paid to traditional lottery retailers in Nova Scotia on the first \$400,000 of annual sales of traditional lottery products, excluding Celebration and Breakopen games. This bonus is allocated directly to the Corporation.

The Corporation assists certain charities by offering them a commission of 18.3% as opposed to the usual 12.5% commission on all Breakopen lottery tickets sold. The profit distributed by the Atlantic Lottery Corporation to the Corporation for Charity Breakopen is comprised of sales of Breakopen lottery tickets net of prizes less commissions and other direct costs.

(c) *Video Lottery Profit Distribution*

The profit distributed by the Atlantic Lottery Corporation Inc. to the Corporation is based upon total video lottery revenue less certain direct operating expenses. Some of the Atlantic Lottery Corporation Inc.'s corporate operating expenses attributable to the video lottery business are not been allocated to video lottery revenues.

Based on information provided by Atlantic Lottery Corporation Inc., net video lottery revenue in Nova Scotia is calculated as follows:

	1999		1998
		(in millions)	
Amounts Deposited... \$	420	\$	404
Amounts Wagered... \$	2,468	\$	2,418
Amounts Paid as Winnings.....	2,339		2,298
Amounts Cashed Out..	291		284
Net Video Lottery			
Revenue.....\$	<u>129</u>	\$	<u>120</u>
Prize Payout			
Percentage.....	<u>95%</u>		<u>95%</u>

Video lottery retailers in Nova Scotia receive a commission of 25% (30% before March 1, 1999) of net video lottery revenue. From this commission, video lottery retailers are required to pay applicable taxes and a 1% contribution to the Nova Scotia Gaming Foundation.

The Administration Revenue represents the amount recovered by the Atlantic Lottery Corporation Inc. from First Nation Bands for the supply of VLTs to such bands that have entered into gaming agreements with the Province of Nova Scotia.

(d) *Federal Contributions*

By an agreement dated August 23, 1979 between the Government of Canada and the governments of the ten provinces, the Government of Canada agreed to withdraw from the sale of lottery tickets. In consideration for this withdrawal, the Provinces agreed to pay \$24 million annually to the Government of Canada, in 1979 dollars adjusted by the consumer price index each year (\$52.8 million - 1999). The Atlantic Lottery Corporation Inc., as the Corporation's agent, remits Nova Scotia's share of the above payments to the Interprovincial Lottery Corporation for remission to the Government of Canada.

(e) *Special Payments*

The Corporation is obligated to make direct payments annually to three provincial government bodies as follows:

	1999		1998
The Department of Education and Culture (in support of the Cultural Federation of Nova Scotia)	\$ 50,000	\$	50,000
The Department of Agriculture and Marketing (in support of the Exhibition Association of Nova Scotia)	50,000		50,000
The Sport and Recreation Commission (in support of Sport Nova Scotia)	<u>100,000</u>		<u>100,000</u>
	<u>\$ 200,000</u>	\$	<u>200,000</u>

Bonus commissions totalling \$21,216 (\$33,472 -1998) were paid directly during the year by the Corporation to various non-profit community organizations. The bonus commission is calculated as 10% of sales of Auto-Plus tickets by these organizations. Such amounts must be used for cultural, sport, recreation and exhibition purposes.

(f) *Lottery Operations*

In March 1999, the Corporation served notice to Atlantic Lottery Corporation Inc. of its intention to withdraw its Video Lottery business from the Atlantic Lottery Corporation Inc. on November 30, 1999, to withdraw its traditional lottery business on March 31, 2000 and to withdraw as a shareholder on March 31, 2000.

The terms of the Corporation's withdrawal have not been finalized. The Atlantic Lottery Corporation's by-laws outline a formula for a pro rata apportionment of the surplus lottery proceeds and the value of the tangible assets of the Atlantic Lottery Corporation Inc. in the event of a shareholder's withdrawal. The valuation of the Atlantic Lottery Corporation Inc.'s tangible assets has not been finalized as at the date of these financial statements. As a result, the effect, if any, on the future carrying value of assets and liabilities of the Corporation is not determinable at this time.

6. Interprovincial Lottery Corporation

The Interprovincial Lottery Corporation was incorporated on August 16, 1976 under the Canada Business Corporations Act. The Interprovincial Lottery Corporation owns and operates nation-wide lottery games (Lotto 6/49, Super 7, Special Event-Celebration). Nova Scotia holds 1 of 10 shares of this Corporation, and appoints 1 of 21 directors to the Board of Directors of the Interprovincial Lottery Corporation. The shareholders' agreement provides that votes are cast by region, and the Corporation votes as a part of the Atlantic Canada region. There are 5 regions, each of which has a weighted vote.

6. Interprovincial Lottery Corporation (continued):

The Board of the Interprovincial Lottery Corporation is responsible for the management of all corporate affairs; however, the Board has delegated most of its authority to the Executive Committee. The Executive Committee consists of the Chief Executive Officers of the five regional marketing organizations.

The regional marketing organizations are responsible for the Interprovincial Lottery Corporation's game ticket distribution and sales, new game designs/changes, marketing and promotions and payment of prizes. The Atlantic Lottery Corporation Inc. is appointed a regional marketing organization.

7. Fixed Assets

			1999	1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Computers	\$ 72,487	\$ 24,406	\$ 48,081	\$ 20,289
Office Furniture/ Equipment	<u>46,755</u>	<u>16,302</u>	<u>30,453</u>	<u>20,793</u>
	<u>\$ 119,242</u>	<u>\$ 40,708</u>	<u>\$ 78,534</u>	<u>\$ 41,082</u>

8. Due to the Province of Nova Scotia

All funds received by the Corporation are transferred to the Province of Nova Scotia's bank account. Funds include casino win tax earned by the Province of Nova Scotia, net profit earned by the Corporation from the Atlantic Lottery Corporation Inc. and the net operating income from Sheraton Halifax Interim and Sheraton Sydney Casinos, and amounts earned by the Corporation under the income guarantee (Note 2d).

Due to the Province of Nova Scotia	1999	1998
Balance, beginning of year	\$ 16,261,482	\$ 13,943,324
Net income of the Corporation	132,567,085	127,600,426
Casino Win Tax earned by the Province of Nova Scotia:		
Sheraton Halifax Interim Casino	10,038,450	9,645,258
Sheraton Sydney Casino	5,137,347	5,156,520
Advances from the Province of Nova Scotia	6,021,099	5,286,274
Funds transferred to the Province of Nova Scotia	(143,100,025)	(145,676,961)
Other income	---	306,641
Balance, end of year	<u>\$ 26,925,438</u>	<u>\$ 16,261,482</u>

9. Contingencies

(a) The Corporation has accounted for Harmonized Sales Tax ("HST") and/or Goods and Services Tax ("GST") for the casino complexes in accordance with the draft Games of Chance (GST) Regulations pursuant to the Excise Tax Act. These draft regulations were promulgated and took effect September 16, 1998 resulting in an adjustment of \$340,956 which was accounted for during this fiscal year. As a prescribed registrant, the Corporation was subject to GST prior to April 1, 1997 and HST thereafter.

(b) A former employee has commenced legal action against the Corporation claiming damages for constructive dismissal. The eventual outcome of this action is not determinable at this time.

9. Contingencies (continued):

(c) Since April 1, 1998, the Operator has taken the position that neither HST nor GST is payable out of casino revenues, and therefore, must be paid by the Corporation out of its net income. As at March 31, 1999 the total amount of HST (post April 1, 1997) and GST (from the casino opening dates to March 31, 1997) paid by the Corporation in respect of the casino complexes was \$20,896,113 as follows:

March 31, 1996	\$ 2,516,352
March 31, 1997	4,334,344
March 31, 1998	7,947,648
March 31, 1999	<u>6,097,769</u>
	<u>\$ 20,896,113</u>

The Corporation takes the position that both HST and GST associated with the operation of the casino complexes is a defined operating expense under the Operating Contract and is required to be paid out of casino revenues. This difference in interpretation between the Corporation and the Operator is being resolved in accordance with the dispute resolution procedures in the Operating Contract.

Should the Corporation's interpretation prevail, it will be entitled to be paid \$20,896,113 in HST from casino revenues. To date, the Corporation has recorded HST/GST as a defined operating expense and has calculated and recorded its net operating income and the income guarantee payment (repayment) on the basis that GST/HST is a defined operating expense.

Should the Operator's interpretation prevail, then the Corporation's net income (net operating income and income guarantee payments/repayments) will be reduced by \$20,896,113 (\$6,197,763 for the year ended March 31, 1999 and \$14,698,350 for the preceding years) and the related receivable from casino revenues written off.

In any event, the Corporation's overall revenues from the casino complexes will remain at \$25 million annually due to the income guarantee of the Operating Contract. Should the Operator's interpretation prevail, the Corporation would be responsible for HST and GST from its own resources.

In October 1997, the Operator took the position that the increased amount of GST resulting from the introduction of HST on April 1, 1997 was not a defined operating expense which was required to be paid from casino revenues under the terms of the Operating Contract, on the basis that HST was not included in the definition of operating expense. The Corporation did not agree with the Operator's interpretation and the matter was resolved in accordance with the dispute resolution procedures in the Operating Contract. On June 15, 1998, the arbitrator confirmed the Corporation's interpretation that all of the HST, including the increased amount introduced April 1, 1997 was non-recoverable HST/GST and therefore was a defined operating expense to be paid out of casino revenues.

9. Contingencies (continued):

On July 27, 1998, the Operator took the position that the HST from April 1, 1997 and the GST from the opening dates to March 31, 1997 did not constitute non-recoverable GST or HST and therefore was not a defined operating expense because such GST/HST was recoverable. The Operator argues that because the draft Games of Chance (GST) Regulations pursuant to the Excise Tax Act were not in effect on May 31, 1995, when the Operating Contract took effect, the Corporation was not a prescribed registrant at that time and therefore there was no non-recoverable GST or HST in effect at the time to be included in the definition of operating expense. The Games of Chance (GST) Regulations were promulgated on September 16, 1998 and the Corporation was designated a prescribed registrant effective from February 15, 1995. The Corporation does not agree with the Operator's interpretation and this matter is also being resolved in accordance with the dispute resolution procedures in the Operating Contract.

10. Related Party Transactions

The Province of Nova Scotia, Nova Scotia Gaming Foundation, Nova Scotia Harness Racing Incorporated, Atlantic Lottery Corporation Inc. and the ALC Harness Racing Corporation are related parties of the Corporation. Details of any transactions between these related parties are separately disclosed in the financial statements.

11. Commitments

The Corporation is required to make lease payments over the next three years as follows:

2000	\$	50,000
2001	\$	49,000
2002	\$	37,000

Pursuant to the terms of the Casino Contracts, the Corporation has agreed that the Operator may be entitled to certain future payments as described in Note 3. (See also Note 5(f) related to the lottery operation and Note 13 related to Nova Scotia Harness Racing Incorporated).

12. Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Corporation or its Operator's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue, including those related to the efforts of customers, suppliers or their third parties will be fully resolved.

Both operators, Atlantic Lottery Corporation Inc. and Metropolitan Entertainment Group, are significantly dependent on information technology. Year 2000 plans are under way at both the Atlantic Lottery Corporation Inc. and Metropolitan Entertainment Group. The Corporation will continue to monitor their progress and the related risk assessments.

13. Harness Racing

Nova Scotia became involved in supporting the harness racing industry in the year through ALC Harness Racing Corporation. As an interim measure, Atlantic Lottery Corporation Inc. funded ALC Harness Racing Corporation's marketing and promotion efforts while legal and financial matters associated with Nova Scotia's involvement in the harness racing industry were finalized. For the year, ALC Harness Racing Corporation incurred a loss of \$1,985,766 in Nova Scotia and this amount was advanced by Atlantic Lottery Corporation Inc. to ALC Harness Racing Corporation.

Nova Scotia Harness Racing Incorporated was established March 1, 1999, and designated as a crown corporation April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund. The Corporation will annually contribute to the Fund as authorized and directed by the Minister of Finance and Nova Scotia Harness Racing Incorporated will pay ALC Harness Racing Corporation's costs in Nova Scotia from the Fund.

Subsequent to March 31, 1999, the Corporation will pay \$1,985,766 to Nova Scotia Harness Racing Inc., which will be advanced by Nova Scotia Harness Racing Incorporated to ALC Harness Racing Corporation and used to repay Atlantic Lottery Corporation Inc. for the interim funding advanced to ALC Harness Corporation in respect of harness racing in Nova Scotia during the year ended March 31, 1999.

For the year ending March 31, 2000, ALC Harness Racing Corporation has budgeted for a loss of \$934,754 in Nova Scotia. The Corporation has budgeted to pay \$934,754 from its revenues to Nova Scotia Harness Racing Incorporated.

The proposed form of grant agreement to be entered into by ALC Harness Racing Corporation and each of the race tracks has been forwarded to Revenue Canada for an advanced ruling that the assistance provided by ALC Harness Racing Corporation to the tracks does not constitute consideration for a supply of services by the tracks to ALC Harness Racing Corporation for which GST/HST is payable. In the event that such assistance is ruled to be consideration for a supply of services, it is anticipated that the GST/HST cost to ALC Harness Racing Corporation in 1998/99 per information provided by ALC Harness Racing Corporation would be approximately \$400,000, \$200,000 of which would be a cost to Nova Scotia Harness Racing Incorporated.

14. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in this fiscal year. (See Note 3a)i)

NOVA SCOTIA GAMING CORPORATION

Atlantic Lottery Corporation Inc.
Traditional Lottery
For the year ended March 31, 1999

	Atlantic Lottery Corporation		Nova Scotia Gaming Corporation	
	1999	1998	1999	1998
Sales	\$ 489,052,562	\$ 482,593,617	\$ 186,954,794	\$ 180,819,528
Less: Prize				
Expense	268,595,087	262,182,660	100,557,797	95,671,915
Sales				
Discounts	158,491	181,128	73,934	63,750
	268,753,578	262,363,788	100,631,731	95,735,665
Net Sales	220,298,984	220,229,829	86,323,063	85,083,863
Direct Costs				
Sales Commission	31,483,908	32,655,775	12,336,812	12,616,273
Winning Ticket				
Cashing Fees	2,531,523	2,266,475	991,966	875,633
Ticket Costs	12,090,935	11,397,280	4,737,773	4,403,241
Total Direct Costs	46,106,366	46,319,530	18,066,551	17,895,147
Gross Profit	174,192,618	173,910,299	68,256,512	67,188,716
Corporate Operating				
Costs	48,320,978	48,400,939	18,934,334	18,699,280
Net Lottery Profit	\$ 125,871,640	\$ 125,509,360	49,322,178	48,489,436
Profit Distribution Percent			39.2%	38.6%
Bonus Sales Commission (Note 5b)			4,405,695	4,173,017
Harmonized Sales Tax			4,887,240	4,681,125
Federal Contribution (Note 5d)			1,402,186	1,391,275
Sundry			18,560	19,303
Breakopen Charities (Note 5b)			(82,358)	(191,553)
			10,631,323	10,073,167
Traditional Lottery Profit Distribution			38,690,855	38,416,269
Other			---	501,827
Profit Distribution (Note 5b)			\$ 38,690,855	\$ 38,918,096

NOVA SCOTIA GAMING CORPORATION

Atlantic Lottery Corporation Inc.

Video Lottery
For the year ended March 31, 1999

	1999	1998
Net Video Lottery Revenue (Note 5c)	\$ 129,181,804	\$ 119,990,409
Administration Revenue (Note 5c)	<u>999,645</u>	<u>1,005,092</u>
Video Lottery Revenue	<u>130,181,449</u>	<u>120,995,501</u>
VLT Retailer Commission	33,220,501	31,335,691
VLT Ticket Costs	151,401	171,615
VLT Operating Expenses	<u>8,439,987</u>	<u>9,137,183</u>
Total VLT Expenses	<u>41,811,889</u>	<u>40,644,489</u>
Profit Distribution (Note 5c)	<u>\$ 88,369,560</u>	<u>\$ 80,351,012</u>

Schedule III

Sheraton Halifax Interim Casino

Operating Results
For the year ended March 31, 1999

	1999	1998
Casino Revenue	\$ 50,192,251	\$ 48,226,292
Win Tax	<u>(10,038,450)</u>	<u>(9,645,258)</u>
Casino Revenue After Win Tax	40,153,801	38,581,034
Beverage, Food and Other Revenue	<u>1,316,435</u>	<u>1,167,390</u>
Total Net Revenues	<u>41,470,236</u>	<u>39,748,424</u>
Operating Expenses		
Salaries and Benefits	12,847,195	12,149,299
Other Expenses Including Cost of Beverages and Food	1,246,578	968,198
Public Education and Problem Gaming Contribution (Note 3a)vi	655,629	651,463
General Administration and Marketing	4,971,060	5,018,806
Premise Expense	1,906,923	1,071,905
Harmonized Sales Tax	<u>3,713,274</u>	<u>5,366,431</u>
	<u>25,340,659</u>	<u>25,226,102</u>
Income Before Payments to Operator	<u>16,129,577</u>	<u>14,522,322</u>
Payments to Operator (Note 3a)ii		
Amortization of Capital Investment and Interest	1,351,638	8,602,008
Capital Replacement Reserve	772,630	740,905
Operator Fee	<u>4,901,858</u>	<u>1,812,792</u>
	<u>7,026,126</u>	<u>11,155,705</u>
Net Operating Income (Note 3a)iii)	<u>\$ 9,103,451</u>	<u>\$ 3,366,617</u>

NOVA SCOTIA GAMING CORPORATION

Sheraton Sydney Casino

Operating Results
For the year ended March 31, 1999

	1999	1998
Casino Revenue	\$ 25,686,735	\$ 25,782,596
Win Tax	<u>(5,137,347)</u>	<u>(5,156,520)</u>
Casino Revenue After Win Tax	20,549,388	20,626,076
Beverage, Food and Other Revenue	<u>1,750,831</u>	<u>1,690,169</u>
Total Net Revenues	<u>22,300,219</u>	<u>22,316,245</u>
Operating Expenses		
Salaries and Benefits	6,431,294	7,344,836
Other Expenses Including Cost of Beverage and Food	1,374,002	1,219,154
Public Education & Problem Gaming Contribution (Note 3a)vi)	344,371	348,537
General Administration and Marketing	2,270,230	2,458,716
Premise Expense	753,159	732,623
Harmonized Sales Tax	<u>2,384,495</u>	<u>2,581,217</u>
	<u>13,557,551</u>	<u>14,685,083</u>
Income Before Payments to Operator	<u>8,742,668</u>	<u>7,631,162</u>
Payments to Operator (Note 3a)ii)		
Amortization of Capital Investment and Interest	4,340,108	4,410,834
Capital Replacement Reserve	411,564	412,093
Base Fee	823,127	824,182
Incentive Fee	<u>884,590</u>	<u>753,961</u>
	<u>6,459,389</u>	<u>6,401,070</u>
Net Operating Income (Note 3a)iii)	<u>\$ 2,283,279</u>	<u>\$ 1,230,092</u>

Schedule V

Management Expenses
For the year ended March 31, 1999

	1999	1998
Advertising	\$ 5,182	\$ 3,920
Depreciation	16,742	12,599
Harmonized Sales Tax (Note 9)	188,382	88,017
Meetings	3,951	2,898
Membership Dues	4,403	3,000
Occupancy Taxes	716	2,129
Office and Miscellaneous	14,606	7,880
Office Equipment	8,370	8,821
Periodicals	12,278	11,572
Postage and Freight	6,014	3,363
Printing and Stationery	32,872	15,941
Professional and Other Fees (Note 3e)	740,942	517,200
Rent	36,461	38,228
Salaries and Benefits	486,880	383,611
Telecommunications	18,733	14,337
Training	2,136	3,214
Travel	<u>51,216</u>	<u>56,733</u>
	<u>\$ 1,629,884</u>	<u>\$ 1,173,463</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Gaming Foundation as at March 31, 1999 and the statement of revenue, expense and surplus for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 22, 1999

NOVA SCOTIA GAMING FOUNDATION

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Cash and Term Deposit	\$ 2,578,926	\$ 1,976,264
Due from Nova Scotia Gaming Corporation	44,923	57,955
	<u>\$ 2,623,849</u>	<u>\$ 2,034,219</u>

LIABILITIES

Accounts Payable	\$ 2,027	\$ 2,683
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EQUITY

Surplus - restricted (Note 4)	630,840	275,250
- unrestricted.	1,990,982	1,756,286
	<u>2,621,822</u>	<u>2,031,536</u>
	<u>\$ 2,623,849</u>	<u>\$ 2,034,219</u>

**Statement of Revenue, Expenses and Surplus
for the year ended March 31, 1999**

	1999	1998
Revenue		
Contributions		
Nova Scotia Gaming Corporation	\$ 380,664	\$ 359,970
Video Lottery Terminal Siteholders	380,664	359,970
Interest	109,879	49,869
	<u>871,207</u>	<u>769,809</u>
Expenses		
Administrative Fees (Note 3)	24,610	3,653
Directors Fees	2,000	---
Grants (Note 4)	244,383	---
HST	2,473	---
Office	457	45
Professional	6,998	5,982
	<u>280,921</u>	<u>9,680</u>
Excess of Revenue over Expenses	590,286	760,129
Surplus, beginning of year	<u>2,031,536</u>	<u>1,271,407</u>
Surplus, end of year (Note 4)	<u>\$ 2,621,822</u>	<u>\$ 2,031,536</u>

NOVA SCOTIA GAMING FOUNDATION

Notes to the Financial Statements for the year ended March 31, 1999

1. Description of the Foundation

On March 11, 1998, the Nova Scotia Gaming Foundation was established pursuant to the Gaming Control Act and the Provincial Finance Act. The purpose of the Foundation is to receive, maintain and disburse funds in furtherance of the purposes set out in the Gaming Control Act, including for research or education in respect of gambling, or treatment and remediation of the effects of gambling.

VLT retailers have agreed, under the terms of their retailers' agreements to contribute 1% of their VLT commission to the Foundation. The Nova Scotia Gaming Corporation has also agreed to contribute an amount equal to all contributions made by the VLT retailers.

2. Accounting Policies

Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles. A statement of cash flows is not provided as disclosure in the balance sheet and the statement of revenue, expenses and surplus is considered adequate.

Term Deposits

Term Deposits are valued at original cost plus accrued interest.

Grants

Grant expenditures are recognized upon payment to the grantee. Payments are subject to the terms of the specific grant agreement.

3. Administrative Fees

The Foundation has entered into an agreement with the Nova Scotia Gaming Corporation to provide professional and administrative services on a cost recovery basis.

4. Grants and Commitments

The following represent grants approved and funds disbursed during the year:

	Approved Grant	Disbursed as at March 31, 1999	Balance Committed at March 31, 1999
Compulsive & Problem Gamblers Society	\$ 216,108	\$ 134,654	\$ 81,454
Dalhousie University VLT Harm Reduction Study	258,199	89,013	169,186
NS Department of Education and Culture	380,200	---	380,200
NS Department of Health French Translation of "Drawing the Line" Supplements	<u>20,716</u>	<u>20,716</u>	<u>---</u>
	<u>\$ 875,223</u>	<u>\$ 244,383</u>	<u>\$ 630,840</u>

At March 31, 1999 the Foundation had approved but not yet disbursed the funding for various problem gambling initiatives as detailed above. The Foundation considers the balance committed of \$630,840 at March 31, 1999 to be restricted for purposes of presenting the surplus. Additionally, the Foundation had approved funding in the amount of \$304,820 to the Self-Help Connection but subsequent to March 31, 1999, the Self-Help Connection withdrew its application for funding.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and
To the Minister of Finance

I have audited the balance sheet of the Nova Scotia Harness Racing Incorporated as at March 31, 1999 and the statement of income for the period then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 22, 1999

NOVA SCOTIA HARNESS RACING INCORPORATED

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999
Current	
Due from Nova Scotia Gaming Corporation	\$ 1,985,766
Long-term	
Investment ALC Harness Racing Corporation	<u>1</u>
	\$ <u><u>1,985,767</u></u>

LIABILITIES

Current	
Due to ALC Harness Racing Corporation	\$ <u><u>1,985,767</u></u>

**Income Statement
for the one month ended March 31, 1999**

	1999
Revenue	
Contribution to the Nova Scotia Harness Racing Fund from Nova Scotia Gaming Corporation	\$ 1,985,766
Expenses	
Contribution to ALC Harness Racing Corporation grant program	\$ <u>1,985,766</u>
Excess of Revenue over Expenses	<u><u>---</u></u>

NOVA SCOTIA HARNESS RACING INCORPORATED

Notes to the Financial Statement for the one month ended March 31, 1999

1. Description of the Business

Nova Scotia Harness Racing Incorporated was incorporated under the Companies Act on March 1, 1999 and designated as a crown corporation on April 7, 1999, to manage and administer the Nova Scotia Harness Racing Fund, a special fund created by the Nova Scotia Harness Racing Incorporated Regulations and to oversee Nova Scotia's involvement in supporting the harness racing industry in the Province through its agent, ALC Harness Racing Corporation.

Nova Scotia Harness Racing Incorporated holds one share, and therefore has a 33.33% interest, in ALC Harness Racing Corporation, a corporation incorporated under the Canada Business Corporation Act on May 7, 1998 to carry out the mandate of providing marketing and promotional assistance to the Maritime provinces' harness racing industry. Atlantic Lottery Corporation Inc. owns the remaining 66.67% of ALC Harness Racing Corporation holding two shares on behalf of each of the Province of New Brunswick and the Province of Prince Edward Island.

During the year ended March 31, 1999, ALC Harness Racing Corporation provided marketing and promotional support to seven race tracks in the Maritime Provinces through the distribution of grant funding in accordance with the terms of proposed grant agreements between ALC Harness Racing Corporation and the race tracks which have not yet been finalized. Provided a track was in compliance with the terms of the proposed grant agreement, ALC Harness Racing Corporation provided grant funding to each track comprised of amounts paid directly to the track for capital improvements, amounts paid to fund specific race events in accordance with a formula, amounts incurred by ALC Harness Racing Corporation or paid directly to suppliers by ALC Harness Racing Corporation for the conduct of races and amounts paid by ALC Harness Racing Corporation to advertise and promote the harness racing industry. Some amounts were paid subsequent to race events and others were paid as the expenses were incurred on behalf of the race tracks. Management does not believe any changes to the operations as a result of the finalized agreements will be significant.

Three of the seven race tracks which received grant assistance are located in Nova Scotia, namely the Truro Raceway, Inverness Raceway and Tartan Downs Raceway.

As an interim measure, Atlantic Lottery Corporation Inc. funded ALC Harness Racing Corporation's marketing and promotion efforts in Nova Scotia while legal and financial matters associated with the creation of Nova Scotia Harness Racing Incorporated and Nova Scotia's involvement in the harness racing industry were finalized. Commencing in the year ending March 31, 2000, Nova Scotia Harness Racing Incorporated will directly fund ALC Harness Racing Corporation's costs in providing grant assistance to Nova Scotia tracks from the Nova Scotia Harness Racing Fund. Contributions will be made to the Nova Scotia Harness Racing Fund by the Nova Scotia Gaming Corporation in amounts authorized and directed by the Minister of Finance in accordance with the Nova Scotia Harness Racing Incorporated Regulations.

2. Accounting Policies

a) Basis of Presentation

The financial statements have been prepared in accordance with generally accepted accounting principles. A statement of cash flows is not provided as disclosure in the balance sheet and the income statement is considered adequate.

b) Investments

The investment in ALC Harness Racing Corporation is recorded using the cost method of accounting for investments.

3. Share Capital

The authorized capital of Nova Scotia Harness Racing Incorporated is one common share without nominal or par value which has been issued to Her Majesty the Queen in Right of the Province of Nova Scotia.

4. Harness Racing Operations

In the year ended March 31, 1999, ALC Harness Racing Corporation provided \$1,985,766 in grant assistance to the Nova Scotia race tracks and this amount was advanced by Atlantic Lottery Corporation Inc. to ALC Harness Racing Corporation as interim funding. Subsequent to March 31, 1999, the Nova Scotia Gaming Corporation will pay \$1,985,766 to the Nova Scotia Harness Racing Fund, managed and administered by Nova Scotia Harness Racing Incorporated, to enable Nova Scotia Harness Racing Incorporated to pay that amount to ALC Harness Racing Corporation so that it may repay Atlantic Lottery Corporation Inc. for the interim funding. This payable to ALC Harness Racing Corporation is non-interest bearing and is expected to be repaid in the next fiscal period.

Based on information provided by ALC Harness Racing Corporation, Nova Scotia Harness Racing Incorporated's contribution to ALC Harness Racing Corporation of \$1,985,766 was determined as follows:

Direct grants to Nova Scotia Tracks		
Truro Raceway.	\$	813,268
Tartan Downs Raceway.		491,493
Inverness Raceway.		<u>329,698</u>
		1,634,459
 ALC Harness Racing Corporation costs directly attributable to Nova Scotia.		 29,558
 ALC Harness Racing Corporation costs allocated to Nova Scotia on the basis of its percentage share of net pari-mutuel revenue.		 <u>321,749</u>
	\$	<u><u>1,985,766</u></u>

The amount of Nova Scotia Harness Racing Incorporated's contribution to ALC Harness Racing Corporation to provide marketing and promotional support to Nova Scotia tracks, which was provided on an interim basis by the Atlantic Lottery Corporation Inc., was determined in accordance with a proposed profit allocation formula which has not yet been finalized. The amount of Nova Scotia Harness Racing Incorporated's contribution is the sum of:

- Direct grants to harness racing tracks in Nova Scotia;
- Direct costs of ALC Harness Racing Corporation that were not grants to a harness racing track but were attributable to Nova Scotia; and
- All other costs of ALC Harness Racing Corporation allocated to Nova Scotia on the basis of its percentage share of net pari-mutuel revenue.

4. Harness Racing Operations (continued):

Net pari-mutuel revenue is defined as gross pari-mutuel wager on live and simulcast racing generated in all participating provinces less winner payout expenses. Nova Scotia Harness Racing Incorporated's percentage share of pari-mutuel revenue was 42.6% in the year ended March 31, 1999.

Nova Scotia's net pari-mutuel revenue on live and simulcast racing was \$2,794,434 determined as follows:

Gross Pari-mutuel revenue.....	\$	10,058,749
Winner Payouts.....		<u>(7,264,315)</u>
Net pari-mutuel revenue.....	\$	<u><u>2,794,434</u></u>

5. Contingencies

The proposed form of grant agreement to be entered into by ALC Harness Racing Corporation and each of the race tracks has been forwarded to Revenue Canada for an advanced ruling on the GST/HST implications of the grant agreement. ALC Harness Racing Corporation has sought confirmation that the assistance provided by ALC Harness Racing Corporation to the tracks does not constitute consideration for a supply of services by the tracks to ALC Harness Racing Corporation for which GST/HST is payable. In the event that such confirmation is not received and the assistance is ruled to be consideration for a supply of services, it is anticipated that the GST/HST cost to ALC Harness Racing Corporation in 1998/99, per information provided by ALC Harness Racing Corporation, would be approximately \$400,000 of which \$200,000 would be a cost to Nova Scotia Harness Racing Incorporated.

6. Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Nova Scotia Harness Racing Incorporated or ALC Harness Racing Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue, including those related to the efforts of customers, suppliers or their third parties will be fully resolved.

ALC Harness Racing Corporation is significantly dependent on information technology. Year 2000 plans are underway at ALC Harness Racing Corporation. Nova Scotia Harness Racing Incorporated will continue to monitor its progress and the related risk assessments.

AUDITOR'S REPORT

To the Chairman and Members of the
Board of Management of the
Nova Scotia Hospital

I have audited the balance sheet of the Nova Scotia Hospital as at March 31, 1999, and the statements of revenues and expenses, ancillary operations, retained surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 18, 1999

NOVA SCOTIA HOSPITAL

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current Assets		
Cash	\$ 10,939,290	\$ 4,655,080
Accounts receivable (Note 3)	2,062,185	2,886,603
Inventory	94,851	108,076
Prepaid expenses	<u>108,030</u>	<u>320,000</u>
	13,204,356	7,969,759
Due from IWK - Grace Health Centre (Note 4)	203,969	334,323
Fixed Assets		
Laundry Equipment (Note 2)	200,000	---
Restricted Funds (Note 6)	<u>175,304</u>	<u>131,218</u>
	\$ <u>13,783,629</u>	\$ <u>8,435,300</u>

LIABILITIES AND EQUITY

Current Liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 8,644,828	\$ 2,713,047
Deferred revenue (Note 8)	<u>1,314,371</u>	<u>1,056,895</u>
	9,959,199	3,769,942
Due to Department of Health (Note 9)	1,016,855	1,016,855
Estimated Year-end Adjustments Due to (from)		
Department of Health (Note 5)	1,344,609	(84,059)
Due to Provincial Drug Distribution Program	1,994,689	2,747,197
Due to Central Laundry Partners (Note 10)	54,688	67,496
Equity		
Retained surplus (Note 11)	786,651	786,651
Appropriated surplus (Note 16)	345,504	---
Deficit	(1,893,870)	---
Restricted Funds (Note 6)	<u>175,304</u>	<u>131,218</u>
	\$ <u>13,783,629</u>	\$ <u>8,435,300</u>

NOVA SCOTIA HOSPITAL

**Statement of Revenues and Expenses
Hospital Operations
for the year ended March 31, 1999**

	1999	1998
Revenue		
Department of Health	\$ 28,416,094	\$ 26,699,200
Non-insured services	<u>192,694</u>	<u>128,672</u>
	<u>28,608,788</u>	<u>26,827,872</u>
Other		
Medical Services Insurance- Physicians	4,458,929	4,291,699
Dietary	484,454	481,395
Rentals	500,633	479,495
Services to other Institutions	548,080	535,439
Interest	417,185	---
Sundry	<u>243,888</u>	<u>141,113</u>
	<u>6,653,169</u>	<u>5,929,141</u>
	<u>35,261,957</u>	<u>32,757,013</u>
Operating Expenses		
Provincial and Regional Consumer Services	14,369,388	13,135,382
Provincial Forensic Psychiatric Services	4,087,552	3,366,691
Provincial Clozapine Program	770,802	682,512
Professional Services and Physicians Payments	5,281,696	5,000,368
Executive Director and Board	382,478	436,595
Corporate and Support Services	9,238,349	8,915,165
Maintenance and repairs	1,243,209	988,719
Education, Planning and Quality	705,935	811,654
Public Relations and Communications	323,167	302,848
Y2K Expenditures	<u>407,747</u>	<u>---</u>
	<u>36,810,323</u>	<u>33,639,934</u>
Deficit before advances	<u>(1,548,366)</u>	<u>(882,921)</u>
Special Advances from Department of Health		
Forensic Services Advance	---	473,400
Provincial Clozapine Program Advance	---	195,000
Wage Settlement Advance	<u>---</u>	<u>291,000</u>
	<u>---</u>	<u>959,400</u>
Surplus (Deficit) before transfer to appropriated surplus	(1,548,366)	76,479
Transfer to appropriated surplus (Note 16)	<u>(345,504)</u>	<u>---</u>
Surplus (Deficit) after transfer to appropriated surplus	<u><u>\$(1,893,870)</u></u>	<u><u>76,479</u></u>

NOVA SCOTIA HOSPITAL

**Statement of Ancillary Operations
Central Laundry
for the year ended March 31, 1999**

	1999	1998
Revenue		
Sales of clean laundry	\$ 2,454,456	\$ 2,037,497
Miscellaneous	<u>471</u>	<u>9,886</u>
	<u>2,454,927</u>	<u>2,047,383</u>
Expenses		
Salaries	992,562	796,205
Employee benefits	89,045	102,202
Motor vehicle repairs and operations	34,791	79,793
Water	41,637	31,854
Electricity	59,481	45,503
Steam	255,768	195,668
Administrative assessment	820,145	693,128
Rent	11,330	9,996
Interest	6,670	8,004
Other expenses	<u>93,009</u>	<u>20,145</u>
	<u>2,404,438</u>	<u>1,982,498</u>
Surplus	\$ <u>50,489</u>	\$ <u>64,885</u>

**Statement of Retained Surplus
for the year ended March 31, 1999**

	1999	1998
		(Restated - Note 11)
Balance, beginning of year	\$ 566,195	\$ 642,702
<i>Add:</i> Non-Shareable surplus (deficit) (Note 11).	<u>220,456</u>	<u>(12,853)</u>
Adjusted Balance, beginning of year.	786,651	629,849
<i>Add:</i> Adjustment to Prior Years' Surplus.	---	343,146
Interest Revenue.	---	258,395
Transfer from Foundation	---	45,348
Other Revenues.	<u>---</u>	<u>34,276</u>
	786,651	1,311,014
<i>Less:</i> Decision Support System.	---	93,946
Forensic Renovations.	---	419,653
Other Expenses.	<u>---</u>	<u>10,764</u>
Balance, end of year	\$ <u>786,651</u>	\$ <u>786,651</u>

NOVA SCOTIA HOSPITAL

**Statement of Changes in Financial Position
for the year ended March 31, 1999**

	1999	1998
Operating Activities		
Surplus (Deficit) from operations	\$ (1,893,870)	\$ 76,479
Add (deduct): Increase in appropriated surplus	<u>345,504</u>	<u>---</u>
	(1,548,366)	76,479
 Add (deduct): changes in non-cash working capital items		
Decrease in accounts receivable	824,418	(1,294,044)
Decrease in inventory	13,225	15,184
Decrease in prepaid expenses	211,970	(133,733)
Increase in accounts payable	5,931,781	1,576,888
Decrease in deferred revenue	<u>257,476</u>	<u>(48,055)</u>
	5,690,504	192,719
 Add (deduct): changes in other operating accounts		
Decrease in due to PDDP	(752,508)	2,747,197
Decrease in due from IWK-Grace	130,354	9,709
Increase in payable to Department of Health	1,428,668	20,599
Increase in due to Department of Finance	---	351,649
Decrease in due to Central Laundry	<u>(12,808)</u>	<u>55,755</u>
 Cash provided by operating activities	<u>6,484,210</u>	<u>3,377,628</u>
 Financing		
Increase in retained earnings	---	156,802
Cash provided by financing activities	<u>---</u>	<u>156,802</u>
 Investing		
Purchase of Fixed Assets	(200,000)	---
Cash used by investing activities	<u>(200,000)</u>	<u>---</u>
 Increase in Cash	6,284,210	3,534,430
 Cash at Beginning of Year	<u>4,655,080</u>	<u>1,120,650</u>
 Cash at End of Year	<u><u>\$ 10,939,290</u></u>	<u><u>\$ 4,655,080</u></u>

NOVA SCOTIA HOSPITAL

Notes to Financial Statements

March 31, 1999

1. Authority

An Act to incorporate the Nova Scotia Hospital was proclaimed in 1967 to provide for the continuance of the Hospital.

The Nova Scotia Hospital is a Mental Health Centre providing a board interdisciplinary range of programs aimed at improving the mental health of Nova Scotians. The hospital is a consumer-focused organization that operates a community - oriented approach to integrated care delivery.

The Hospital's mission is to work in partnership with Nova Scotians to attain the highest possible level of mental health.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following:

Fixed Assets

These financial statements do not include the costs associated with construction and renovation projects of the Nova Scotia Hospital carried out by the Department of Transportation and Public Works.

These financial statements do not include the costs of the land and buildings of the Hospital. Title for those assets rests with the Province of Nova Scotia.

Equipment purchases are expensed in the year of acquisition with the exception of used laundry equipment purchased in 1998-99. The Nova Scotia Hospital purchased used laundry equipment from the Queen Elizabeth Health Science Centre totalling \$200,000. This equipment will be amortized over a ten year period, based on straight-line amortization commencing in 1999-2000.

Operating Costs

In 1999 the Province paid \$1,133,064 (1998 - \$538,454) for expenditures of the Hospital. This comprised of \$123,907 (1998 - \$140,020) for maintenance expenditures and \$1,009,157 (1998 - \$398,434) related to capital expenditures. These costs are not included in these financial statements.

Final Settlements

Adjustments to prior years' operating results arising from the final settlement process of the Department of Health are reflected in equity in the year they are determined.

Inventory

Inventory is valued at average cost.

3. Accounts Receivable

	1999	1998
Customer Receivables	\$ 1,561,035	\$ 1,153,492
<i>Less:</i> Allowance for Doubtful Accounts	<u>9,642</u>	<u>7,067</u>
	1,551,393	1,146,425
Tax Credits	231,029	475,532
Foundation	16,836	25,663
Accrued Recoveries	<u>262,927</u>	<u>1,238,983</u>
	<u>\$ 2,062,185</u>	<u>\$ 2,886,603</u>

4. Trifacilities Program

On June 30, 1994, the Nova Scotia Hospital entered into an agreement with the Izaak Walton Killiam - Grace Health Centre for Children, Women and Families (IWK - GHC) and the Atlantic Child Guidance Centre to establish the Trifacilities program. The purpose of the program is to provide mental health care, research and education for children and adolescents.

In 1999, costs of \$1,182,851 (1998 - \$1,384,176) incurred by the Nova Scotia Hospital in providing child mental health services were recovered from the IWK - GHC and are not included on the Statement of Shareable Revenues and Expenses.

5. Estimated Year-end Adjustments Due (to) from Department of Health

This account represents the net amount due from (to) the Department of Health at the end of the fiscal year. Recovery and payment of the annual surplus/deficit is dependent upon the approval by the Department of Health of the Hospital's final settlement claim.

	1999	1998
Hospital Operations, Deficit (Surplus)		
1996-97	\$ ---	\$ 160,538
1997-98	(76,479)	(76,479)
1998-99 Non-Portable surplus	(1,268,130)	---
	<u>\$ (1,344,609)</u>	<u>\$ 84,059</u>

6. Restricted Funds

These funds include monies designated for restricted purposes by the Hospital and monies held in trust for patients. These funds have been segregated from normal operating assets with a corresponding liability account established for the fulfilment of the restricted purposes and balances held for the patients.

7. Accounts Payable

	1999	1998
Trade Payables	\$ 2,736,653	\$ 662,915
Payroll Payables	3,808,748	1,719,994
Other Accrued Liabilities	<u>2,099,427</u>	<u>330,138</u>
	<u>\$ 8,644,828</u>	<u>\$ 2,713,047</u>

8. Deferred Revenue

This amount represents an advance payment to the Hospital from the Department of Health for funding for the 1999-2000 fiscal year.

9. Due to Department of Health

In prior years, the Department of Finance processed and recorded the receipts and disbursements of the Nova Scotia Hospital. The cumulative difference between receipts and disbursements was recognized as a liability to the Department of Finance at year end. As of April 1, 1997 the Hospital began to process and record its own receipts and disbursements. Repayment terms for this liability are not specified. Within the 1998-99 fiscal year this payable was transferred from the Department of Finance to the Department of Health.

10. Central Laundry Operations

The Nova Scotia Hospital administers the Central Laundry on behalf of the Department of Health and our health care customers. Customers participate in this administration through membership on the Board of Directors of the Central Laundry, which is advisory in nature. The ultimate authority for governing the program rests with the Board of Management of the Nova Scotia Hospital. Effective July 1994, the Nova Scotia Hospital entered into a management contract with Morrison-Crothall Support Services for the management and the day to day operations of the Central Laundry including marketing the service to potential new customers and ensuring current customers needs are met. The intent is for the laundry operation to be self-financing with any surplus/deficit to be shared by the partner hospitals. The Board of Directors - Central Laundry and Linen Services has determined that the operating surplus of \$50,489 for 1998-99 will be redistributed to the laundry operations or used to purchase equipment.

11. Retained Surplus

In June 1998, the Department of Health notified the Hospital that, effective April 1, 1998, all activities under the control of the Hospital are to be consolidated with no distinction between shareable and non-shareable activities. There will be no limit on the amount of surplus to be maintained by the Hospital. Effective April 1, 1998, Department of Health approval is no longer required for expenditures from existing Retained Surplus. The opening balance of retained surplus has been restated retroactively to reflect this change.

12. Public Service Superannuation Fund

All full-time employees of the Nova Scotia Hospital are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Hospital's operating expenses.

The Public Service Superannuation Fund is administered by the Department of Finance. The Hospital is not responsible for any unfunded liability.

13. Subsequent Events

Subsequent to March 31, 1999, the Nova Scotia Government publicly stated its intention to fund the accumulated operating deficits of hospitals as at March 31, 1999. Subsequent to this public statement, the government of Nova Scotia was defeated. Funding of the deficit of the Hospital will depend on the decisions of a government to be elected July 27, 1999.

14. Comparative Figures

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

15. Uncertainty Due to the Year 2000 Issue

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

16. Appropriated Surplus

Certain non-shareable revenues of the hospital have been appropriated by the Hospital Board during 1998-99. This fund is spent with approval from the Hospital Board. The revenues were previously classified as non-shareable activities before the Department of Health discontinued separate shareable and non-shareable activities (Note 11). For 1998-99 revenues of \$421,892 were appropriated and \$76,388 was expended for a net ending balance of \$345,504.

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated balance sheet of the Nova Scotia Innovation Corporation as at March 31, 1999 and the consolidated statements of earnings, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 11, 1999

NOVA SCOTIA INNOVATION CORPORATION

**Consolidated Balance Sheet
as at March 31, 1999**

ASSETS		1999	Restated 1998
Current			
Cash and short-term investments.....	\$	1,884,151	\$ 892,933
Accounts receivable (Note 5).....		2,544,209	2,204,018
Inventory.....		233,815	231,971
		<u>4,662,175</u>	<u>3,328,922</u>
Investments and Funds			
Nova Scotia First Fund (Note 6).....		12,088,215	11,960,235
Nova Scotia Information Highway (Note 7).....		---	676,065
Research Endowment Fund (Note 8).....		755,887	1,000,000
Other Investments (Note 9).....		686,179	701,341
		<u>13,530,281</u>	<u>14,337,641</u>
Capital Assets, net (Note 11).....		<u>7,294,462</u>	<u>7,521,314</u>
	\$	<u>25,486,918</u>	\$ <u>25,187,877</u>
LIABILITIES AND EQUITY			
		1999	Restated 1998
Current			
Accounts payable.....	\$	943,876	\$ 1,046,517
Due to Province of Nova Scotia.....		2,877,957	2,003,848
Deferred revenue.....		151,076	---
Current portion of Long-Term Debt (Note 12).....		38,964	12,299
		<u>4,011,873</u>	<u>3,062,664</u>
Nova Scotia Information Highway (Note 7)			
Claim payable.....		---	540,326
Fund Balance.....		---	135,739
		<u>---</u>	<u>676,065</u>
Long-Term			
Early Retirement Incentive Plans (Note 12).....		1,490,644	1,502,497
Due to NSBDC (Note 12).....		143,963	---
		<u>1,634,607</u>	<u>1,502,497</u>
Deferred Government Assistance			
		<u>650,307</u>	<u>656,204</u>
Equity			
75 Class A Common Shares, par value \$1.....		75	---
1 Principal Share, par value \$1.....		1	---
Contributed surplus - Nova Scotia First Fund (Note 6).....		11,110,791	11,110,791
Contributed surplus - Nova Scotia Research Foundation Corporation (Note 2).....		7,722,603	7,722,679
Contributed surplus - Applied Microelectronics Incorporated (Note 9).....		490,000	490,000
		<u>19,323,470</u>	<u>19,323,470</u>
Retained earnings (deficit)			
Restricted for Nova Scotia First Fund (Note 6).....		977,424	849,444
Unrestricted.....		(1,110,763)	(882,467)
		<u>(133,339)</u>	<u>(33,023)</u>
	\$	<u>25,486,918</u>	\$ <u>25,187,877</u>
Loan Guarantees (Note 13)			
Commitments (Note 6)			
See accompanying notes to the financial statements			

NOVA SCOTIA INNOVATION CORPORATION

**Consolidated Statement of Earnings
for the year ended March 31, 1999**

	1999	Restated 1998
Revenues and Grants (Note 14)		
Government Grants	\$ 3,550,004	\$ 3,761,193
Commercialization Services.....	1,571,908	2,114,107
Technical Services.....	1,680,810	1,505,306
Product Sales	603,637	936,673
Sector Development	537,095	308,581
Business Incubation	396,214	354,252
	<u>8,339,668</u>	<u>8,980,112</u>
Expenses		
Commercialization Services.....	1,899,027	2,616,191
Technology Services	1,594,742	1,713,473
Product Sales	782,173	763,054
Sector Development	721,013	392,850
Business Incubation	529,395	498,311
Corporate Services	1,256,071	1,190,193
Occupancy Costs	621,997	718,700
Corporate Office	547,599	741,385
	<u>7,952,017</u>	<u>8,634,157</u>
Income Before Under noted Items.....	<u>387,651</u>	<u>345,955</u>
Amortization.....	(621,226)	(758,237)
Investment income	128,980	102,574
Early retirement incentive plan expense.....	(123,701)	(125,744)
	<u>(615,947)</u>	<u>(781,407)</u>
Loss Before Nova Scotia First Fund Income.....	<u>(228,296)</u>	<u>(435,452)</u>
Nova Scotia First Fund income.....	127,980	434,935
Net Loss	<u>\$ (100,316)</u>	<u>\$ (517)</u>

**Consolidated Statement of Deficit
for the year ended March 31, 1999**

Retained Earnings, beginning of year, as previously reported	\$ 17,797	\$ 7,166
Prior period adjustment (Note 4)	(55,732)	(36,708)
Correction of errors in prior years	4,912	(2,964)
Retained Earnings (Deficit), beginning of year, as restated	<u>(33,023)</u>	<u>(32,506)</u>
Net Loss	<u>(100,316)</u>	<u>(517)</u>
Deficit, end of year	<u>\$ (133,339)</u>	<u>\$ (33,023)</u>

See accompanying notes to the financial statements.

NOVA SCOTIA INNOVATION CORPORATION

**Consolidated Statement of Cash Flows
for the year ended March 31, 1999**

	1999	Restated 1998
Cash From (Used In) Operations		
Net loss	\$ (100,316)	\$ (517)
Add (deduct):		
Amortization	621,226	758,236
Recognition of deferred government assistance.	(171,578)	(164,108)
Nova Scotia First Fund investment income (Note 6).	(127,980)	(434,935)
Equity in (earnings) loss of investee (Note 9).	(3,650)	8,023
Gain (loss) on disposal of capital assets.	7,132	---
Working capital adjustments	601,924	475,256
	<u>826,758</u>	<u>641,955</u>
Cash From (Used In) Investing Activities		
Nova Scotia First Fund portfolio investments, net.	915,763	2,245,000
Nova Scotia First Fund investments (Note 6).	(1,130,000)	(2,245,000)
Nova Scotia First Fund royalties and loan repayments.	214,237	---
Nova Scotia Information Highway Fund.	676,065	1,323,935
Repayments from (Advances to) AMEC, net.	162,775	(80,714)
Capital Lease Receivable.	(165,381)	---
Capital asset purchases	(409,798)	---
Research Endowment Fund (Note 8).	244,113	---
Proceeds from disposal of Capital Assets.	8,295	(310,748)
	<u>516,069</u>	<u>932,473</u>
Cash From (Used In) Financing Activities		
Nova Scotia Information Highway Industrial Support	(676,065)	(1,323,935)
Deferred government assistance	165,681	248,187
Assumption of AMEC debt to BDC.	165,381	---
Early retirement incentive plan principal repayments.	(6,606)	(38,602)
	<u>(351,609)</u>	<u>(1,114,350)</u>
Net Change in Cash Position	\$ <u>991,218</u>	\$ <u>460,078</u>
Ending Cash Balance	\$ 1,884,151	\$ 892,933
Beginning Cash Balance	892,933	432,855
Net Change in Cash Position	\$ <u>991,218</u>	\$ <u>460,078</u>

See accompanying notes to the financial statements.

NOVA SCOTIA INNOVATION CORPORATION

Notes to the Consolidated Financial Statements March 31, 1999

1. Authority

The Nova Innovation Corporation (InNOVAcorp) was established on February 6, 1995 by the Innovation Corporation Act. Its purpose is to build relationships that enable technology-based Nova Scotia firms to compete successfully for business anywhere in the world.

2. Dissolution of Nova Scotia Research Foundation Corporation

Effective April 1, 1996 the Nova Scotia Research Foundation Corporation (NSRFC) was dissolved and its enabling legislation revoked. All the rights, title, interest and obligations of NSRFC were transferred to InNOVAcorp on that date. These assets and obligations were recorded by InNOVAcorp at their fair market value as of the date of transfer. The excess of assets received over liabilities assumed was recorded as contributed surplus.

3. Accounting Policies

InNOVAcorp's financial statements have been prepared in accordance with generally accepted accounting principles, the most significant of which are as follows:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of InNOVAcorp and its wholly-owned subsidiary, Nova Magnetics Limited (NML). NML was transferred to InNOVAcorp on April 1, 1996 through the dissolution of the NSRFC.

(b) Cash and Short-term Investments

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair market value because they have maturities at the date of purchase of less than ninety days. Portfolio investments of the Nova Scotia First Fund which mature within ninety days are accorded the same treatment.

(c) Inventory

Inventory is valued at the lower of cost or net realizable value.

(d) Long-Term Investments

Venture capital investments made through the Nova Scotia First Fund and investments in companies over which InNOVAcorp does not have significant influence are carried at cost. InNOVAcorp's 50% investment in PlantSelect Biotechnology Systems Limited is accounted for using the equity method. Where there has been other than a temporary decline in value, these investments are written down to provide for the loss. Fixed income investments of the Nova Scotia First Fund with terms to maturity greater than ninety days are recorded at cost plus accrued interest.

(e) **Capital Assets**

Property, plant and equipment purchased or constructed by InNOVAcorp is stated at cost. Property, plant and equipment acquired by donation is stated at fair market value. Amortization of management information systems and the technology license are calculated on the straight-line basis over their economic lives of 10 years and 47.5 months respectively. Amortization of the other capital assets is based on the declining balance method over the estimated economic life of the related class of assets as follows:

Buildings	4%
Computer equipment	30%
Equipment, furniture and fixtures	20%
Improvements to non-owned buildings	100%

(f) **Donated Assets**

The donation of assets to InNOVAcorp is considered a capital contribution. These assets are recorded at their fair market value with an offsetting increase to a contributed capital account identifying the source of the donation. These assets are charged to income over their estimated economic life.

(g) **Government Grants and Deferred Government Assistance**

The portion of any government grants used for the acquisition of property, plant and equipment is recorded as deferred government assistance and recognized as income on the same basis as the related assets are amortized. The remainder of these grants is recognized as income in the year they are received.

4. **Change in Accounting Policies**

(a) **Building Renovations**

During the year InNOVAcorp adopted the policy of charging building renovations to expense. This policy change was applied retroactively and prior periods have been restated to reflect this change. The effect of this change was to reduce Capital Assets net of accumulated depreciation and Deferred Government Assistance as at March 31, 1998 by \$539,390. Overall the change has no effect on reported earnings in the current or any other period. However, the change does have the effect of increasing the amount of Provincial Funding recognized in 1998 by \$167,986; increasing the amount charged to Occupancy Costs in 1998 by \$186,573 and reducing the amount charged to Amortization in 1998 by \$18,387.

(b) **Vacation and time in Lieu**

During the year InNOVAcorp adopted the policy of accruing vacation and time in lieu liabilities. The change has been applied retroactively for InNovacorp and predecessor organizations and prior periods have been restated as follows to reflect this change:

	1998
Decrease in net earnings	\$ 19,024
Decrease in beginning retained earnings	36,708
Increase in other investments	21,138
Accounts payable	186,621
Decrease in contributed surplus	(109,751)

5. **Accounts Receivable**

During 1998/99, the Board of Directors of InNOVAcorp approved the write-off of \$97,737 (1998 - Nil) in accounts receivable.

6. Nova Scotia First Fund

In 1989 the Nova Scotia FIRST Fund (NSFF) was established by Governor in Council. The objective of the fund is to encourage the development of high technology industries and to encourage the adoption of new technologies by existing industries. Fund investments represent investments in development stage enterprises and, as such, have not yet earned significant revenues from their intended business activities or established their commercial viability. The recovery of invested amounts and the realization of investment returns is dependent upon the successful resolution of scientific, regulatory, competitive and other risk factors, as well as the eventual commercial success of these enterprises. Adverse developments could result in write downs of the carrying values of these investments.

During 1996-97 InNOVAcorp assumed management of the NSFF, pursuant to the Innovation Corporation Act. The administration of investments and obligations made through the NSFF to April 1, 1996 was also transferred to InNOVAcorp. Fund activity during the current year is summarized below:

	Portfolio Investments	Fund Investments	Fund Obligations	Valuation Adjustment	Fund Balance
Beginning					
Balance	\$ 9,337,495	\$ 5,772,842	\$ (277,500)	\$ (2,872,602)	\$ 11,960,235
Add (Deduct):					
Investment Income					
(allowance)	371,341	131,639	---	(375,000)	127,980
Equity investments . .	(1,130,000)	1,130,000	---	---	---
Write-offs	---	(1,800,000)	---	1,800,000	---
Loan repayments . . .	159,237	(159,237)	---	---	---
Royalty					
buy-back (1)	55,000	(55,000)	---	---	---
Ending Balance	<u>\$ 8,793,073</u>	<u>(2) \$ 5,020,244</u>	<u>\$ (277,500)</u>	<u>\$ (1,447,602)</u>	<u>\$ 12,088,215</u>

(1) InNOVAcorp entered into an agreement to sell its interest in one of its investments to the company's other shareholders. Payment for InNOVAcorp's shares will be made in royalties based on the company's sales and the sales of a related company. Payments received are being applied first to eliminate the investment and then to income recognition.

(2) The fair market value of Portfolio Investments on March 31, 1999 was \$8,717,710.

InNOVAcorp is entitled to recover direct expenses associated with its administration of the NSFF. To date it has elected not to charge the Fund for any of the costs incurred. These costs were charged to the Commercialization Services division of the Corporation.

In addition to the above investments and obligations, as at March 31, 1999 there were \$75,000 of approved commitments for the NSFF (1998 - \$780,000) and a guarantee of \$115,000 (1998 - \$115,000).

Under a Memorandum of Understanding, the Royal Bank Capital Corporation (RBCC) and InNOVAcorp will co-invest \$3 million (on a two-thirds/one third basis) in early stage, high growth Nova Scotian companies in the life sciences and advanced materials sectors. The agreement is for a two-year term, extendable by mutual consent. At March 31, 1999 no investments have been placed under this agreement.

6. Nova Scotia First Fund (continued):

InNOVAcorp and TARA (Telecom Applications Research Alliance) have entered into a \$2 million investment alliance agreement to support emerging information technology (IT) companies. This strategic alliance will provide capital to IT companies with high growth potential. It will be targeted at early-stage companies seeking \$100,000 to \$300,000 in venture financing. A subcommittee of representatives from both organizations will manage the joint venture. At March 31, 1999 no investments have been placed under this agreement.

7. Nova Scotia Information Highway

The Province of Nova has entered into an agreement to accelerate the development of the information highway in Nova Scotia through the establishment of a research center in Nova Scotia. The agreement provides for up to \$10 million in support of this development of which \$2 million to InNOVAcorp to maintain in a segregated account to provide for the non-payable portion of the agreement. At March 31, 1999 \$2,000,000 (1998 - \$1,864,261) had been claimed towards establishing this research centre.

8. Research Endowment Fund

The Research Endowment Fund was transferred to InNOVAcorp when the Nova Scotia Research Foundation Corporation was dissolved. Subject to any directions provided by the Governor in Council, the Fund is administered and controlled by InNOVAcorp. The Fund can be used for purposes consistent with the objects of InNOVAcorp. During the year, \$244,113 of the fund was used to complete the strategic acquisition of the assets of the Advanced Materials Engineering Centre.

9. Other Investments (net)

	1999	1998
Investment in Applied Microelectronics Incorporated-see (a)	\$ 490,000	\$ 490,000
Capital Lease and Long Term Notes Receivable	143,963	---
Advanced to the Advanced Materials Engineering Center	---	162,775
Investment in common shares of British Columbia Research Incorporated	41,042	41,042
Investment in PlantSelect Biotechnology Systems Limited-see (b)	11,174	7,524
	<u>\$ 686,179</u>	<u>\$ 701,341</u>

(a) InNOVAcorp entered into an agreement with Applied Microelectronics Incorporated (AMI) to facilitate the privatization of the entity. On August 30, 1996, the net assets of AMI were transferred to InNOVAcorp. They were recorded at their fair market value of \$490,000 with an offsetting amount recognized as contributed surplus. On the same date, InNOVAcorp transferred the net assets of AMI to a newly formed private company, Applied Microelectronics Incorporated, in exchange for \$490,000 of 3% non-cumulative preferred shares.

(b) This amount represents the net book value of the investment after an increase of \$3,650 (1988 - a decrease of \$8,023) to recognize 50% of the net income (loss) of PlantSelect Biotechnology Systems Limited operations as of March 31, 1999.

10. Acquisition of Advanced Materials Engineering Centre

Effective March 31, 1999, InNOVAcorp completed an agreement of purchase and sale with the Advanced Materials Engineering Centre (AMEC). Under this agreement, InNOVAcorp acquired all of AMEC's assets in exchange for assumption of a \$197,500 obligation to the Nova Scotia Business Development Corporation (BDC) and cash. The transaction has been accounted for as follows:

Capital Lease Receivable	\$	165,381
Capital Assets		<u>244,113</u>
		409,494
Less: BDC obligation assumed		<u>165,381</u>
Equals Consideration	\$	<u><u>244,113</u></u>

11. Capital Assets

	Cost	1999 Accumulated Amortization	Carrying Value	1998 Carrying Value
Land	\$ 350,700	\$ ---	\$ 350,700	\$ 350,700
Buildings	5,926,357	682,225	5,244,132	5,454,629
Machinery and equipment	1,911,995	784,605	1,127,390	1,047,513
Computer equipment	742,283	409,436	332,847	397,821
SE Technology license	111,000	96,830	14,170	28,340
Furniture & fixtures	168,088	68,767	99,321	116,833
Leasehold improvements	162,267	162,267	---	---
Management information systems	146,474	20,572	125,902	125,478
	<u>\$ 9,519,164</u>	<u>\$ 2,224,702</u>	<u>\$ 7,294,462</u>	<u>\$ 7,521,314</u>

12. Long-Term Debt

(a) Early Retirement Incentive plans

In February 1991 and November 1993, the Province of Nova Scotia announced its intention to implement Early Retirement Incentive Plans. As an outside agency, the Nova Scotia Research Foundation Corporation was invited to participate providing it agreed to pay the Province all costs of the Plans not covered by the Public Service Superannuation Fund. By resolutions of the Board of Directors on March 18, 1991 and January 20, 1994, NSRFC's participation in the Plans was authorized. The liabilities were transferred to InNOVAcorp upon the dissolution of NSRFC.

A liability in the amount of \$1,508,190 has been accrued as at March 31, 1999 (1998 - \$1,514,796). This amount represents management's best estimate of the present value of the future payments required under the Plans. Of the total liability, \$17,546 (1998- \$12,299) has been classified on the balance sheet as current and \$1,490,644 (1998 - \$1,502,497) has been classified as long-term.

(b) Business Development Corporation Obligation

Effective March 31, 1999, InNOVAcorp completed an agreement of purchase and sale with the Advanced Materials Engineering Centre (AMEC). Under this agreement InNOVAcorp assumed \$197,500 of AMEC's obligation under its debenture with the Nova Scotia Business Development Corporation.

A liability in the amount of \$165,381 has been accrued as at March 31, 1999. This amount represents management's best estimate of the present value of the future payments required. Of the total liability, \$21,418 has been classified on the balance sheet as current and \$143,963 has been classified as long-term.

Aggregated payments required under the Early Retirement Incentive Plans and the Business Development Corporation obligation in each of the next five years are as follows:

	Estimated Cash Flows	Imputed Interest	Principal Reduction
1999-00	169,188	130,224	38,964
2000-01	173,278	127,561	45,717
2001-02	179,101	124,395	54,706
2002-03	184,320	120,677	63,643
2003-04	189,721	118,485	71,236

13. Loan Guarantee

The Corporation has provided a \$150,000 guarantee to Applied Microelectronics Incorporated as security for its operating line of credit.

14. Revenue and Grants

InNOVAcorp receives an annual grant from the Province of Nova Scotia as well as funding from various other Federal and Provincial government agencies. Funding related to the operating activities of a business unit has been included in the revenue of that unit. Included in Commercialization Services division revenue is government assistance of \$0 (1998 - \$433,973) for direct expenses incurred for the Technical People in Industry (TPI) program.

Funding related to the acquisition of capital assets is included in government grants. Details of this funding are as follows:

	1999	1998
Grant from Province of Nova Scotia	\$ 3,521,000	\$ 3,693,000
Assistance received or receivable under various funding agreements for capital acquisitions	23,111	152,490
Less: Government funding used to finance capital assets	(165,685)	(310,748)
Amortization of assets financed through Government assistance	164,446	226,450
Loss on disposal of assets financed through Government assistance.	<u>7,132</u>	<u>---</u>
	<u>\$ 3,550,004</u>	<u>\$ 3,761,192</u>

15. Year 2000

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

InNOVAcorp has evaluated the risks associated with the year 2000, in regards to computer systems and applications using a two-digit code to designate a year. At century change, date-sensitive systems will recognize code 00 as the year 1900, or not at all, thereby causing incorrect processing of financial and operational information.

InNOVAcorp has completed an assessment of PC hardware, network hardware and packaged software currently being used and has in place a plan to address the necessary modifications and replacements. Current efforts are directed at verifying imbedded systems, supplier assessments and the legal aspects of year 2000 risk mitigation.

To date management does not anticipate any material impact on its operations, although there can be no assurance that these modifications will be successful. However, cost incurred to date and anticipated to be incurred in connection with these modifications have not had, and will not have, a material impact on the financial position of the Corporation.

16. Public Service Superannuation Fund

Employees of InNOVAcorp, other than casual employees, are entitled to receive pension benefits pursuant to the provisions of the pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the expenses of InNOVAcorp's divisions.

The Department of Finance administers the Public Service Superannuation Fund. InNOVAcorp is not responsible for any unfunded liability.

17. Public Service Awards

Employees of the Corporation are entitled to Public Service Awards on retirement. The Awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of 26 weeks. The cost of the Award is provided for by the Corporation at the time the employee retires.

18. Related Party Transaction

Entity	Relationship	Sales To	Purchases From	Year End Receivable	Year End Payable
PlantSelect Biotechnology Systems Limited	50% Investee	(1) \$ 45,080	\$ ---	\$ 98,823	\$ ---
BioScience Enterprise Centre	Managed Incubator	274,661	5,750	274,661	---
Agric-Tech Park Inc.	Managed Incubator	304,932	---	240,254	---

(1) Facilities and administrative services are provided to PlantSelect Biotechnology Systems Limited at no cost as part of the business incubation process.

Other than as noted above, the terms of these transactions are the same as with unrelated parties and as such have been measured at the exchange amount. InNOVAcorp also has the use of the Technology Innovation Center, which is owned by the Province of Nova Scotia, at no cost.

19. Comparative Figures

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

AUDITOR'S REPORT

To the Minister of Justice; and
To the Chair and Members of the
Nova Scotia Legal Aid Commission

I have audited the balance sheet of the Nova Scotia Legal Aid Commission as at March 31, 1999, and the statement of revenues, expenses and surplus for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Nova Scotia Legal Aid Commission as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 28, 1999

NOVA SCOTIA LEGAL AID COMMISSION

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current		
Cash	\$ 738,167	\$ ---
Investments (Note 3)	1,449,883	2,183,548
Receivables	126,898	53,982
Prepaid expenses	35,181	34,178
	<u>2,350,129</u>	<u>2,271,708</u>
Trust fund - long service awards (Note 4)	822,455	670,445
Furniture, equipment, and leasehold improvements (Note 2)	1	1
	<u>\$ 3,172,585</u>	<u>\$ 2,942,154</u>

LIABILITIES AND SURPLUS

Current		
Bank indebtedness	\$ ---	\$ 232,328
Accounts payable and accruals		
Supplies and services	172,096	75,013
Accrued private solicitors' fees (Note 5)	819,937	780,632
Employee salaries and benefits	127,254	264,169
Deferred government assistance (Note 6)	349,111	---
	<u>1,468,398</u>	<u>1,352,142</u>
Long-term		
Accrued vacation (Note 7)	21,498	43,825
Early retirement incentive program (Note 8)	167,716	168,185
Long service awards (Note 9)	822,455	670,445
	<u>1,011,669</u>	<u>882,455</u>
Surplus (Note 10)	692,518	707,557
	<u>\$ 3,172,585</u>	<u>\$ 2,942,154</u>

Commitments and contingencies (Note 10)

NOVA SCOTIA LEGAL AID COMMISSION

**Statement of Revenues, Expenses and Surplus
for the year ended March 31, 1999**

Revenues

Grant - Province of Nova Scotia	\$ 10,737,889	\$ 10,248,000
Interest	166,867	102,647
Other income	45,053	2,750
	<u>10,949,809</u>	<u>10,353,397</u>

Expenses (Schedule I)

Directors' fees	47,985	57,156
Equipment and maintenance	85,414	71,598
Leasehold improvements	6,625	20,347
Library	127,316	124,740
Membership, meetings and conferences	194,369	192,382
Office disbursements	215,543	190,858
Private solicitors' fees (Note 5)	1,977,313	1,830,068
Professional and other fees	129,812	60,187
Salaries and benefits	7,018,419	6,408,165
Supplies and services	895,712	908,505
Travel	266,340	246,247
	<u>10,964,848</u>	<u>10,110,253</u>

(Deficiency) Excess of revenues over expenses (15,039) 243,144

Surplus, beginning of year	<u>707,557</u>	<u>464,413</u>
Surplus, end of year (Note 10)	<u><u>\$ 692,518</u></u>	<u><u>\$ 707,557</u></u>

NOVA SCOTIA LEGAL AID COMMISSION

Notes to Financial Statements March 31, 1999

1. Authority

The Nova Scotia Legal Aid Commission was established in 1977 pursuant to the Legal Aid Act. The Act and Regulations stipulate that the Commission can provide legal services to persons whose income is derived primarily from municipal or provincial social assistance or to persons in an equivalent position.

Commission activities are funded by a grant from the Province of Nova Scotia. The Province in turn receives a contribution from the Government of Canada for legal aid provided by the Commission.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging furniture and equipment acquisitions and leasehold improvements to expenses in the year of purchase.

3. Investments

Investments consist of banker acceptance notes and are valued at cost, which approximates market value.

4. Trust Fund - Long Service Awards

The Commission follows the provisions of the Civil Service Act with respect to the payment of long service awards to retiring employees. The Commission is responsible for the funding and eventual payment of these awards.

The Commission maintains a trust fund to provide for the eventual payment of awards and to administer long service award advances. The Commission provides contributions, from general operating funds, to defray future obligations for long service awards.

In prior years, employees with 15 years of employment could apply for an advance on their long service award. Advances are repayable upon retirement or termination, together with interest at the provincial borrowing rate which existed at the time of the advance. As at March 31, 1999 six employees have received advances. Advances plus accrued interest at March 31, 1999 totalled \$146,832 (1998 - \$141,487).

4. Trust Fund - Long Service Awards (continued):

	1999	1998
Balance, beginning of year	\$ 670,445	\$ 623,302
<i>Add:</i>		
Contribution from operating funds	117,893	49,923
Interest on long service award advances	8,945	8,945
Interest on investments	26,052	16,721
	<u>152,890</u>	<u>75,589</u>
<i>Less:</i>		
Long service awards paid to retiring employees	880	28,446
Balance, end of year	<u>\$ 822,455</u>	<u>\$ 670,445</u>
Consisting of:		
Cash	\$ 439	13,593
Securities and accrued interest on securities	612,197	515,365
Receivable - long service award advances and accrued interest on advances	146,832	141,487
Contribution due from operating funds	62,987	---
	<u>\$ 822,455</u>	<u>\$ 670,445</u>

5. Measurement Uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized in the financial statements. This exists when there is a variance between the recorded amount and another reasonably possible amount.

Measurement uncertainty in these financial statements is inherent in the recording of accrued private solicitors' fees. At the end of each fiscal year the Commission has a liability for work conducted by private solicitors that is not yet billed and paid. At March 31, 1999, a liability of \$819,937 (1998 - \$780,632) was recorded, of which \$658,636 (1998 - \$714,553) was estimated using a system that incorporates average costs and time frames for similar cases over the last two years. The estimate will vary from the eventual billings from private solicitors due to the specific requirements of each case.

6. Deferred Government Assistance

The Province of Nova Scotia contributed \$353,000 to the Commission to offset anticipated costs of upgrading the Commission's computer systems so they remain operational in the Year 2000 (see Note 12). The grant will be recognized as income in the same fiscal period as the related expenses are incurred. At March 31, 1999 \$349,111 of the grant remained unexpended and is recorded as deferred government assistance. Over the next 32 months, \$40,071 is committed to future minimum lease payments.

7. Accrued Vacation

Employees may carry forward to future years up to five days of vacation leave in any given year. Accumulated vacation leave must be taken over the next two years. Earned but unused vacation leave at March 31, 1999 totalled \$54,562 (1998 - \$96,667), of which \$21,498 (1998 - \$43,825) is classified as a long-term liability.

8. Early Retirement Incentive Program

The Commission is participating in an Early Retirement Incentive Program offered by the Province of Nova Scotia to crown agencies. A liability in the amount of \$180,007 (1998 - \$180,465) has been accrued on March 31, 1999. This amount represents management's best estimate of the present value of the future payments required under the Program. Of the total liability, \$12,291 (1998 -\$12,280) has been classified on the balance sheet as current and \$167,716 (1998 -\$168,185) has been classified as long-term.

Eligibility for the Program ended March 31, 1998.

9. Long Service Awards

Employees of the Commission are entitled to long service awards upon retirement. The awards are based on the number of years of service of the employee, and are earned at the rate of one week's pay for every year of service, to a maximum of 26 weeks.

In 1999, the Commission engaged an outside consultant to estimate the liability relating to the awards. Based on the estimate of the present value of obligations respecting long service awards at March 31, 1999, the long service award trust funds of \$822,455 (1998 - \$670,445) are sufficient to fund the liability.

10. Commitments and Contingencies

- (a) The Commission assigns cases to private solicitors where a conflict of interest arises, or when choice of counsel is elected by the client in certain criminal cases. The Commission estimates that in addition to the \$819,937 liability for private solicitor's fees reflected in the financial statements, a further expenditure after March 31, 1999 of approximately \$488,862 may be required to complete these cases.

The surplus balance of the Commission is committed to fund the eventual completion of private solicitor cases outstanding at year end.

- (b) The Commission has entered into lease agreements for eleven of its offices. The remaining two offices do not have formal lease agreements. Lease agreements typically call for payment of a base rent plus a provision for the Commission's portion of operating costs and property taxes. Lease terms vary by office.

Minimum lease payments for signed lease agreements for the next five years, not including operating costs and taxes, are as follows:

1999-2000	\$	458,734
2000-2001	\$	373,440
2001-2002	\$	130,185
2002-2003	\$	82,248
2003-2004	\$	74,520

- (c) The Commission provides funding to Dalhousie Legal Aid Services. The Commission has agreed to provide up to \$230,800 to Dalhousie Legal Aid Services for the year ending March 31, 2000.

11. Pensions

Pursuant to Section 7 of the Legal Aid Act, all permanent employees of the Commission are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability with respect to the superannuation fund.

12. 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 with respect to dates in 1999. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Commission's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of suppliers or other third parties, will be fully resolved.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA LEGAL AID COMMISSION

Schedule of Expenses

for the year ended March 31, 1999

	1999		1998
	Budget	Actual	Actual
Directors' fees	\$ 63,400	\$ 47,985	\$ 57,156
Equipment and maintenance			
Office furniture and equipment	41,000	37,831	27,085
Office machine leasing	48,000	26,489	12,818
Office machine maintenance	41,700	21,094	31,695
	<u>130,700</u>	<u>85,414</u>	<u>71,598</u>
Leasehold improvements	18,300	6,625	20,347
Library	115,000	127,316	124,740
Membership, meetings and conferences			
Membership and dues	160,800	143,063	144,444
Meetings and conferences	60,000	51,306	47,938
	<u>220,800</u>	<u>194,369</u>	<u>192,382</u>
Office disbursements			
Civil and Family	142,000	105,781	108,098
Criminal	80,000	102,391	75,580
Young Offender	10,000	7,371	7,180
	<u>232,000</u>	<u>215,543</u>	<u>190,858</u>
Private solicitors' fees			
Civil and Family - conflicts	1,136,700	1,162,040	1,051,717
Criminal - choice of counsel	100,000	203,181	185,718
Criminal - conflicts	454,800	499,389	519,932
Young Offender - conflicts	178,000	112,703	72,701
	<u>1,869,500</u>	<u>1,977,313</u>	<u>1,830,068</u>
Professional and other fees			
Professional fees	30,500	37,355	27,187
Duty counsel fees	33,000	80,858	33,000
Consultants fees	---	11,599	---
	<u>63,500</u>	<u>129,812</u>	<u>60,187</u>
Salaries and benefits	6,717,800	7,018,419	6,408,165
Supplies and services			
Advertising	---	---	1,401
General cleaning and office expense	59,500	46,912	63,876
Heat, light and water	25,000	18,718	25,827
Occupational health and safety	---	2,607	---
Printing and stationery	75,000	80,703	76,358
Rent, insurance and taxes	531,000	525,077	506,066
Telephone and postage	245,000	221,695	234,977
	<u>935,500</u>	<u>895,712</u>	<u>908,505</u>
Travel	244,200	266,340	246,247
	<u>\$ 10,610,700</u>	<u>\$ 10,964,848</u>	<u>\$ 10,110,253</u>

AUDITORS' REPORT

To the Honourable Minister
in Charge of Administration
Liquor Control Act
Province of Nova Scotia
Halifax, Nova Scotia

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

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

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

KPMG LLP
Chartered Accountants

Halifax, Canada
June 11, 1999

THE NOVA SCOTIA LIQUOR COMMISSION

Balance Sheet
March 31, 1999, with comparative figures for 1998

ASSETS

	1999	1998
	(in thousands)	
Current assets:		
Cash	\$ 3,808	\$ 2,628
Accounts receivable	2,215	1,877
Inventories of stock in warehouse and stores	15,012	12,628
Prepaid expenses	<u>1,392</u>	<u>506</u>
	22,427	17,639
Property and equipment:		
Furniture, fixtures and portable equipment	5,708	12,130
Other equipment	6,916	7,117
Computers	4,385	1,961
Land and buildings	11,706	12,046
Capital and leasehold improvements	<u>21,374</u>	<u>19,961</u>
	50,089	53,215
Less: Accumulated depreciation and amortization	<u>35,894</u>	<u>40,003</u>
	14,195	13,212
Assets under capital lease	10,831	10,831
Less accumulated amortization	<u>7,462</u>	<u>6,929</u>
	<u>3,369</u>	<u>3,902</u>
	\$ <u>39,991</u>	\$ <u>34,753</u>

LIABILITIES

Current liabilities:		
Accounts payable and accrued liabilities	\$ 16,814	\$ 16,119
Current portion of obligations under capital leases (note 2)	<u>279</u>	<u>243</u>
	17,093	16,362
Long-term liability:		
Obligations under capital lease (note 2)	8,848	9,127
Due to Minister of Finance:		
Balance, beginning of year	9,264	19,585
Remittances	<u>9,264</u>	<u>19,585</u>
	---	---
Current year:		
Net income	129,223	118,429
Remittances	<u>115,173</u>	<u>109,165</u>
Balance, end of year	<u>14,050</u>	<u>9,264</u>
	\$ <u>39,991</u>	\$ <u>34,753</u>

Operating Leases (Note 3)
 See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR COMMISSION

Statement of Income
Year ended March 31, 1999, with comparative figures for 1998

	1999	% of Sales	1998	% of Sales
		(in thousands)		
Net sales	\$ 351,662	100.0	\$ 331,868	100.0
Cost of goods sold	<u>176,451</u>	<u>50.2</u>	<u>167,563</u>	<u>50.5</u>
	175,211	49.8	164,305	49.5
Stores' operating expenses	<u>31,359</u>	<u>8.9</u>	<u>30,218</u>	<u>9.1</u>
Income, store operations	143,852	40.9	134,087	40.4
Depreciation	3,898	1.1	5,121	1.6
Warehousing and distribution expenses	3,774	1.1	3,563	1.1
Administrative expenses (note 4)	8,306	2.4	7,762	2.3
Other revenue	(2,657)	(0.8)	(2,950)	(0.9)
Other expenses	<u>514</u>	<u>0.1</u>	<u>1,157</u>	<u>0.3</u>
	13,835	3.9	14,653	4.4
Income before unusual item	<u>130,017</u>	<u>37.0</u>	<u>119,434</u>	<u>36.0</u>
Early retirement program	<u>794</u>	<u>0.2</u>	<u>1,005</u>	<u>0.3</u>
Income from operations	\$ <u>129,223</u>	<u>36.8</u>	\$ <u>118,429</u>	<u>35.7</u>

Statement of Changes in Financial Position
Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
		(in thousands)
Cash provided by (used in):		
Operations:		
Income from operations	\$ 129,223	\$ 118,429
Depreciation and amortization not involving cash	3,898	5,121
Gain on sale of property and equipment	(438)	---
Change in non-cash operating working capital	<u>(2,913)</u>	<u>8,082</u>
	129,770	131,632
Financing:		
Principal payments on obligations under capital lease	(243)	(211)
Investments:		
Additions to property and equipment	(4,348)	(4,496)
Proceeds on sale of property and equipment	<u>438</u>	<u>---</u>
	(3,910)	(4,496)
Other:		
Remittances to Minister of Finance	<u>(124,437)</u>	<u>(128,750)</u>
Increase (decrease) in cash	1,180	(1,825)
Cash, beginning of year	<u>2,628</u>	<u>4,453</u>
Cash, end of year	\$ <u>3,808</u>	\$ <u>2,628</u>

See accompanying notes to financial statements.

THE NOVA SCOTIA LIQUOR COMMISSION

**Notes to Financial Statements
Year ended March 31, 1999**

The Nova Scotia Liquor Commission administers the Liquor Control Act, Chapter 260 of the Revised Statutes of Nova Scotia, 1989.

1. Significant accounting policies:

(a) Inventories:

Inventories of stock in warehouse and stores are valued at the lower of cost and net realizable value. Customs and excise tax have not been included where payment is due upon shipment from bonded warehouse.

(b) Property and equipment:

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

Asset	Rate
Furniture, fixtures, portable equipment, other equipment and capital and leasehold improvements	10%
Computers - stand-alone	33%
Computers - integrated systems	20%
Land and buildings	5%

In the year of addition, depreciation is charged at the full annual rate.

Land costs which normally would not be depreciated are depreciated due to the retention of proceeds by the Province of Nova Scotia.

(c) Assets under capital lease:

Assets under capital lease are amortized over their estimated useful lives using the straight-line method.

2. Obligation under capital lease:

The Nova Scotia Liquor Commission has an obligation under a capital lease, which matures in 2011. The obligation represents the total present value of future minimum lease payments discounted at the rate implicit in the lease which is 13.8%. The following is a schedule by years of future minimum lease payments together with the balance of the obligation under capital lease as of March 31, 1999:

2000	\$ 1,536,000
2001	1,537,000
2002	1,536,000
2003	1,537,000
2004	1,536,000
2005-2011	<u>11,907,000</u>
Total minimum lease payments	19,589,000
Less amount representing interest	<u>(10,462,000)</u>
Balance of obligation	9,127,000
Less current portion of obligation under capital lease	<u>279,000</u>
	\$ <u><u>8,848,000</u></u>

3. Operating leases:

The Nova Scotia Liquor Commission leases buildings, premises and equipment under operating leases which expire at various dates between 2000 and 2011. Some of these operating leases contain renewal options at the end of the initial lease term.

The following is an approximate schedule by years of future minimum rental payments required under operating leases that have initial lease terms in excess of one year, as of March 31, 1999:

2000	2,779,000
2001	2,239,000
2002	1,792,000
2003	1,215,000
2004	931,000
2005-2011	<u>3,225,000</u>
Total minimum payments required	<u>\$ 12,181,000</u>

4. Administrative expenses:

Administrative expenses also include the following:	1999	1998
		(in thousands)
Interest on obligation under capital lease	\$ 1,294	\$ 1,353

5. Pension plan and retirement obligations:

Full time employees of the Nova Scotia Liquor Commission are members of the Nova Scotia Public Service Superannuation Plan.

6. Uncertainty due to the Year 2000 issue:

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

AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of Nova Scotia Municipal Finance Corporation as at March 31, 1999 and the statements of revenue, expenditure and reserve fund and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

KPMG LLP
Chartered Accountants

Halifax, Canada
May 10, 1999

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

**Balance Sheet
March 31, 1999 with comparative figures for 1998**

	1999	1998
ASSETS		
Current assets:		
Cash	---	\$ 81,503
Short-term investments, at amortized cost (market - \$3,455,000; 1998- \$5,500,000)	3,455,000	5,500,000
Accrued interest receivable	19,724,592	20,265,150
Principal due within one year on loans to units	138,251,338	73,041,907
	<u>161,430,930</u>	<u>98,888,560</u>
Long-term assets:		
Loans to units (note 3)	663,797,018	631,772,585
Less principal included in current assets	138,251,338	73,041,907
	<u>525,545,680</u>	<u>558,730,678</u>
Investments, at amortized cost (market - \$6,963,760; 1998 - \$6,968,789)	6,812,392	6,657,800
	<u>532,358,072</u>	<u>565,388,478</u>
Deferred charges:		
Discount on debenture debt	3,448,089	3,127,118
Less accumulated depreciation	2,239,951	1,965,909
	<u>1,208,138</u>	<u>1,161,209</u>
	<u>\$ 694,997,140</u>	<u>\$ 665,438,247</u>
Trust fund assets (note 4)	<u>\$ 159,700,364</u>	<u>\$ 155,185,127</u>

LIABILITIES AND EQUITY

Current liabilities:		
Bank indebtedness	\$ 79,620	---
Accounts payable	22,391	18,436
Accrued interest payable	19,332,265	20,359,044
Principal due within one year on debenture debt	139,466,000	73,756,000
	<u>158,900,276</u>	<u>94,133,480</u>
Long-term debt:		
Debentures payable (note 5)	669,451,000	638,140,000
Less principal included in current liabilities	139,466,000	73,756,000
	<u>529,985,000</u>	<u>564,384,000</u>
Deferred credits:		
Discount on loans to units	3,480,273	3,159,330
Less accumulated amortization	2,304,138	2,043,182
	<u>1,176,135</u>	<u>1,116,148</u>
Equity:		
Reserve Fund:		
Residual Reserve Fund	4,579,479	5,234,619
Reserve for debenture/loan interest differential	356,250	570,000
	<u>4,935,729</u>	<u>5,804,619</u>
	<u>\$ 694,997,140</u>	<u>\$ 665,438,247</u>
Trust funds under administration (note 4)	<u>\$ 159,700,364</u>	<u>\$ 155,185,127</u>

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

**Statement of Revenue, Expenditure and Reserve Fund
Year ended March 31, 1999 with comparative figures for 1998**

	1999	1998
Revenue:		
Interest on loans to units	\$ 56,436,788	\$ 54,875,381
Amortization of discount on loans to units	260,956	252,694
Interest on short-term investments	754,580	668,919
Current discount on loans to units	730,747	585,844
	<u>58,183,071</u>	<u>56,382,838</u>
Expenditure:		
Interest on debenture debt and short-term loans.	56,644,939	55,598,350
Amortization of discount on debenture debt	274,042	265,064
Debenture issue expenses	467,727	491,914
Administrative expenses (note 6)	165,253	175,374
	<u>57,551,961</u>	<u>56,530,702</u>
Net revenue (expenditure)	631,110	(147,864)
Reserve fund, beginning of year	5,804,619	5,952,483
Payment of provincial portion of surplus to Province of Nova Scotia (note 7).	<u>(1,500,000)</u>	<u>---</u>
Reserve fund, end of year.	<u>\$ 4,935,729</u>	<u>\$ 5,804,619</u>

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

**Statement of Changes in Financial Position
year ended March 31, 1999 with comparative figures for 1998**

	1999	1998
Cash provided by (used in):		
Operations:		
Net revenue (expenditure) \$	631,110	(147,864)
Add (deduct) items not involving cash:		
Amortization of discount on loans to units	(260,956)	(252,694)
Amortization of discount on debenture debt	274,042	265,064
Amortization of premium on investments	(154,592)	(85,226)
Change in non-cash working capital (note 8)	<u>(482,266)</u>	<u>(18,253)</u>
	<u>7,338</u>	<u>(238,973)</u>
Investments:		
Issue of loans of \$105,066,340 to units on security of debentures, net of discounts of \$320,943 (1998- \$146,844,300 net of discounts of \$764,287)	<u>(104,745,397)</u>	<u>(146,080,013)</u>
Principal received on loans to units.	<u>73,041,907</u>	<u>51,378,482</u>
	<u>(31,703,490)</u>	<u>(94,701,531)</u>
Financing:		
Issue of debentures of \$105,067,000, net of discounts of \$320,971 (1998 - \$146,818,000 net of discounts of \$764,053)	104,746,029	146,053,947
Principal payment on debenture debt	(73,756,000)	(51,278,000)
Payment of provincial portion of surplus to Province of Nova Scotia	<u>(1,500,000)</u>	<u>---</u>
	<u>29,490,029</u>	<u>94,775,947</u>
Decrease in cash position.	(2,206,123)	(164,557)
Cash position, beginning of year	5,581,503	5,746,060
Cash position, end of year	\$ <u><u>3,375,380</u></u>	\$ <u><u>5,581,503</u></u>

Cash position is defined as cash and short-term investments less bank indebtedness.

See accompanying notes to financial statements.

NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

Notes to Financial Statements Year ended March 31, 1999

The corporation was created by the Municipal Corporation Act which was proclaimed on July 31, 1979. The corporation began operations on January 1, 1980 and has a March 31 fiscal year end. The object of the corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district school boards, and hospitals through a central borrowing authority.

1. Summary of significant accounting policies:

- (a) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.
- (b) The Reserve Fund was created from interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the Corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.
- (c) The Reserve for debenture/loan interest differential represents an allocation approved by the Board of Directors to fund the negative interest on loans maturing to the year 2000.

2. Fair values of financial instruments:

Financial assets and financial liabilities:

The fair values of cash, accrued interest receivable, accrued interest payable and principal due within one year on loans to units are assumed to approximate their carrying amounts because of their short-term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements. The fair values of payables and principal due within one year on debenture debt are assumed to approximate their carrying amounts because of their short-term to maturity.

The fair values of the corporation's loans to units and debentures payable fluctuate with change in current lending rates. The corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As at March 31, 1999, the corporation's debenture debt was hedged by offsetting loans to units with the exception of approximately \$5,650,000 which was hedged by marketable securities. The fair market value of the marketable securities was \$6,963,760, while the fair market value of the debentures in excess of the loans to units was \$7,054,000. As the corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect the differences.

Trust fund assets managed by the corporation are completely offset by trust fund liabilities providing a hedge against fair value changes.

3. Loans to units:

(a) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 4.75% to 14.25%. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

(b) Principal payments receivable in each of the next five years are as follows:

2000	\$	138,251,338
2001	\$	154,062,464
2002	\$	57,096,986
2003	\$	78,111,328
2004	\$	39,026,486

4. Trust funds under administration:

Trust fund assets totalling \$159,700,364 (1998 - \$155,185,127) are held on behalf of certain municipal units and provincial debt issued for school and hospital construction. These funds represent sinking funds which are held by the corporation to be applied to the repayment of outstanding debenture debt at maturity.

5. Debentures payable:

(a) The debenture debt outstanding at March 31, 1998 totalling \$669,451,000 (1997 - \$638,140,000) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia.

Series	Date Issued	Maturity Date	Interest Rate	Debt Outstanding
A	Jan. 4/80	1998 to 2000	11.250	\$ 1,250,000
B	July 2/80	1998 to 2000	12.000	1,400,000
C	Dec. 19/80	1998 to 2000	13.375	2,500,000
D	Dec. 19/80	1998 to 2000	13.375	1,000,000
M	Aug. 28/84	1998 to 1999	14.250	100,000
N	Apr. 2/85	1998 to 2005	12.250-12.500	3,835,000
P	Dec. 11/85	1998 to 2000	10.750-11.000	2,000,000
W	Apr. 26/89	1999	11.250	40,100,000
X	Nov. 16/89	1999	10.500	43,000,000
Y	June 21/90	2000	11.750	44,000,000
Z	Nov. 15/90	2000	11.900	59,000,000
AA	May 29/91	1998 to 2001	10.375-10.500	12,800,000
AB	Oct. 30/91	1998 to 2001	9.500-9.750	14,855,000
AC	May 13/92	1998 to 2002	9.625-9.875	33,900,000
AD	Dec. 9/92	1998 to 2002	8.000-8.500	19,960,000
AE	May 5/93	1998 to 2003	7.750-8.500	13,900,000
AF	Nov. 18/93	1998 to 2003	6.750-7.625	11,150,000
AG	July 13/94	1998 to 2004	8.500-9.250	11,720,000
AH	Dec. 8/94	1998 to 2004	8.750-9.750	18,736,000
AI	May 2/95	1998 to 2005	8.375-9.125	13,145,000 *
AJ	Nov. 14/95	1998 to 2005	7.125-8.125	24,810,000
AK	May 14/96	1998 to 2006	6.250-8.000	35,332,000 *
AL	Oct. 28/96	1998 to 2006	5.250-7.500	17,664,000
AM	May 12/97	1998 to 2007	4.500-7.000	56,030,000 *
AN	Oct. 17/97	1998 to 2007	4.250-6.250	37,317,000 *
AP	Jan. 30/98	1999 to 2019	5.125-6.125	44,880,000 *
AQ	May 15/98	1999 to 2008	5.000-5.500	41,152,000
AR	Dec. 1/98	1999 to 2008	5.000-5.625	63,915,000 *
				<u>\$ 669,451,000</u>

* Placed directly with the Province of Nova Scotia

Interest is payable semi-annually.

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

2000	\$ 138,466,000
2001	\$ 158,684,000
2002	\$ 57,130,000
2003	\$ 78,342,000
2004	\$ 38,935,000

6. Administrative expenses:

	1999		1998
	Budget	Actual	Actual
Salaries and benefits \$	126,962	121,514	128,549
Travel	3,500	3,611	2,589
Equipment and maintenance	5,150	2,712	4,505
Printing	2,300	3,991	2,404
Postage	4,000	2,349	4,337
Telecommunications	5,000	3,914	3,500
Stationery and supplies	5,000	2,626	3,430
Professional services	6,000	6,073	6,307
Bank charges	9,000	6,142	9,245
Directors' fees and expenses	5,600	5,385	4,580
Professional development	4,930	5,330	3,935
Dues and subscriptions	1,080	931	1,144
Insurance	755	473	550
Other	500	202	299
	<u>\$ 179,777</u>	<u>\$ 165,253</u>	<u>\$ 175,374</u>

7. Payment of provincial portion of surplus to Province of Nova Scotia:

In fiscal 1998/99 the Corporation transferred \$1,500,000 of the reserve fund to the Province of Nova Scotia. This amount represented the province's share of the reserve fund. The basis for the calculation was the portion of total Nova Scotia Municipal Finance Corporation loans made since its inception that were made to schools and hospitals. In exchange for the \$1,500,000 payment, the province recognized the remainder of the reserve as the municipal portion.

8. Taxes:

The corporation is not subject to provincial or federal taxes.

9. Change in non-cash working capital:

	1999	1998
Accrued interest receivable \$	540,558	(1,408,909)
Accounts payable	3,955	6,113
Accrued interest payable	<u>(1,026,779)</u>	<u>1,384,543</u>
	<u>\$ (482,266)</u>	<u>\$ (18,253)</u>

10. Year 2000 uncertainty:

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

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Police Commission

We have audited the balance sheet of the Nova Scotia Police Commission as at March 31, 1999 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Halifax, Nova Scotia
May 14, 1999

NOVA SCOTIA POLICE COMMISSION

**Balance Sheet
March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash	25,877 \$	59,914
Accounts receivable	2,928	295
	<u>28,805</u>	<u>60,209</u>
Capital assets	8,464	3,303
	\$ <u><u>37,269</u></u> \$	\$ <u><u>63,512</u></u>
LIABILITIES		
Current		
Payables and accruals	26,764 \$	8,802
Due to Province of Nova Scotia	2,041	51,407
	<u>28,805</u>	<u>60,209</u>
SURPLUS		
Investment in capital assets (Note 3)	8,464	3,303
	\$ <u><u>37,269</u></u> \$	\$ <u><u>63,512</u></u>

Uncertainty due to the Year 2000 issue (Note 5)

NOVA SCOTIA POLICE COMMISSION

**Statements of Operations and Surplus
year ended March 31, 1999**

	1999	1998
Revenue		
Grant from the Province of Nova Scotia - gross \$	260,799	287,037
Refundable portion	<u>(2,041)</u>	<u>(51,407)</u>
Net grant	258,758	235,630
Interest and other revenue	<u>5,144</u>	<u>1,447</u>
	<u>263,902</u>	<u>237,077</u>
Expenses		
Commission		
Salaries, wages and benefits	129,142	136,650
Investigation services	30,960	25,623
Travel	21,290	17,465
Training - Police	14,432	---
Office supplies and services	7,589	7,583
Telephone	5,310	6,287
Depreciation	4,606	3,629
Equipment	2,143	1,757
Audit	1,500	1,000
Dues and fees	1,170	1,175
Printing and copying	865	1,848
Other expenses	378	744
Repairs and maintenance	188	593
Transcription	<u>---</u>	<u>28</u>
	<u>219,573</u>	<u>204,382</u>
Review Board		
Salaries, wages and benefits	29,585	25,425
Travel	9,345	10,443
Transcription	238	---
Dues and fees	<u>---</u>	<u>456</u>
	<u>39,168</u>	<u>36,324</u>
	<u>258,741</u>	<u>240,706</u>
Operating surplus (deficit) \$	<u>5,161</u> \$	<u>(3,629)</u>
Surplus, beginning of year \$	---	---
Operating surplus (deficit)	<u>5,161</u>	<u>(3,629)</u>
Transfer from (to) investment in capital assets for		
Depreciation	4,606	3,629
Capital asset acquisitions	<u>(9,767)</u>	<u>---</u>
	<u>(5,161)</u>	<u>3,629</u>
Surplus, end of year \$	<u>---</u> \$	<u>---</u>

See accompanying notes to the financial statements

NOVA SCOTIA POLICE COMMISSION

**Statement of Capital Assets
year ended March 31, 1999**

	<u>Cost</u>				<u>Acummulated Depreciation</u>				1999 Net Book Value	1998 Net Book Value
	<u>Opening</u>	<u>Additions</u>	<u>Deletions</u>	<u>Closing</u>	<u>Opening</u>	<u>Additions</u>	<u>Deletions</u>	<u>Closing</u>		
Computer Equipment	\$ 8,270	\$ 8,214	\$ (3,523)	\$ 12,961	\$ 7,586	\$ 3,422	\$ (3,523)	\$ 7,485	\$ 5,476	\$ 685
Equipment	<u>4,364</u>	<u>1,553</u>	<u>---</u>	<u>5,917</u>	<u>1,746</u>	<u>1,183</u>	<u>---</u>	<u>2,929</u>	<u>2,988</u>	<u>2,618</u>
	<u>\$ 12,634</u>	<u>\$ 9,767</u>	<u>\$ (3,523)</u>	<u>\$ 18,878</u>	<u>\$ 9,332</u>	<u>\$ 4,605</u>	<u>\$ (3,523)</u>	<u>\$ 10,414</u>	<u>\$ 8,464</u>	<u>\$ 3,303</u>

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

**Statement of Cash Flows
year ended March 31, 1999**

	1999	1998
Cash derived from (applied to)		
Operating		
Operating surplus (deficit) \$	5,161	(3,629)
Depreciation	4,606	3,629
	<u>9,767</u>	<u>---</u>
 Change in non-cash operating working capital		
(Increase) decrease in accounts receivable	(2,633)	563
Increase (decrease) in accounts payable	17,962	(2,284)
Increase(decrease) in due to Province of Nova Scotia	<u>(49,366)</u>	<u>8,331</u>
	<u>(24,270)</u>	<u>6,610</u>
 Investing		
Purchase of capital assets	<u>(9,767)</u>	<u>---</u>
(Decrease) increase in cash.	(34,037)	6,610
 Cash,		
Beginning of year	<u>59,914</u>	<u>53,304</u>
End of year \$	<u><u>25,877</u></u>	<u><u>59,914</u></u>

See accompanying notes to the financial statements.

NOVA SCOTIA POLICE COMMISSION

Notes to the Financial Statements March 31, 1999

1. Incorporation

The Nova Scotia Police Commission was incorporated pursuant to the Police Act of Nova Scotia, Chapter 348 of the Revised Statutes of Nova Scotia, 1989.

2. Summary of Significant Accounting Policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector.

b) Capital assets

Capital assets purchased by the Commission with a value greater than \$1,000 and a useful life greater than one year will be capitalized and amortized over their useful lives on a straight line basis as follows:

Computer equipment	3 years
Equipment	5 years

3. Investment in Capital Assets

	1999	1998
Balance, beginning of year	\$ 3,303	\$ 6,932
Capital asset acquisitions	9,767	---
Depreciation	(4,606)	(3,629)
Balance, end of year	<u>\$ 8,464</u>	<u>\$ 3,303</u>

4. Pensions

The full time employees of the Commission are entitled, as Civil Servants, to receive pension benefits under the Public Service Superannuation Act. The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Commission is not responsible for any unfunded liability.

5. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

AUDITORS' REPORT

To the Board of Directors
Nova Scotia Power Finance Corporation

We have audited the statement of financial position of Nova Scotia Power Finance Corporation as at March 31, 1999 and the statement of earnings and retained earnings for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

DELOITTE & TOUCHE LLP
Chartered Accountants

May 20, 1999

NOVA SCOTIA POWER FINANCE CORPORATION

(Formerly Nova Scotia Power Corporation - See Note 1)

**Statement of Financial Position
as at March 31, 1999**

NET ASSETS		1999	1998
			(in millions)
Notes receivable - Nova Scotia Power Inc. (Note 1)	\$	---	---
Accrued interest due from Nova Scotia Power Inc.		---	---
		<u>---</u>	<u>---</u>
<i>Less:</i> Long-term debt (Note 1)		---	---
Accrued interest on long-term debt		---	---
		<u>---</u>	<u>---</u>
Net (Note 2)	\$	<u>---</u>	<u>---</u>
Contingent liabilities (Note 7)			

**Statement of Earnings and Retained Earnings
year ended March 31, 1999**

	1999	1998
		(in millions)
Revenue		
Interest on matching notes (Note 6)	---	1.8
Expenses		
Interest on long-term debt (Note 6)	---	1.8
Net earnings	<u>---</u>	<u>---</u>
Retained earnings, beginning of year	---	---
Retained earnings, end of year	<u>---</u>	<u>---</u>

NOVA SCOTIA POWER FINANCE CORPORATION

Notes to the Financial Statements year ended March 31, 1999

1. Reorganization and Privatization

In 1992, the Province of Nova Scotia passed legislation to facilitate the reorganization and privatization of the business of Nova Scotia Power Corporation (N.S.P.C.). In effecting this, pursuant to the Asset Transfer Agreement effective on August 10, 1992, N.S.P.C. transferred all of its existing assets, liabilities and equity except for long-term debt and related sinking funds to Nova Scotia Power Inc. (N.S.P.I.) in exchange for:

- a) matching notes receivable equivalent to outstanding long-term debt, and matching notes payable equivalent to sinking fund assets; and
- b) 20,134,666 fully paid common shares of N.S.P.I., issued to the Province of Nova Scotia, which were subsequently sold on August 12, 1992 by the Province of Nova Scotia as a secondary offering. Concurrently, the \$13.3 million of contributed surplus of N.S.P.C. was transferred to the retained earnings of N.S.P.I.

Subsequent to the reorganization and privatization, the business activities of N.S.P.C. continued under N.S.P.I. N.S.P.C. changed its name to Nova Scotia Power Finance Corporation (N.S.P.F.C.) which continues to hold the long-term debt and sinking fund assets.

Under the terms of the matching notes receivable, N.S.P.I. is responsible for the long-term debt of N.S.P.F.C.

2. Accounting Policies

Pursuant to changes in the reporting requirements for financial instruments, issued by the Canadian Institute of Chartered Accountants and effective for the years ended March 31, 1998, and thereafter, there is a requirement to net offsetting Notes Receivable and Long-Term Debt, and related interest, where there is a legally enforceable right to set off the recognized amounts and where the corporation's management does intend to realize on the asset and, simultaneously, settle the liability. Management concurs, based on legal counsel opinion, that these conditions apply to Nova Scotia Power Finance Corporation and hence the assets, less offsetting liabilities, have been netted in the Statement of Financial Position.

3. Defeasance Assets

The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other Provincial Government and Utilities, Federal Government and Federal US bonds, coupons or residuals. The portfolio mix as of March 31, 1999 is as follows, based upon future cash flows:

Security Type	% of Portfolio
Nova Scotia Power Corp.	66.39
Other Provincial Government and Utilities	30.86
Federal Government	2.72
Federal US Government.	0.03
	<u>100.00</u>

4. Long-Term Debt

Bonds, debentures and notes payable are summarized by years of maturity in the following table:

Years of Maturity	Principal Outstanding Total	Weighted Average Coupon Rate %
2000.....	\$ ---	---
2001.....	---	---
2002.....	100,000	13.50
2003.....	75,000	12.50
2004.....	---	---
1-5 years.....	175,000	13.07
6-10 years.....	150,000	11.92
11-15 years.....	350,000	11.09
16-20 years.....	---	---
21-25 years.....	602,760	9.61
26-30 years.....	---	---
31-40 years.....	<u>200,000</u>	<u>11.00</u>
Total long-term debt (Schedule 1).....	<u>\$1,477,760</u>	<u>\$ 10.79</u>

Details of long-term debt to March 31, 1999 are provided in Schedule 1 to the financial statements.

Series AA, AE, AF, AG and AM have call option dates prior to the maturity dates. Under the terms of the privatization agreements, the call options must be exercised.

5. Debt Defeasance

On reorganization, N.S.P.I. and N.S.P.F.C. committed, subject to certain conditions, to effect defeasance of N.S.P.F.'s long-term debt through repayment of the matching notes by December 31, 1998 in order to fully remove the debt from its Statement of Financial Position by that date. Defeasance requires qualifying assets to be set aside by the debtor to be used solely for satisfying scheduled future payments of principal and interest of a specific obligation.

Under the terms of the Defeasance Agreement, subject to certain factors, minimum amounts of debt to be defeased are as follows:

December 31	Annual Amount (in millions)
1993.....	\$ 200.0
1994.....	300.0
1995.....	400.0
1996.....	250.0
1997.....	<u>231.6</u>
	<u>\$ 1,381.6</u>

As at March 31, 1999, \$1,477.8 million of debt had been defeased (1998 - \$1,450.0 million) (Schedule 1).

6. General and Administrative Expenses

Under the terms of the privatization agreements, N.S.P.I. is responsible for the payment of all N.S.P.F.C. expenses. During the year, \$20,714 of such expenses were incurred by N.S.P.F.C. and recovered by it from N.S.P.I.

7. Contingent Liabilities

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

NOVA SCOTIA POWER FINANCE CORPORATION

Long-Term Debt
as at March 31, 1999

Series	Date of Maturity	Call Date	Rate	Amount Outstanding	Defeasance To Date	Net Undeferred Balance
Debentures						
"AA"	July 15, 2005 (2)	July 15, 2000	11.50%	\$ 50,000,000	\$ 50,000,000	---
"AE"	December 1, 2002 (2)	December 1, 2000	13.50%	100,000,000	100,000,000	---
"AF"	December 20, 2003 (2)	December 20, 2001	12.50%	75,000,000	75,000,000	---
"AG"	February 14, 2005 (2)	February 14, 2002	12.125%	100,000,000	100,000,000	---
"AH"	November 15, 2012	November 15, 2012	10.875%	150,000,000	150,000,000	---
"AJ"	April 27, 2014	April 27, 2014	11.25%	200,000,000	200,000,000	---
"AK"	January 10, 2020	January 10, 2020	10.25%	150,000,000	150,000,000	---
"AM"	February 26, 2031 (2)	February 26, 2020	11.00%	200,000,000	200,000,000	---
"AN"	April 1, 2021 (U.S.) (1)	April 1, 2021	9.40%	452,760,000	452,760,000	---
Total long-term debt				<u>\$ 1,477,760,000</u>	<u>\$ 1,477,760,000</u>	<u>---</u>

(1) Amounts payable in foreign currencies and those sinking fund investments denominated in foreign currencies are expressed at the Canadian dollar equivalent at the rates prevailing at the date of the financial statements.

(2) Callable issues. Under the terms of the privatization agreements, all options must be exercised.

NOVA SCOTIA POWER FINANCE CORPORATION

Continuity of Long-Term Debt
August 10, 1992 to March 31, 1999

Long-term debt, August 10, 1992 (Note 1)	\$ 2,152,879,732
<i>Less:</i> Sinking funds, August 10, 1992	<u>(420,560,964)</u>
Net long-term debt, August 10, 1992	<u>1,732,318,768</u>

Less: Retired, funded or defeased:

	<u>Debt Retirement</u>	<u>Sinking Fund Growth</u>	<u>Defeasance</u>	
Period ended March 31, 1993	\$ (1,371,458)	\$ (57,498,429)	\$ (130,872,250)	(189,742,137)
Year ended March 31, 1994	<u>(238,449,609)</u>	<u>69,597,333</u>	<u>(373,507,887)</u>	<u>(542,360,163)</u>
Year ended March 31, 1995	<u>(65,543,679)</u>	<u>70,132,288</u>	<u>(354,775,338)</u>	<u>(350,186,729)</u>
Year ended March 31, 1996	<u>(184,588,286)</u>	<u>146,494,758</u>	<u>(574,804,525)</u>	<u>(612,898,053)</u>
Year ended March 31, 1997	<u>(113,072,800)</u>	<u>87,986,602</u>	<u>(6,330,000)</u>	<u>(31,416,198)</u>
Year ended March 31, 1998	<u>(99,873,900)</u>	<u>103,848,412</u>	<u>(9,690,000)</u>	<u>(5,715,488)</u>
Sinking fund instalments (NSPI)	---	---	---	---
Sinking fund earnings	---	---	---	---
Retirement of debentures	---	---	---	---
Transfer to defeasance	---	---	---	---
Retirement of savings bonds	---	---	---	---
Foreign currency translation	<u>27,780,000</u>	---	<u>(27,780,000)</u>	---
Year ended March 31, 1999	<u>27,780,000</u>	<u>---</u>	<u>(27,780,000)</u>	<u>---</u>
	<u>\$ (675,119,732)</u>	<u>\$ 420,560,964</u>	<u>\$ (1,477,760,000)</u>	<u>(1,732,318,768)</u>

Net long-term debt, March 31, 1999 \$ ---

Comprised of:

Long-term debt (Schedule 1)	\$ 1,477,760,000
<i>Less:</i> Sinking funds	---
Defeasance assets	<u>(1,477,760,000)</u>
	<u>\$ ---</u>

AUDITOR'S REPORT

To the Minister of Natural Resources; and

To the Chair and Members of the
Nova Scotia Primary Forest Products
Marketing Board

I have audited the balance sheet of the Nova Scotia Primary Forest Products Marketing Board as at March 31, 1999 and the statement of revenues, expenses and fund balance for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
August 10, 1999

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current		
Cash	200 \$	200
Current portion of loan receivable (Note 3).....	10,000	15,000
Due from Board members	---	3,600
Due from processors	36,506	24,123
Due from Province of Nova Scotia	<u>554,458</u>	<u>501,068</u>
	<u>601,164</u>	<u>543,991</u>
Long-Term		
Loan receivable (Note 3)	<u>20,000</u>	<u>25,000</u>
	\$ <u><u>621,164</u></u>	\$ <u><u>568,991</u></u>

LIABILITIES AND FUND BALANCE

Current		
Accounts payable	2,275 \$	1,597
Due to bargaining agents	<u>20,604</u>	<u>14,108</u>
	<u>22,879</u>	<u>15,705</u>
Fund Balance	<u>598,285</u>	<u>553,286</u>
	\$ <u><u>621,164</u></u>	\$ <u><u>568,991</u></u>

Commitment (Note 4)

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

**Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 1999**

	1999		1998
	Budget	Actual	Actual
Revenues			
Charges against suppliers (Note 1)		\$ 357,294	\$ 418,996
Less: Bargaining agents funding		<u>197,933</u>	<u>269,178</u>
Charges for funding of Board operations \$	160,000	159,361	149,818
Interest on fund balance	33,000	33,088	22,859
Miscellaneous	---	642	293
	<u>193,000</u>	<u>193,091</u>	<u>172,970</u>
Expenses			
Board member per diems	11,000	20,625	30,900
Equipment and maintenance	3,000	---	---
Grants	40,000	19,000	50,155
Lease payments - equipment	2,000	2,223	2,400
Lease payments - office space	7,600	7,220	6,855
Legal fees	7,500	2,644	3,075
Other	2,700	2,670	6,468
Salaries	90,000	74,074	71,529
Supplies and services	8,150	5,220	6,155
Travel	16,900	14,416	19,152
	<u>188,850</u>	<u>148,092</u>	<u>196,689</u>
Excess (Deficiency) of revenues over expenses \$	<u>4,150</u>	44,999	(23,719)
Fund balance, beginning of year		<u>553,286</u>	<u>577,005</u>
Fund balance, end of year \$		<u><u>598,285</u></u>	<u><u>553,286</u></u>

NOVA SCOTIA PRIMARY FOREST PRODUCTS MARKETING BOARD

Notes to Financial Statements March 31, 1999

1. Authority

The Nova Scotia Primary Forest Products Marketing Board was established by the Primary Forest Products Marketing Act.

The objectives of the Board are: to provide for the organization and funding of bargaining agents, to provide for the registration of bargaining agents, to provide for the resolution of bargaining disputes, to facilitate and support the continued development of the forest resources held by private woodlot owners, and to enable private woodlot owners to have a fair share of the available market and receive a reasonable return for the sale of primary forest products.

The Board imposes separate charges against producers of primary forest products for the purpose of providing funding of bargaining agents, and for funding the operations of the Board.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging equipment purchases to expense in the year the costs are incurred.

3. Loan Receivable

In November 1996 the Board agreed to loan \$40,000 to a wood lot owners organization. In January 1998, the Board amended the loan agreement to extend the term of the loan to March 31, 2001, and defer the initial repayment of \$5,000 to the final payment due March 31, 2001. In January 1999, the Board further amended the loan agreement to allow repayment terms of \$5,000 due each November and May, starting in November 1998, through to May 2001. The loan is non-interest bearing.

4. Office Lease Commitment

On October 1, 1994 the Department of Transportation and Public Works entered into a five-year lease agreement for office space on behalf of the Board. The lease agreement requires monthly payments of \$552, which are billed to the Board by the Department of Transportation and Public Works. The lease agreement expires on September 30, 1999.

5. Pensions

All permanent employees of the Board are entitled to receive pension benefits under the Province of Nova Scotia Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer contributions are included in the Board's operating expenses.

6. Uncertainty Due to the Year 2000 Issue

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

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the consolidated balance sheet of Nova Scotia Resources Limited as at December 31, 1998, and the consolidated statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

KPMG LLP
Chartered Accountants

Halifax, Nova Scotia
June 9, 1999

NOVA SCOTIA RESOURCES LIMITED

**Consolidated Balance Sheet
December 31, 1998**

ASSETS

	(Restated- Note 3)	
	1998	1997
	(in thousands)	
Oil and gas properties (Note 4)	\$ 96,384	\$ 30,704
Receivables and other assets (Note 5)	8,231	8,896
Collateral deposits	245	230
Cash and short term investments	4,632	371
	<u>\$ 109,492</u>	<u>\$ 40,201</u>

LIABILITIES

Commercial paper (Note 6)	\$ 361,419	\$ 315,871
Short term borrowing (Note 7)	254,264	146,168
Provision for site restoration (Note 8)	22,000	17,500
Payables and accruals	7,719	20,788
	<u>645,402</u>	<u>500,327</u>

SHAREHOLDERS' DEFICIENCY

Capital stock		
Authorized		
40,000 common shares without par value		
Issued and outstanding		
3 common shares	1	1
Deficit	<u>(535,911)</u>	<u>(460,127)</u>
	<u>(535,910)</u>	<u>(460,126)</u>
	<u>\$ 109,492</u>	<u>\$ 40,201</u>

Future operations (Note 1)
 Commitments (Note 9)
 Contingency (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

NOVA SCOTIA RESOURCES LIMITED

Consolidated Statement of Loss and Deficit
year ended December 31, 1998

	(Restated- Note 3)	
	1998	1997
	(in thousands)	
Revenue		
Oil and gas revenue	\$ 61,208	\$ 59,711
Royalties	<u>2,667</u>	<u>1,004</u>
	58,541	58,707
Expenses		
Production	42,093	60,495
General and administrative	728	815
Depreciation and depletion	<u>26,919</u>	<u>7,187</u>
	<u>69,740</u>	<u>68,497</u>
Loss before financing cost and income taxes	11,199	9,790
Financing costs (Note 11)	64,335	47,925
Income taxes	<u>250</u>	<u>79</u>
Net loss	<u>\$ 75,784</u>	<u>\$ 57,794</u>
Deficit, beginning of year	\$ 460,127	\$ 402,333
Net loss	<u>75,784</u>	<u>57,794</u>
Deficit, end of year	<u>\$ 535,911</u>	<u>\$ 460,127</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOVA SCOTIA RESOURCES LIMITED

**Consolidated Statement of Changes in Financial Position
year ended December 31, 1998**

	(Restated- Note 3)	
	1998	1997
	(in thousands)	
Cash derived from (applied to)		
Operating		
Net loss	\$ (75,784)	\$ (57,794)
Items not involving cash:		
Depreciation and depletion	26,919	7,187
	<u>(48,865)</u>	<u>(50,607)</u>
 Changes in non-cash operating working capital items:		
Collateral deposits	(15)	(20)
Receivables and other assets	665	9,530
Payables and accruals	(13,069)	14,157
Unamortized foreign exchange losses	---	3,391
	<u>(61,284)</u>	<u>(23,549)</u>
 Financing		
Increase in commercial paper	45,548	43,040
Increase in short term borrowing	108,096	146,168
Decrease in long term borrowing	---	(139,351)
	<u>153,644</u>	<u>49,857</u>
 Investing		
Expenditures on oil and gas properties	(92,599)	(26,810)
Increase in provision for site restoration	4,500	---
	<u>(88,099)</u>	<u>(26,810)</u>
 Increase (decrease) in cash	4,261	(502)
 Cash and short term investments, beginning of year	371	873
Cash and short term investments, end of year	<u>\$ 4,632</u>	<u>\$ 371</u>

The accompanying notes are an integral part of these consolidated financial statements.

NOVA SCOTIA RESOURCES LIMITED

**Notes to the Consolidated Financial Statements
December 31, 1998**

1. Future operations

These financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The company has commercial paper of \$361 million and short term borrowing of \$254 million which are guaranteed by the Province of Nova Scotia. The Company's assumption of a going concern is based on the continued support and debt guarantee of its shareholder, the Province of Nova Scotia.

2. Accounting policies

(a) Basis of presentation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries. A significant part of the Company's activities is conducted jointly with others and accordingly, these financial statements reflect only the Company's proportionate interest in these activities.

(b) Oil and gas properties

The Company accounts for oil and gas properties in accordance with the Canadian guideline on full cost accounting.

Under this method, all costs associated with the acquisition, exploration and development of oil and gas properties are capitalized in one cost centre. Depletion is calculated using the unit of production method based on gross proved reserves before royalties. A ceiling test is applied to ensure that the capitalized costs do not exceed the estimated future revenues, net of production, site restoration, administration and financing costs.

(c) Inventory in tanker

Inventory in tanker, included in receivables and other assets, is valued at the lower of cost and market, where market is the current sales price on delivered oil.

(d) Provision for site restoration

The provision for future removal and site restoration costs for the Nova Scotia offshore is based on current estimates and is being charged against income as part of depletion expense.

(e) Foreign currency translation

Exchange gains and losses arising on the translation of long-term monetary items that are denominated in foreign currencies are deferred and amortized on a straight line basis over the remaining term of the related monetary item.

(f) Revenue recognition

Revenue from the oilfields offshore Nova Scotia is recorded at current sales prices once the oil is delivered.

3. Change in accounting policy

The accounting policy for recognition of gains and losses arising on the translation of long-term monetary items has been changed on a retroactive basis from recording in the year in which they occur to deferring and amortizing over the life of the related item. As such, the deficit, beginning of year in December 31, 1997 has decreased by \$3.39 million and financing costs have increased in 1997 by \$3.39 million.

4. Oil and gas properties

The Company has the following interests in oil and gas fields offshore Nova Scotia:

	Cost	Accumulated Depletion	1998 Net Book Value	1997 Net Book Value
	(in thousands)			
Panuke/Cohasset Oil Fields- 50% working interest \$	274,092	\$ 265,140	\$ 8,952	\$ 20,588
Seismic Study \$	776	---	776	---
Sable Offshore Energy Project Gas Fields - 8.4% working interest	86,656	---	86,656	10,116
	<u>\$ 361,524</u>	<u>\$ 265,140</u>	<u>\$ 96,384</u>	<u>\$ 30,704</u>

In applying the ceiling test to its oil and gas reserves, the Company used commodity prices at December 31, 1998 to determine the net recoverable amount from its oil and gas activities. The Company compared this net recoverable amount to the carrying value of the oil and gas properties and has determined that no write down is required.

5. Receivable and other assets

	December 31 1998	December 31 1997
	(in thousands)	
Accounts receivable - trade \$	170	\$ 285
Inventory in tanker	4,353	1,453
Prepaid expenses	347	323
Receivable - J.V. partner	3,312	6,044
Receivable - Offshore Infrastructure Fund	---	760
Other assets	49	31
	<u>\$ 8,231</u>	<u>\$ 8,896</u>

6. Commercial paper

In 1986 the Company established a Euro-Commercial Paper Programme under which it issues short term notes guaranteed by the Province of Nova Scotia, to an aggregate principal amount not exceeding US \$250 million. These notes are denominated in US dollars and the principal balance outstanding at December 31, 1998 was US \$203 million (1997 - \$205.1 million). The average coupon rate for issuances in the year was 5.38% (1997 - 5.96%). At December 31, 1998, the rate for new issues in the three month term was approximately 5.6% (1997 - 5.9%).

To support the Euro Commercial Paper Programme, the Company has arranged a credit facility which provides committed bank funding to US \$250 million. The principal balance outstanding at December 31, 1998 was US \$33 million (1997-\$15.9 million). Repayment of advances is guaranteed by the Province of Nova Scotia.

7. Short term borrowing

The short term notes have a face value of US \$166 million and are secured by guarantees of the Province of Nova Scotia. The notes bear interest at an effective rate of between 5.12% and 5.40%, with a weighted average rate of 5.31% and have maturity dates ranging from January 29, 1999 through March 2, 1999. Upon maturity the notes will be refinanced at the then current rates of interest available to the Province of Nova Scotia.

8. Provision for site restoration - measurement uncertainty

The carrying value of the provision for site restoration costs is based on an abandonment study conducted by an independent third party. The actual costs will be determined when the extent of the site restoration is approved by the Canada - Nova Scotia Offshore Petroleum Board. The Company's share of the cost of site restoration, based on the option chosen, is estimated to range between \$13.9 million and \$40 million.

9. Commitments

The Company has an 8.4% stake in the Sable Offshore Energy Project. This project has made commitments for expenditures in the amount of \$2,016,500,000 of which the Company's remaining share is approximately \$87,000,000.

10. Contingency

The Company and the Government of Nova Scotia have been named in a claim by TransCanada Pipelines Limited for breaching the terms of a Memorandum of Agreement dated March 1983 that was to have secured their interest in any future developments in the natural gas fields around Sable Island. TransCanada Pipelines Limited has invested \$18 million in the development of the regional pipeline project and has stated that it does not intend to abandon this investment nor the opportunities contemplated in the Memorandum of Agreement. The Company has filed its defense of the claim and the magnitude and likelihood of any loss is currently indeterminable.

11. Financing cost

The Company's debt is denominated in US dollars. Financing costs are a combination of interest and foreign exchange gains or losses recorded for transactions during the year plus the foreign exchange on conversion of debt to Canadian dollars at the statement date. During the year the interest expense amounted to \$29.8 million (1997 -\$26.4 million) plus an accounting recognition of the depreciation in the Canadian dollar from \$1.4291 at January 1, 1998 to \$1.5305 at December 31, 1998 which amounted to \$34.5 million in financing costs (1997 - \$21.5 million).

12. Financial instruments:

Risk management activities

The Company operates internationally and has significant exposure to movement in the US dollar and fluctuations in interest rates.

At December 31, 1998 a total of \$616 million Canadian (1997 - \$462 million) of liabilities are denominated in US dollars. In addition, all of the oil and gas revenue is subject to fluctuation of US currency.

Risk management activities (continued):

The Company has not entered into any foreign exchange contracts or interest rate swap agreements to manage their exposure to foreign currency and interest rate fluctuations on the remainder of their US dollar denominated liabilities.

The Company has not entered into any oil swap or foreign exchange contracts to hedge anticipated sales of crude oil during the year.

Interest rate risk

At December 31, 1998 the increase or decrease in annual net earnings for each one percent change in interest rate on floating rate debt and short term fixed rate debt amounts to \$6.1 million.

Foreign exchange risk

For the 1998 fiscal year, the increase or decrease in annual net earnings for each one cent change in the Canadian dollar, relative to the US dollar, on oil and gas revenue, US denominated liabilities and interest expense amounts to \$9.1 million.

Concentration of credit risk

All of the Company's accounts receivable-trade are with customers in the oil and gas industry and are subject to normal industry credit risks.

Fair Values

The fair value of the Company's receivables and other assets, collateral deposits, cash and short-term investments, payables and accruals and commercial paper and short term borrowings approximate their carrying amounts due to the relatively short periods to maturity of the instruments.

13. Income taxes

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.

The Company's oil and gas operations are conducted through a subsidiary, Nova Scotia Resources (Ventures) Limited. This subsidiary is a taxable corporation and has approximately \$655 million of deductions available to reduce future taxable income. The tax benefit related to the deductions has not been recognized in these financial statements.

14. Year 2000 Uncertainty

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

15. Related Party Transactions

The Company paid \$347,399 (1997 - nil) in consulting fees, to Directors of the company for specialized oil and gas consulting, primarily related to the Sable Offshore Energy Project. The transactions are in the normal course of operations and are measured at fair market value.

AUDITOR'S REPORT

To the Chairman and Members of the
Nova Scotia Talent Trust

I have examined the statement of financial position of the Nova Scotia Talent Trust Operating Fund and Investment Fund as at March 31, 1999 and the statements of revenues, expenses and fund balances for the year then ended. These financial statements are the responsibility of the Trust's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In common with many similar organizations, the Trust derives revenue from fund raising and donation activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Trust and I was not able to determine whether any adjustments might be necessary to fund raising and donation revenues, excess of revenues over expenses, assets and Trust equity.

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

Auditor General

Halifax, Nova Scotia
August 25, 1999

NOVA SCOTIA TALENT TRUST

**Operating Fund Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash	\$ 6,187	\$ 8,115
	\$ 6,187	\$ 8,115
LIABILITIES		
Accounts payable	\$ ---	\$ 600
Due to Investment Fund	441	441
	441	1,041
FUND BALANCE		
Fund Balance - unappropriated	\$ 5,746	\$ 7,074
Total Liabilities and Fund Balances	\$ 6,187	\$ 8,115

**Investment Fund Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash	\$ 6,193	\$ ---
Short-term investments, at cost (Note 2)	20,492	17,469
Due from Operating Fund	441	441
Accrued interest	689	863
	27,815	18,773
Long-term investment, at cost (Note 2)	12,168	17,123
	\$ 39,983	\$ 35,896
FUND BALANCE		
Fund Balance - appropriated (Endowment Fund)	\$ 39,983	\$ 43,570

NOVA SCOTIA TALENT TRUST

**Operating Fund
Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 1999**

	1999	1998
Revenues		
Grant - Province of Nova Scotia	\$ 50,000	\$ 50,000
Fund-raising activities (donations)	2,314	600
Interest income	727	294
	<u>53,041</u>	<u>50,894</u>
Expenses		
Talent Trust grants	49,800	46,500
Administration expenses (Note 3)	2,069	1,502
	<u>51,869</u>	<u>48,002</u>
Excess of revenues over expenses	1,172	2,892
Fund Balance, beginning of period	7,074	10,226
Transfer to Investment Fund	(2,500)	(6,044)
Fund Balance, end of period	<u><u>5,746</u></u>	<u><u>7,074</u></u>

**Statement of Revenues, Expenses and Fund Balance
for the year ended March 31, 1999**

	1999	1998
Revenues		
Interest earned - investment fund	\$ 1,587	\$ 1,775
Excess of revenues over expenses	1,587	1,775
Fund Balance, beginning of period	35,896	28,077
Transfer from Operating Fund	2,500	6,044
Fund Balance, end of period	<u><u>39,983</u></u>	<u><u>35,896</u></u>

NOVA SCOTIA TALENT TRUST

Notes to Financial Statements March 31, 1999

1. Authority

The Nova Scotia Talent Trust was established pursuant to a special resolution of the Nova Scotia Companies Act. The purpose of the Trust is to assist in the education and advancement of Nova Scotians in the visual and performing arts.

2. Investments

Investments consist of Royal Bank Guaranteed Investment Certificates and two Royal Bank Mutual Funds - Royfund Canadian Money Market and Royfund Balanced Mutual.

3. Administrative Expenses

These financial statements do not reflect administrative expenses incurred by the Provincial Department of Education and Culture on behalf of the Trust.

4. Reclassification

Certain prior year's figures have been reclassified to conform with the presentation adopted for the current year.

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued benefits and deficiency of the Nova Scotia Teachers' Pension Fund as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and deficiency of the Fund as at March 31, 1999 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E. R. Salmon, F. C. A.
Auditor General

Halifax, Nova Scotia
June 25, 1999

NOVA SCOTIA TEACHERS' PENSION FUND

**Statement of Net Assets Available for Benefits
and Accrued Pension Benefits
as at March 31, 1999**

	1999	1998
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 4)	\$ 2,861,041	\$ 2,985,611
Receivable from School Boards (Note 1)	194,518	152,952
Contributions receivable		
Employees'	2,529	3,060
Employers'	6,764	8,203
Accrued income	21,639	19,044
Cash	1,546	1,867
Total Assets	<u>3,088,037</u>	<u>3,170,737</u>
Liabilities		
Net investment transactions outstanding	1,033	3,941
Accounts payable	19,165	18,103
Total liabilities	<u>20,198</u>	<u>22,044</u>
Net assets available for benefits	3,067,839	3,148,693
Actuarial asset value adjustment (Note 5)	65,931	76,222
Actuarial value of net assets available for benefits	<u>3,133,770</u>	<u>3,224,915</u>
ACCRUED PENSION BENEFITS AND DEFICIENCY		
Accrued pension benefits (Note 6)	\$ 3,664,669	\$ 3,478,449
Deficiency (Note 6)	<u>(530,899)</u>	<u>(253,534)</u>
Accrued pension benefits and deficiency	<u>3,133,770</u>	<u>3,224,915</u>

See accompanying notes to financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

**Statement of Changes in Net Assets Available for Benefits
for the year ended March 31, 1999**

	1999	1998
		(in thousands)
Increase In Assets		
Investment activities (Note 4)	\$ (37,981)	\$ 591,212
Interest on receivable from Province of Nova Scotia (Note 3)	---	10,481
Interest on receivable from School Boards	13,778	10,821
	<u>(24,203)</u>	<u>612,514</u>
Contributions		
Employers' - matched	46,027	43,599
Employees' - matched	46,027	43,599
Employers' - unmatched		
- School Boards	28,834	42,545
- Province	13,772	12,811
Employees' - unmatched	870	702
Transfers from other pension plans	854	600
	<u>136,384</u>	<u>143,856</u>
 Total increase in assets	 <u>112,181</u>	 <u>756,370</u>
Decrease In Assets		
Benefits paid	183,995	171,590
Operating expenses (Note 7)	6,278	5,175
Refund of contributions and interest	1,575	1,315
Transfers to other pension plans	1,187	443
Total decrease in assets	<u>193,035</u>	<u>178,523</u>
 Increase (Decrease) in Net Assets	 (80,854)	 577,847
Net Assets Available for		
Benefits at Beginning of Year	<u>3,148,693</u>	<u>2,570,846</u>
Net Assets Available for		
Benefits at End of Year	<u>\$ 3,067,839</u>	<u>\$ 3,148,693</u>

See accompanying notes to financial statements.

NOVA SCOTIA TEACHERS' PENSION FUND

Notes to Financial Statements March 31, 1999

1. Authority and Description of Plan

The Teachers' Pension Fund was established by the Teacher's Pension Act. It is the funding vehicle for the Teachers' Pension Plan, a pension plan which covers public school and some community college teachers. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employees and matching employer contributions of 8.3% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 9.9% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay are increased on January 1 of each year at a rate equal to the increase in the Consumers Price Index for Canada less 1%, to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

- 35 years of service;
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85";
- age 55 with two years of service (reduced pension);
- age 60 with 10 years of service;
- age 65 with two years of service.

On July 22, 1994, the Governor in Council authorized an early retirement program (ERP) for plan members. The program provided up to an additional three years of pensionable service for those who were employed by a school board on June 5, 1994 and who reached age 52 with an age and service factor of 82 or more between June 5, 1994 and July 31, 1998. The additional cost for each teacher who participated was and/or is paid by the employing school board. The cost, based on a present value of \$97,400 as at July 31, 1994, increased by 8% per year during each year of the program.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with generally accepted accounting principles.

(b) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing on the dates of the transactions. The market value of foreign investments and cash balances held at year end are translated at the rates in effect at that date. The resulting gain or loss from changes in these rates is included in unrealized investment income.

(c) Investments

- (i) Investments are reported as of the trade date and are stated at market value. Market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.
- (ii) The derivative contracts held by the Fund are recorded at market value with the resulting gains or losses being recognized in unrealized investment income.
- (iii) Investments held in the Fund include debentures of the Province of Nova Scotia and the Nova Scotia Municipal Finance Corporation with total market value of \$97.5 million (3.2% of Total Assets) as at March 31, 1999.

3. Agreement to Address Unfunded Liability

On November 25, 1993 the Teachers' Pension Act was amended to incorporate the terms of an agreement signed May 13, 1993 between the Nova Scotia Teachers' Union and the Province of Nova Scotia to address the unfunded liability in the Teachers' Pension Plan.

As part of this agreement the Province assumed responsibility for \$300 million of the unfunded liability. This receivable had an effective annual interest rate of 8% compounded semi-annually and payments were set out in Schedule A of the Teachers' Pension Act. On July 18, 1997 the Province paid the outstanding principal of this commitment (\$283,603,788) plus interest accrued to that date.

The Province also agreed to make payments over a ten year period equal to \$10 million per year in 1993, increased by 7.5% per year. This commitment is set out in Schedule B of the Teachers' Pension Act.

4. Investments and Derivatives

The investment objectives of the Plan are to provide long-term security of pension benefits to members and to minimize any increases in contributions required by members and the employer. A strategy of investing in assets of Canadian and foreign equities, bonds, debentures, mortgages and money market securities is aimed at achieving these objectives.

(a) Market value of investments and related income before allocating the effects of derivative contracts.

	1999			1998		
	Asset	%	Income* (Loss)	Asset	%	Income*
			(in thousands)			
Money market	\$ 286,670	10.0%	\$ 11,681	\$ 253,189	8.5%	\$ 9,091
Fixed income	991,449	34.7%	66,168	907,247	30.4%	88,899
Equities - Canadian	956,800	33.4%	(117,577)	1,182,865	39.6%	298,105
- US	289,968	10.1%	25,468	306,908	10.3%	102,538
- Other foreign	339,191	11.9%	25,350	315,968	10.6%	50,472
Derivatives	(3,037)	0.1%	(49,118)	19,434	0.6%	42,044
Other	---	---	47	---	0.0%	63
	<u>\$ 2,861,041</u>	100%	<u>\$ (37,981)</u>	<u>\$ 2,985,611</u>	100%	<u>\$ 591,212</u>

* Includes realized gains of \$173.4 million (\$142.2 - 1998) and unrealized losses of \$289.3 million (\$348.2 million gain - 1998)

(b) Derivative contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market to equity swaps have been used during the year to adjust the asset mix. Foreign currency forwards have been used to manage the foreign currency exposure inherent in the foreign investments. Section (f) of this note provides a summary of these contracts as at March 31, 1999.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 1999. Notional amounts of these derivative contracts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such transactions, but serve as the basis upon which the return from and the market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal (in thousands)	Original Term	Credit Rating of Counter- party	Equity Index	BA Index	Market Value (in thousands)
\$ 39,877	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	\$ 369
43,591	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(691)
48,188	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(1,698)
14,144	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(218)
22,427	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	829
22,427	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	842
<u>\$ 190,654</u>					<u>\$ (567)</u>

(c) Market value of investments and related income after allocating the effect of derivative contracts.

	1999			1998		
	Asset	%	Income* (Loss)	Asset	%	Income*
	(in thousands)					
Money market.	\$ 92,288	3.2%	\$ 2,145	\$ 85,802	2.9%	\$ 4,368
Fixed income.	991,449	34.7%	66,168	882,247	29.6%	87,168
Equities - Canadian	1,148,145	40.1%	(141,830)	1,398,464	46.8%	351,357
- US	289,968	10.1%	10,065	305,019	10.2%	100,649
- Other foreign	339,191	11.9%	25,424	314,079	10.5%	47,607
Other	---	---	47	---	0.0%	63
	<u>\$ 2,861,041</u>	100%	<u>\$ (37,981)</u>	<u>\$ 2,985,611</u>	100%	<u>\$ 591,212</u>

* Includes realized gains of \$173.4 million (\$142.2 - 1998) and unrealized losses of \$289.3 million (\$348.2 million gain - 1998).

(d) Interest rate risk

Interest rate risk refers to the fact that the plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the plan's assets and cash flows related to the plan's liabilities.

(d) Interest rate risk (continued):

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the Plan has established a policy asset mix of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At March 31, 1999 the \$991,449,000 fixed income securities had a modified duration of 6.33 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 6.33%.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rate spreads or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	Gross Exposure	Net Foreign Currency Hedge (in thousands)	Net Exposure
Canada	\$ 2,242,683	\$ 14,500	\$ 2,257,183
Eurozone	106,955	---	106,955
Japan	47,981	(16,971)	31,010
United Kingdom	58,960	---	58,960
United States	321,973	---	321,973
Other	105,674	---	105,674
Total	<u>\$ 2,884,226</u>	<u>\$ (2,471)</u>	<u>\$ 2,881,755</u>

5. Actuarial Asset Value Adjustment

The actuarial asset value adjustment is comprised of the present value of future payments under schedule B of the Teachers' Pension Act. As at March 31, 1999, the present value of these future payments was \$65,931,000.

6. Actuarial Valuation

Actuarial valuations of the Teachers' Pension Fund are required every three years by the Teachers' Pension Act (TPA), and provide an estimate of the accrued pension benefits (fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. A formal valuation as at July 31, 1998 was carried out by the plan's consulting actuaries, Morneau Sobeco.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The major economic and demographic assumptions used in the 1998 valuation were as follows:

Inflation	3.0% per annum
Average Salary Increase	3.5% per annum
Real Rate of Return on Investments	4.33% per annum
Average Retirement Age	60% will retire at earliest age for an unreduced pension 40% will retire at age 65 or with 35 years of service

The 1998 valuation indicated that the plan had an unfunded liability of \$354 million. A projection by the actuaries to March 31, 1999 indicated actuarial value of liabilities of \$3,865 million and an unfunded liability of \$531 million. The main reason for the increase in the unfunded liability was a downturn in the financial markets particularly in August, 1998.

7. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	1999	1998
	(in thousands)	
Investment management fees	5,003 \$	4,370
Professional services	142	58
Salaries	592	525
Supplies and services	476	125
Travel	8	25
Other	57	72
	<u>\$ 6,278</u>	<u>\$ 5,175</u>

8. Uncertainty due to the Year 2000 Issue

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

AUDITORS' REPORT

To the Chair and Members of the
Nova Scotia Utility and Review Board

We have audited the balance sheet of Nova Scotia Utility and Review Board as at March 31, 1999, and the statements of operations, accumulated surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Grant Thornton
Chartered Accountants

Halifax, Nova Scotia
May 14, 1999

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Balance Sheet
March 31, 1999**

ASSETS

	1999		1998
Current			
Short term investments (Note 3)			
Board operations	\$ 1,388,319	\$	770,348
War Service pension	155,403		168,962
Accounts receivable (Note 4)	159,599		161,669
Prepays	4,894		3,749
Inventory (Note 5)	2,684		9,827
	<u>1,710,899</u>		<u>1,114,555</u>
Service award advances	12,423		---
Capital assets	83,164		106,586
	\$ <u>1,806,486</u>	\$	\$ <u>1,221,141</u>

LIABILITIES

Current			
Bank indebtedness	\$ 19,671	\$	146,460
Payables and accruals	235,934		141,296
Deferred revenue (Note 6)	241,615		---
	<u>497,220</u>		<u>287,756</u>
Long term			
War Service pension liability (Note 7)	155,403		168,961
Public service award liability (Note 8)	268,893		97,208
Advances for working capital (Note 9)	125,000		125,000
	<u>549,296</u>		<u>391,169</u>
	<u>1,046,516</u>		<u>678,925</u>
Surplus (Note 2)			
Surplus - Province of Nova Scotia	533,135		396,922
Surplus - Utilities	226,835		145,294
	<u>759,970</u>		<u>542,216</u>
	\$ <u>1,806,486</u>	\$	\$ <u>1,221,141</u>
Commitment (Note 11)			
Uncertainty due to the Year 2000 issue (Note 12)			

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Operations
Year Ended March 31, 1999**

	1999		1998
Revenue			
Grant from the Province of Nova Scotia (Note 2)	\$ 2,407,539	\$	2,489,130
Assessments to utilities (Note 2)	915,288		647,217
Recoveries (Note 10)	145,790		99,372
Interest	41,993		34,015
	<u>3,510,610</u>		<u>3,269,734</u>
Expenses			
Salaries, wages and benefits	2,078,980		2,018,927
Consulting and legal fees	335,915		378,934
Rent and business taxes (Note 11)	361,493		371,686
Travel	180,960		175,148
Depreciation	87,539		81,295
Equipment (Note 3)	39,050		38,756
Office supplies and services	33,958		39,978
Maintenance	33,309		32,204
Telephone and facsimile	31,759		32,148
Dues and fees	26,402		38,743
Transcribing and printing	22,120		62,205
Books and reports	17,785		15,215
Advertising	16,866		2,896
Sundry expenses	10,774		7,138
Postage and couriers	10,275		10,108
Staff training and development	5,671		5,988
	<u>3,292,856</u>		<u>3,311,369</u>
Operating surplus (deficit) for the year	\$ <u>217,754</u>	\$	<u>(41,635)</u>

**Statement of Accumulated Surplus
Year Ended March 31, 1999**

	1999		
	Province of Nova Scotia	Utilities	Total
Balance, beginning of year	\$ 396,922	\$ 145,294	\$ 542,216
Operating surplus for year	<u>136,213</u>	<u>81,541</u>	<u>217,754</u>
Balance, end of year	<u>\$ 533,135</u>	<u>\$ 226,835</u>	<u>\$ 759,970</u>
	1998		
	Province of Nova Scotia	Utilities	Total
Balance, beginning of year	\$ 440,105	\$ 143,746	\$ 583,851
Operating (deficit) surplus for year	<u>(43,183)</u>	<u>1,548</u>	<u>41,635</u>
Balance, end of year	<u>\$ 396,922</u>	<u>\$ 145,294</u>	<u>\$ 542,216</u>

See accompanying notes to the financial statements

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Capital Assets
Year ended March 31, 1999**

	Cost				Accumulated Depreciation				1999 Net Book Value	1998 Net Book Value
	Opening	Additions	Deletions	Closing	Opening	Expense	Deletions	Closing		
Furniture	\$ 143,178	\$ ---	\$ (12,538)	\$ 130,640	\$ 100,868	\$ 13,064	\$ (2,508)	\$ 111,424	\$ 19,216	\$ 42,310
Computer equipment	120,532	78,190	(58,275)	140,447	98,346	36,489	(54,231)	80,604	59,843	22,185
Computer software	2,151	---	---	2,151	717	717	---	1,434	717	1,434
Equipment	13,119	---	---	13,119	7,107	2,624	---	9,731	3,388	6,012
Leaseholds	<u>101,868</u>	<u>---</u>	<u>---</u>	<u>101,868</u>	<u>67,223</u>	<u>34,645</u>	<u>---</u>	<u>101,868</u>	<u>---</u>	<u>34,645</u>
Total	<u>\$ 380,848</u>	<u>\$ 78,190</u>	<u>\$ (70,813)</u>	<u>\$ 388,225</u>	<u>\$ 274,261</u>	<u>\$ 87,539</u>	<u>\$ (56,739)</u>	<u>\$ 305,061</u>	<u>\$ 83,164</u>	<u>\$ 106,586</u>

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Statement of Cash Flows
Year Ended March 31, 1999**

	1999	1998
Cash derived from (applied to)		
Operating		
Operating surplus (deficit) \$	217,754	\$ (41,635)
Depreciation	87,539	81,295
	<u>305,293</u>	<u>39,660</u>
 Change in non-cash operating working capital		
Decrease (increase) in accounts receivable	2,070	(78,051)
(Increase) decrease in prepaids	(1,145)	2,975
Decrease (increase) in inventory	7,143	(5,261)
(Increase) in service award advances	(12,423)	---
Increase in payables and accruals	94,638	4,990
Increase in deferred revenue.	241,615	---
	<u>637,191</u>	<u>(35,687)</u>
 Financing		
Decrease in War Service pension liability	(13,558)	(12,678)
Increase (decrease) in Public service award liability . .	171,685	(15,887)
	<u>158,127</u>	<u>(28,565)</u>
 Investing		
Increase in short term investments.	(604,412)	(64,575)
Purchase of capital assets.	(78,190)	(35,637)
Purchase of leaseholds.	---	(4,134)
Disposal of capital assets.	14,073	---
	<u>(668,529)</u>	<u>(104,346)</u>
 Increase (decrease) in cash	126,789	(168,598)
 (Bank indebtedness) cash		
Beginning of year	<u>(146,460)</u>	<u>22,138</u>
End of year \$	<u><u>(19,671)</u></u>	<u><u>(146,460)</u></u>

See accompanying notes to the financial statements.

NOVA SCOTIA UTILITY AND REVIEW BOARD

**Notes to the Financial Statements
March 31, 1999**

1. Incorporation

The Nova Scotia Utility and Review Board was created on December 14, 1992, through the proclamation of the Utility and Review Board Act, Chapter 11 of the Acts of 1992. The Board consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the Utility and Review Board Act. Section 15(1) of the Public Utilities Act requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Sections 31 and 41 of the Gas Distribution Acts allow the Board to set fees and award costs for activities relating to that Act. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector.

b) Short term investments

Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

c) Capital assets

Capital assets purchased by the Board with a value greater than \$1,000 and a useful life greater than one year will be capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years
Leasehold	the lesser of 5 years or the remaining life of the lease

4. Accounts receivable

	1999		1998
Province of Nova Scotia	\$ 9,627	\$	89,909
Public Utilities	45,407		43,085
Other	104,565		28,675
	<u>\$ 159,599</u>	\$	<u>161,669</u>

5. Inventory

Inventory consists of Daily Bus Inspection books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Deferred revenue

During the year, the Board received fees from applicants to defray expenses relating to hearings concerning natural gas distribution rights. As the hearings were incomplete and total costs could not be reasonably estimated as of March 31, revenues sufficient to offset expenses incurred to date were recognized and the balance deferred to the 1999/2000 fiscal year.

Applicant fees	\$	500,000
Hearing expenses as at March 31		<u>268,385</u>
Balance deferred		231,615
Other deferrals		<u>10,000</u>
	\$	<u><u>241,615</u></u>

7. Pensions

Public service superannuation fund

Pursuant to Section 10 of the Utility and Review Board Act, all full time employees of the Board are entitled to receive pension benefits under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

War Service pension liability

Employees of the Board are entitled to purchase service credits for certain years of war service. Increases in an employee's pension as a result of the purchase of war service credits are the responsibility of the Board and are billed to the Board as pensions are paid. Employee pension contributions are used to defray future obligations for war service credits. The Board of Commissioners of Public Utilities, one of the predecessor boards, transferred its war service liability to the Nova Scotia Utility and Review Board on consolidation.

	1999	1998
The status of the liability account is as follows:		
Employee contributions	\$ 44,311	\$ 44,311
Accumulated interest	127,207	119,881
Amortization of unfunded liability	<u>140,580</u>	<u>140,580</u>
	312,098	304,772
Less: pension payments to date	<u>156,695</u>	<u>135,811</u>
	<u><u>\$ 155,403</u></u>	<u><u>\$ 168,961</u></u>

8. Public service award liability

The Board follows the provision of the Civil Service Act with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

In 1998 the prior years, the estimate was based on a general accrual of 1% of gross salary plus a specific accrual for those eligible to retire. The public service award expense is included in salaries, wages and benefits. In 1999, the accrual was changed to be based on a calculation of the specific liability for each employee given current salary and benefit of service.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	1999	1998
Province of Nova Scotia	\$ <u>125,000</u>	\$ <u>125,000</u>

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the Public Utilities Act. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board pursuant to the Public Utilities Act to provide advice related to utility administration and expert evidence during hearings. Consulting fees for specific hearings may, in some cases, be recovered directly from the public utilities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

11. Commitments

The Nova Scotia Utility and Review Board has assumed the lease of the former Board of Commissioners of Public Utilities. The lease, which expires October 31, 1999, calls for the payment of a base rent plus the Board's portion of common costs such as maintenance, power, water and property taxes.

Minimum lease payments by fiscal year for the remaining lease term, not including common costs is \$124,278.

12. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

NOVACO LIMITED

Balance Sheet
as at March 31, 1999

	1999	1998
Assets		
Current Assets		
Bank	\$ 564,416	\$ 26,458
Accrued interest	---	3,564
Investments		
Term deposit	---	512,910
Total Assets	<u>\$ 564,416</u>	<u>\$ 542,932</u>
Liability & Equity		
Current Liabilities		
Accounts payable	\$ 216	\$ 144
Long Term Liabilities		
Deferred provincial grant	332,905	332,905
Total Liabilities	<u>333,121</u>	<u>333,049</u>
Equity		
Capital Stock	5,000	5,000
Earnings		
Beginning retained earnings	204,883	210,999
Current earnings	21,412	(8,402)
Ending Retained Earnings	<u>226,295</u>	<u>202,597</u>
Prior Period Adjustment	---	2,286
Adjusted Ending Retained Earnings	226,295	204,883
Total Equity	<u>231,295</u>	<u>209,883</u>
Total Liabilities/Equity	<u>\$ 564,416</u>	<u>\$ 542,932</u>

Income Statement
for the fiscal year ended March 31, 1999

	1999	1998
Revenue		
Investment income	\$ 21,484	\$ 16,670
Total revenue	<u>21,484</u>	<u>16,670</u>
Expenses		
Salaries	---	---
Corporate registration	72	72
Dept. of Finance	---	25,000
Total Expenses	<u>72</u>	<u>25,072</u>
Net Income	<u>\$ 21,412</u>	<u>\$ (8,402)</u>

Unaudited

NOVACO LIMITED
Investment Income
for the year ending March 31, 1999

Purchase Date	Maturity Date	# Days	Interest Rate	Principal	Value Maturing	Interest	Total Interest
Feb. 3/98	Aug. 3/98	180	4.45%	512,909.69	524,228.13	7,754.07 ⁽¹⁾	7,754.07
Aug. 6/98	Oct. 6/98	61	4.55%	524,228.13	528,214.42	3,986.29	11,740.36
Oct. 6/98	Nov. 5/98	30	4.90%	528,214.42	530,341.75	2,127.33	13,867.69
Nov. 5/98	Dec. 7/98	32	4.25%	530,341.75	532,317.82	1,976.07	15,843.76
Dec. 7/98	Mar. 8/98	90	4.30%	532,317.82	537,958.20	5,640.38	21,484.14

(1) accrued interest for 166 days (57 days interest accrued in 1997-1998).

NOVACO LIMITED

**Notes to Financial Statements
March 31, 1999**

1. Authority

Novaco Limited was incorporated under the Nova Scotia Companies Act in 1970. The Company provides an advisory role to Government with respect to all current and proposed coal mining operations, and may undertake surface coal mining operations that the Government wishes to undertake on its own behalf in the Province.

2. Accounting Policy

Land acquisition costs

All costs relating to land acquisition are expensed as project development costs in the year in which they are incurred.

3. Deferred Provincial Grant

The company has received \$883,900 from the Province of Nova Scotia for the purpose of acquiring surface rights for new coal mining projects.

Details for these grants are as follows:

	1999	1998
Received to date.	\$ 883,900	\$ 883,900
Expenditures to date.	<u>550,995</u>	<u>550,995</u>
Balance , end of year	<u>\$ 332,905</u>	<u>\$ 332,905</u>

4. Land Reclamation Costs

The Articles of Association of the company require that a reclamation fund be established, separate from the operating accounts of the company, for the reclamation of lands disturbed by mining operations.

5. Future Operations

Novaco Limited has closed its office in Sydney Mines, Nova Scotia, has disposed of all of its fixed assets and is operating in a nominal manner. At the fiscal year end, the company was not engaged in any near-surface mining or reclamation operations and there were no approved sites for future operations. Novaco Limited's Take or Pay Agreement with Curragh Resources Inc. is no longer in effect due to the cancellation of the purchase and sale of coal contract between the Nova Scotia Power Corporation and Curragh Resources Inc.

AUDITOR'S REPORT

To the Minister of Agriculture and Marketing; and

To the Chair and Members
of the Provincial Community Pasture Board

I have audited the balance sheet of the Provincial Community Pasture Board as at March 31, 1999 and the statement of income and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policies stated in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 16, 1999

PROVINCIAL COMMUNITY PASTURE BOARD

**Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Accounts receivable (Note 3)	\$ 2,818	\$ 6,154
Livestock - at lower of cost and net realizable value (cost -1999 \$27,750; 1998 \$27,225) (Note 2)	18,800	15,400
	<u>\$ 21,618</u>	<u>\$ 21,554</u>
EQUITY		
Retained Earnings	<u>\$ 21,618</u>	<u>\$ 21,554</u>

**Statement of Income and Retained Earnings
for the year ended March 31, 1999**

	1999	1998
Revenues (Schedule A)	\$ 56,268	\$ 67,830
Expenses (Schedule A)	<u>154,428</u>	<u>161,159</u>
Net loss on pasture operations	<u>98,160</u>	<u>93,329</u>
Loss on livestock (Note 4)	<u>2,023</u>	<u>5,655</u>
Net loss before government contribution	<u>100,183</u>	<u>98,984</u>
Contribution by the Province of Nova Scotia	<u>100,247</u>	<u>100,927</u>
Net income	<u>64</u>	<u>1,943</u>
Retained earnings , beginning of year	<u>21,554</u>	<u>19,611</u>
Retained earnings , end of year	<u>\$ 21,618</u>	<u>\$ 21,554</u>

PROVINCIAL COMMUNITY PASTURE BOARD

**Notes to Financial Statements
March 31, 1999**

1. Authority

The Provincial Community Pasture Board was established pursuant to Section 176(1) of the Agriculture and Marketing Act. The purpose of the Board is to establish, conduct and operate community pastures at such locations as the Board deems advisable.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the policy of charging land, building and equipment acquisitions to expense in the year of purchase.

Livestock is comprised of breeding bulls on-hand at the end of the fiscal year. The bulls are valued at the lower of cost and net realizable value. The carrying-cost of bulls sold and any write-down of bulls to net realizable value is charged to expenses.

Further, under Section 183 of the Agriculture and Marketing Act, the administration costs of the Board are expenses of the Department of Agriculture and Marketing, and are not reflected in these financial statements.

3. Accounts Receivable

	1999	1998
Accounts receivable	\$ 2,818	\$ 8,231
Less: Allowance for doubtful accounts.	---	<u>2,077</u>
	<u>\$ 2,818</u>	<u>\$ 6,154</u>

4. Loss on Livestock

	1999	1998
Sale of bulls	\$ 4,327	\$ 2,469
Carrying-cost of bulls sold	<u>5,300</u>	<u>3,000</u>
Loss on bulls sold	973	531
Write-down of bulls to net realizable value	1,050	3,375
Loss of bulls due to illness	---	<u>1,749</u>
	<u>\$ 2,023</u>	<u>\$ 5,655</u>

PROVINCIAL COMMUNITY PASTURE BOARD

Pasture Operations
for the year ended March 31, 1999

	Cape Mabou	Cape John	Other	Totals	
				1999	1998
Revenues					
Pasture fees	\$ 27,358	\$ 28,029	\$ ---	\$ 55,387	\$ 67,420
Pasture rentals	---	---	881	881	410
	<u>27,358</u>	<u>28,029</u>	<u>881</u>	<u>56,268</u>	<u>67,830</u>
Expenses					
Bad debt expense	---	---	---	---	2,077
Bulls feed and care	4,330	4,670	---	9,000	7,630
Electricity	297	694	---	991	1,251
Equipment maintenance	386	350	---	736	3,473
Equipment purchases	---	---	5,919	5,919	14,500
Fencing	1,495	645	---	2,140	3,413
Fertilizer and lime	19,937	15,062	---	34,999	30,908
Insurance	898	899	---	1,797	1,721
Miscellaneous	900	400	---	1,300	1,980
Operating assistance	---	---	4,100	4,100	4,100
Supplies and services	20,884	16,724	102	37,710	34,891
Wages	27,291	28,445	---	55,736	55,215
	<u>76,418</u>	<u>67,889</u>	<u>10,121</u>	<u>154,428</u>	<u>161,159</u>
Net loss on pasture operations	<u>\$ 49,060</u>	<u>\$ 39,860</u>	<u>\$ 9,240</u>	<u>\$ 98,160</u>	<u>\$ 93,329</u>

AUDITOR'S REPORT

To the Minister of Health, Chairman and Members of the
Board of Management of the Provincial Drug
Distribution Program, and Chairman and Members
of the Board of Management of the Nova Scotia Hospital

I have audited the balance sheet of the Provincial Drug Distribution Program as at March 31, 1999, and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Hospital's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 18, 1999

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999	1998
Current Assets		
Cash	\$ ---	\$ 197,589
Accounts receivable (Note 3)	6,121,136	5,404,699
Inventory	<u>3,329,254</u>	<u>2,811,640</u>
	9,450,390	8,413,928
Estimated Year-end Adjustments Due (To) from Department of Health (Note 4)	(21,948)	11,909
Due from Nova Scotia Hospital	<u>1,994,689</u>	<u>2,747,197</u>
	\$ <u>11,423,131</u>	\$ <u>11,173,034</u>

LIABILITIES AND EQUITY

Current Liabilities		
Bank Overdraft	\$ 1,880,326	\$ ---
Accounts payable and accrued liabilities	2,202,152	3,563,181
Deferred revenue	<u>---</u>	<u>269,200</u>
	4,082,478	3,832,381
Due to Department of Health (Note 5)	<u>7,340,653</u>	<u>7,340,653</u>
	\$ <u>11,423,131</u>	\$ <u>11,173,034</u>

**Statement of Operations
for the year ended March 31, 1999**

	1999	1998
Revenue		
Gross Profit on Drug Sales		
Drug sales	\$ 36,528,776	\$ 33,080,009
Cost of sales	<u>36,321,754</u>	<u>32,946,599</u>
	207,022	133,410
Other Revenue		
Department of Health grant	379,200	277,800
Other	<u>233,466</u>	<u>121,991</u>
	612,666	399,791
	<u>819,688</u>	<u>533,201</u>
Expenses		
Salaries	431,987	410,286
Employee benefits	69,017	63,772
Freight	119,316	100,233
Other expenses	<u>121,619</u>	<u>14,711</u>
	741,939	589,002
Surplus (Deficit)	\$ <u>77,749</u>	\$ <u>(55,801)</u>

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Statement of Changes in Financial Position
for the year ended March 31, 1999**

	1999	1998
Operating Activities		
Surplus (Deficit) from operations	\$ 77,749	\$ (55,801)
Add (deduct): changes in non-cash working capital items		
Increase in accounts receivable	(716,437)	(1,205,239)
Increase in inventory	(517,614)	155,698
Decrease in accounts payable	(1,361,029)	1,073,955
Decrease in deferred revenue	<u>(269,200)</u>	<u>257,600</u>
	<u>(2,786,531)</u>	<u>226,213</u>
 Add (deduct): changes in other operating accounts		
Increase in receivable from Department		
Health	(43,892)	43,396
Decrease in receivable from Nova Scotia		
Hospital	752,508	(2,747,197)
Increase in payable to Department of		
Finance	<u>---</u>	<u>2,675,177</u>
 Cash used by operating activities	<u>(2,077,915)</u>	<u>197,589</u>
 Increase (decrease) in Cash	(2,077,915)	197,589
 Cash at Beginning of Year	<u>197,589</u>	<u>---</u>
 Cash at End of Year	<u><u>(1,880,326)</u></u>	<u><u>197,589</u></u>

PROVINCIAL DRUG DISTRIBUTION PROGRAM

**Notes to Financial Statements
March 31, 1999**

1. Authority

For many years the Nova Scotia Hospital has operated the Provincial Drug Distribution Program (PDDP). On March 31, 1998 the Hospital entered into an agreement, effective April 1, 1998, with the Province and the Regional Health Boards (RHBs) and non-designated organizations (NDOs) which gives the Minister of Health and a board of managers responsibility for the PDDP. The Hospital continues to administer the PDDP. The RHBs and NDOs have agreed to purchase all of their drug requirements through the PDDP. Sales are made to hospitals at cost and nursing homes at cost plus a mark up of 10%.

2. Accounting Principles

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following specific accounting policies.

Operating Costs:

These financial statements do not include certain expenses which are absorbed by the Nova Scotia Hospital.

Inventory

Inventory is valued at average cost.

3. Accounts Receivable

	1999		1998
Customer Receivables	\$ 5,998,741	\$	5,243,827
Out Dated Drugs Receivable	122,395		160,872
	<u>6,121,136</u>	\$	<u>5,404,699</u>

4. Estimated Year-end Adjustments Due From (to) Department of Health

This account represents the net amount due from the Department of Health at the end of the fiscal year. Recovery and payment of annual surplus/deficit is dependent upon the approval by the Department of Health of the PDDP final settlement claim.

	1999		1998
Deficit (Surplus)			
1996/1997	\$ ---	\$	(43,892)
1997/1998	55,801		55,801
1998/1999	<u>(77,749)</u>		<u>---</u>
	<u>(21,948)</u>	\$	<u>11,909</u>

5. Due to Department of Health

In prior years, the Department of Finance processed and recorded the receipts and disbursements of the Nova Scotia Hospital and PDDP. The cumulative difference between receipts and disbursements was recognized as a liability to the Department of Finance at year end. As of April 1, 1997 the Hospital began to process and record receipts and disbursements. Repayment terms for this liability are not specified. Within the 1998-99 fiscal year this payable was transferred from the Department of Finance to the Department of Health.

6. Uncertainty due to the Year 2000 Issue

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

PROVINCIAL RESORT HOTELS

Statement of User Fees and Expense
for the year ended March 31, 1999

	Pines Resort	Keltic Lodge	Liscombe Lodge	Totals	
				1999	1998
User Fees					
Rooms	\$ 1,797,704	\$ 1,632,149	\$ 729,081	\$ 4,158,934	\$ 3,493,300
Food	1,299,796	1,474,501	663,096	3,437,393	3,075,650
Beverage	249,168	286,075	93,034	628,277	530,107
Other	665,177	285,165	191,073	1,141,415	1,014,397
	4,011,845	3,677,890	1,676,284	9,366,019	8,113,454
Expense					
Salaries & Wages	1,672,242	1,671,927	797,509	4,141,678	3,746,180
Travel	27,721	18,915	5,220	51,856	49,007
Supplies & Services . .	2,057,614	1,486,974	594,132	4,138,720	3,249,838
Other	10,908	31,054	26,278	68,240	336,112
	3,768,485	3,208,870	1,423,139	8,400,494	7,381,137
Operating					
Profit (Loss)	243,360	469,020	253,145	965,525	732,317
Property					
Improvements	396,868	2,758,680	339,756	3,495,304	574,134
Recoveries	648,700	2,272,000	308,300	3,229,000	---
	648,700	2,272,000	308,300	3,229,000	---
Profit (Loss) \$	495,192	\$ (17,660)	\$ 221,689	\$ 699,221	\$ 158,183

PROVINCIAL RESORT HOTELS

Notes to Financial Statements
March 31, 1999

Note: This financial statement reflects user fees and current expenditures of the Provincial Resorts budgeted under the Department of Economic Development and Tourism. Recoveries represent expenditures transferred to the Economic Diversification Agreement:

Pines Resort: For the most part, construction and equipping banquet kitchen, patio deck carpeting, new grounds building and construction of three mini-suites.

Keltic Lodge: For the most part, construction and equipping new Atlantic Restaurant lost in November, 1997, due to a fire.

Liscombe Lodge: For the most part, carpeting, furniture, kitchen equipment draperies, repairs to water main and lighting improvements.

The following is not included in this statement: \$4,923 (\$651,163 - 1998) in capital expenditures for construction, renovation and upgrading of facilities under Public Works and Special Projects (details of these expenditures are included in Volume 1 of the Public Accounts of the Province of Nova Scotia); \$365,348 (\$282,096 - 1998) for golf course maintenance at the Pines Resort accounted for by the Department of Transportation and Public Works; \$73,390 (\$91,784 - 1998) in maintenance costs accounted for by the Department of Transportation and Public Works.

AUDITOR'S REPORT

To the Board of Trustees of
The Public Archives of Nova Scotia

We have audited the balance sheet of The Public Archives of Nova Scotia as at March 31, 1999 and the statements of revenues and expenditures, surplus accounts and changes in cash flows for the year then ended. These financial statements are the responsibility of the Archives' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

PRICE, WATERHOUSE, COOPERS
Chartered Accountants

PUBLIC ARCHIVES OF NOVA SCOTIA

**Balance Sheet
as at March 31, 1999**

	Endowment/ Restricted Fund, Collections	Restricted Fund, Publishing	Operating Fund	1999 Total	1998 Total
ASSETS					
Current assets					
Cash	\$ ---	\$ ---	\$ 15,777	\$ 15,777	\$ 21,905
Marketable securities	26,373	8,325	50,198	84,896	176,861
Amount held in trust by Province of Nova Scotia	65,676	---	---	65,676	62,508
Amounts receivable	<u>---</u>	<u>226</u>	<u>102,925</u>	<u>103,151</u>	<u>81,055</u>
	92,049	8,551	168,900	269,500	342,329
Capital assets (note 3)	<u>---</u>	<u>---</u>	<u>141,714</u>	<u>141,714</u>	<u>143,746</u>
	<u>\$ 92,049</u>	<u>\$ 8,551</u>	<u>\$ 310,614</u>	<u>\$ 411,214</u>	<u>\$ 486,075</u>
LIABILITIES					
Current liabilities					
Amounts payable	\$ ---	\$ ---	\$ 77,363	\$ 77,363	\$ 27,819
Interfund payable (receivable)	474	1,588	(2,062)	---	---
Amount due to Nova Scotia Records Management, non-interest bearing with no fixed terms of repayment	<u>---</u>	<u>---</u>	<u>47,091</u>	<u>47,091</u>	<u>63,940</u>
	474	1,588	122,392	124,454	91,759
Deferred contributions (note 4)	<u>25,475</u>	<u>6,963</u>	<u>---</u>	<u>32,438</u>	<u>49,023</u>
	<u>\$ 25,949</u>	<u>\$ 8,551</u>	<u>\$ 122,392</u>	<u>\$ 156,892</u>	<u>\$ 140,782</u>
Contingency and commitment (note 5)					
SURPLUS					
Surplus accounts					
Endowments	\$ 66,100	\$ ---	\$ ---	\$ 66,100	\$ 66,100
Invested in capital assets	---	---	141,714	141,714	143,746
Unrestricted	<u>---</u>	<u>---</u>	<u>46,508</u>	<u>46,508</u>	<u>135,447</u>
	66,100	---	188,222	254,322	345,293
	<u>\$ 92,049</u>	<u>\$ 8,551</u>	<u>\$ 310,614</u>	<u>\$ 411,214</u>	<u>\$ 486,075</u>

PUBLIC ARCHIVES OF NOVA SCOTIA

**Statement of Revenue and Expenditures
for the year ended March 31, 1999**

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1999 Total	1998 Total
Revenue					
Government of Nova Scotia (salaries and benefits)	\$ ---	\$ ---	\$ 1,192,580	\$ 1,192,580	\$ 1,020,546
Government of Nova Scotia (operating grant)	---	---	164,204	164,204	319,454
Government of Nova Scotia (collections grant)	---	---	---	---	60,000
Other funding	---	---	129,381	129,381	82,419
Sales, publication, etc.	---	---	35,617	35,617	42,991
Investment income (note 6)	---	---	4,034	4,034	3,827
Restricted funds, collections and publishing	---	630	---	630	3,084
	---	630	1,525,816	1,526,446	1,532,321
Expenses					
Acquisitions, collections and publishing	---	630	---	630	63,084
Amortization	---	---	58,785	58,785	40,456
Building maintenance	---	---	46,852	46,852	49,754
Conferences and seminars	---	---	6,475	6,475	7,515
Electricity	---	---	72,078	72,078	77,039
Equipment repair and maintenance	---	---	28,036	28,036	21,737
Freight and express	---	---	3,644	3,644	2,529
General operating	---	---	28,681	28,681	35,349
Heating fuel	---	---	13,998	13,998	14,595
Membership dues	---	---	3,263	3,263	1,173
Miscellaneous	---	---	18,012	18,012	19,196
Other services	---	---	32,505	32,505	35,544

PUBLIC ARCHIVES OF NOVA SCOTIA

**Statement of Revenue and Expenditures
for the year ended March 31, 1999**

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1999 Total	1998 Total
Expenses (continued):					
Professional services	---	---	14,549	14,549	6,616
Records management	---	---	3,249	3,249	1,818
Rentals	---	---	572	572	1,001
Salaries and benefits	---	---	1,192,580	1,192,580	1,020,546
Security	---	---	13,048	13,048	13,623
Staff training	---	---	10,940	10,940	390
Subscriptions and periodicals	---	---	7,779	7,779	6,930
Telecommunications	---	---	20,751	20,751	19,550
Travel	---	---	4,511	4,511	8,686
Water	---	---	5,819	5,819	4,575
	<u>---</u>	<u>630</u>	<u>1,586,127</u>	<u>1,586,757</u>	<u>1,451,706</u>
Excess (deficiency) of revenue over expenditures for the year . . .	\$ <u>---</u>	\$ <u>---</u>	\$ <u>(60,311)</u>	\$ <u>(60,311)</u>	\$ <u>80,615</u>

PUBLIC ARCHIVES OF NOVA SCOTIA

**Statement of Changes in Surplus Accounts
for the year ended March 31, 1999**

	Endowment/ Restricted Fund, Collections	Restricted Fund Publishing	Operating Fund	1999 Total	1998 Total
Surplus accounts - beginning of year.....	\$ 66,100	\$ ---	\$ 279,193	\$ 345,293	\$ 278,176
Excess (deficiency) of revenue over expenditures.....	<u>---</u>	<u>---</u>	<u>(90,971)</u>	<u>(90,971)</u>	<u>67,117</u>
Surplus accounts - End of year.....	<u>\$ 66,100</u>	<u>\$ ---</u>	<u>\$ 188,222</u>	<u>\$ 254,322</u>	<u>\$ 345,293</u>
 Represented by					
Endowments.....	\$ 66,100	\$ ---	\$ ---	\$ 66,100	\$ 66,100
Invested in capital assets.....	---	---	141,714	141,714	143,746
Unrestricted funds.....	<u>---</u>	<u>---</u>	<u>46,508</u>	<u>46,508</u>	<u>135,447</u>
	<u>\$ 66,100</u>	<u>\$ ---</u>	<u>\$ 188,222</u>	<u>\$ 254,322</u>	<u>\$ 345,293</u>

See accompanying notes to financial statements.

THE PUBLIC ARCHIVES OF NOVA SCOTIA

Statement of Cash Flows
for the year ended March 31, 1999

	1999	1998
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	\$ (90,971)	\$ 67,117
Amortization, not involving cash	<u>58,785</u>	<u>40,456</u>
	(32,186)	107,573
Net change in non-cash working capital		
balances related to operations	<u>10,599</u>	<u>14,300</u>
	<u>(21,587)</u>	<u>121,873</u>
Cash flows from financing activities		
Increase (decrease) in deferred contributions	<u>(16,585)</u>	<u>2,159</u>
Cash flows from investing activities		
Purchase of capital assets	<u>(56,753)</u>	<u>(81,913)</u>
Increase (decrease) in cash, marketable securities and amount		
held in trust during the year	(94,925)	42,119
Cash, marketable securities and amount held in		
trust - Beginning of year	<u>261,274</u>	<u>219,155</u>
Cash, marketable securities and amount held in		
trust - End of year	<u>\$ 166,349</u>	<u>\$ 261,274</u>
Cash, marketable securities and amount held in		
trust consist of:		
Cash	15,777	21,905
Marketable securities	84,896	176,861
Amount held in trust by Province of Nova Scotia	<u>65,676</u>	<u>62,508</u>
	<u>\$ 166,349</u>	<u>\$ 261,274</u>

PROVINCE OF NOVA SCOTIA

THE PUBLIC ARCHIVES OF NOVA SCOTIA

Notes to Financial Statements

March 31, 1999

1. Status and Nature of Activities

On December 3, 1998, legislation was passed by the Province of Nova Scotia that established The Public Archives of Nova Scotia (the "Archives") as a central agency of the Government under the Public Archives Act. This act was proclaimed late in February 1999, retroactive to January 1, 1999. This act states that "there shall be an account in the accounts of the Province called the Public Archives Account and all employees of The Public Archives are deemed to be employed in the public service of the Province". Although the legislation is retroactive to January 1, 1999, The Public Archives continued to operate under its previously existing structure for the remainder of their fiscal year until April 1, 1999, when it actively began having its accounts processed as other government departments through the Department of Finance system.

The Archives is primarily responsible for acquiring and preserving the corporate memory of government and documentary heritage of the Province. The Archives is both a deposit library for publications of the Government of Nova Scotia and an historical research facility.

2. Summary of Significant Accounting Policies

The accounting policies of the Archives are established and maintained in accordance with generally accepted accounting principles. Outlined below are those policies considered particularly significant.

(a) Use of management estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets, liabilities, and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and movements of funds during the year. Actual results could differ from these estimates.

(b) Fund accounting

The Archives uses fund accounting to prepare its financial statements. Fund balances include balances invested in endowments, capital assets and unrestricted balances.

The operating fund accounts for the Archives' operations, delivery of services and capital assets.

The restricted fund, publishing accounts for contributions, revenue and expenditures externally restricted for publishing.

The endowment/restricted fund, collections accounts for endowment contributions, assets, liabilities, revenues and expenditures related to the acquisition of collections.

(c) Financial instruments

Financial instruments are stated at cost, or at cost less amounts written off to reflect a permanent decline in value, and where there is a fixed rate of return, accrued interest is included in book value. The fair value of these financial instruments approximate their carrying values, due to the short-term and/or the fixed nature of these instruments.

(d) Revenue recognition

The Archives follows the deferral method of accounting for contributions, which include designated contributions from the public, bequests and Government support.

Unrestricted contributions are recognized as revenue when received or receivable to the extent that amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions other than endowment contributions are recognized as revenue in the year in which related expenditures are incurred. Endowment contributions are recognized as direct increases in the endowment/restricted fund, collections surplus account.

(e) Capital assets

Purchased capital assets are recorded at cost. When a capital asset no longer contributes to the Archives' ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized using the declining balance method at the following rates:

Computer equipment	20%
Computer software	100%
Furniture and equipment	20%

One-half year's amortization is taken in the year of acquisition.

Leasehold improvements are being amortized using the straight-line method over 10 years.

(f) Collections

The Archives' collections include textual paper records, documents, photographic images, maps, architectural plans, moving image materials, sound recordings and microforms. The date range of the collections is 1702 to 1998.

The cost of determining the value of existing collections exceeds the incremental benefit and therefore the Archives expenses all acquisitions in the period they are incurred.

Significant additions during the year:

- (i) Lesley Choyce fonds, 1996-1997, 17 videocassettes;
- (ii) Hervert Clifford Creed fonds and George John Creed fonds, 11 cm textual records and other material;
- (iii) Don Messer fonds, 1920s-1973, 7.2 m of textual records and other material;
- (iv) I.O.D.E. H.M.S. Shannon Chapter (Dartmouth, N.S.) fonds, 1917-1954, 28 cm of textual records;
- (v) Red Herring Co-op Book Store fonds, 1977-1996, 70 cm of textual records;
- (vi) Cape Breton's Magazine fonds, 1967-1998. (ca. 600) audio cassettes;
- (vii) New Maritimes Editorial Council Society fonds, 1981-1997, 40 cm of textual records and other material; and
- (viii) Salter Street Films fonds (ca. 1981 - 1998), (ca. 5475) moving images, 560 sound recordings, 18 m of textual records.

During the year ended March 31, 1999, the Archives has acquired and expensed collections of \$630 (1998 - \$63,084).

AUDITOR'S REPORT

To the Members of the Legislative Assembly; and
To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued pension benefits and surplus of the Nova Scotia Public Service Superannuation Fund as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus of the Fund as at March 31, 1999 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

E. R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
June 25, 1999

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

**Statement of Net Assets Available for Benefits
and Accrued Pension Benefits
as at March 31, 1999**

	1999	1998
	(in thousands)	
NET ASSETS AVAILABLE FOR BENEFITS		
Assets		
Investments (Note 3)	\$ 2,507,068	\$ 2,744,488
Contributions receivable		
Employees'	417	2,412
Employers'	1,568	2,399
Accrued income	19,977	20,591
Cash	<u>2,793</u>	<u>1,881</u>
Total Assets	<u>2,531,823</u>	<u>2,771,771</u>
Liabilities		
Net investment transactions outstanding	1,219	16,413
Accounts payable	<u>24,734</u>	<u>13,148</u>
Total liabilities	<u>25,953</u>	<u>29,561</u>
Net Assets Available for Benefits	2,505,870	2,742,210
Actuarial asset value adjustment (Note 4)	<u>1,210</u>	<u>1,367</u>
Actuarial value of net assets available for benefits	\$ <u>2,507,080</u>	\$ <u>2,743,577</u>
ACCRUED PENSION BENEFITS AND SURPLUS		
Accrued pension benefits	\$ 2,394,270	\$ 2,248,200
Surplus (Note 5)	<u>112,810</u>	<u>495,377</u>
Accrued pension benefits and surplus	\$ <u>2,507,080</u>	\$ <u>2,743,577</u>

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

**Statement of Changes in Net Assets Available for Benefits
for the year ended March 31, 1999**

	1999	1998
	(in thousands)	
Increase in Assets		
Investment activities (Note 3)	\$ (36,385)	\$ 562,221
Contributions		
Employers' - matched	---	28,663
Employees' - matched	---	28,663
Employees' - unmatched	183	127
Interest on the purchase of prior years' service	1,255	1,156
Transfers from other pension plans	<u>1,383</u>	<u>440</u>
	<u>2,821</u>	<u>59,049</u>
Total increase (decrease) in assets	<u>(33,564)</u>	<u>621,270</u>
Decrease in Assets		
Benefits paid	128,694	118,088
Operating expenses (Note 6)	5,949	4,807
Refund of contributions and interest	1,221	1,757
Transfers to other pension plans	6,777	9,423
Contribution holiday (Note 1)	<u>60,135</u>	<u>---</u>
Total decrease in assets	<u>202,776</u>	<u>134,075</u>
Increase (decrease) in Net Assets	(236,340)	487,195
Net Assets Available for Benefits		
at Beginning of Year	<u>2,742,210</u>	<u>2,255,015</u>
Net Assets Available for Benefits		
at End of Year	\$ <u><u>2,505,870</u></u>	\$ <u><u>2,742,210</u></u>

See accompanying notes to financial statements.

NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION FUND

Notes to Financial Statements March 31, 1998

1. Authority and Description of Plan

The Public Service Superannuation Fund was established by the Public Service Superannuation Act. It is the funding vehicle for the Public Service Superannuation Plan, a pension plan which covers employees of the Province and certain other public sector organizations. The detailed provisions of the Plan, including pension eligibility criteria and benefit formulas are also contained in the Act and in the Regulations made under the Act.

Employee and employer contributions and investment earnings are credited to the Fund. Pensions, payments to terminating employees and administration expenses are charged to the Fund. The Minister of Finance is trustee of the Fund which is invested in federal, provincial, municipal and corporate securities which qualify as eligible investments under the Provincial Finance Act.

The Plan is funded by employee and matching employer contributions of 5.4% of salary up to the Year's Maximum Pensionable Earnings (YMPE) per the Canada Pension Plan (CPP) and 7% of salary above the YMPE. The basic pension formula is 2% for each year of pensionable service times the number of years of pensionable service. Pensions are integrated with CPP benefits at age 65. Pensions in pay and deferred pensions are increased on January 1 of each year at a rate equal to the increase in the Consumer Price Index for Canada to a maximum of 6%.

Plan members are eligible for a pension upon reaching any of the following criteria:

- age 50 with an age plus pensionable service factor of 80 - "Rule of 80" (active members only);
- age 55 with two years of service (reduced pension);
- age 55 with an age plus pensionable service factor of 85 - "Rule of 85" (deferred pensioners);
- age 60 with two years of service;
- age 65

Certain pension payments are attributable to previous early retirement programs and other unfunded benefits. They are charged to the Consolidated Fund of the Province and participating employers and are not paid from the Fund. These payments amounted to \$15,239,000 for the year ended March 31, 1999 (1998 - \$13,857,000).

An Order in Council approved on August 5, 1998 authorized a one-time increase effective July 1, 1998 in the pre-1984 pension benefits payable to compensate for a loss in purchasing power. The present value of the cost of the increase is approximately \$31.9 million.

On December 3, 1998, the Lieutenant Governor gave Royal Assent to the Financial Measures (1998) Act. This Act authorized a contribution holiday for the period April 1, 1997 to March 31, 1999, inclusive. The contribution holiday for the fiscal year 1997/98 was paid retroactively during the fiscal year 1998/99 and is shown as a decrease in assets in the statement of changes in Net Assets Available for Benefits. The Act also improved spousal benefits by increasing the percentage of a member's pension paid to a surviving spouse from 60% to 66 2/3%. In addition, it introduced a guarantee that a member's pension would be paid for a period of at least five years, if there were a surviving spouse. The present value of the cost of these improvements in benefits is approximately \$45.5 million.

(b) Derivative Contracts

Derivatives are financial contracts, the value of which is 'derived' from the value of underlying assets or interest or exchange rates. Derivatives provide flexibility in implementing investment strategy. Money market-to-equity swaps have been used during the year to adjust the asset mix. Foreign currency forwards have been used to manage the foreign currency exposure inherent in the foreign investments. Section (f) of this note provides a summary of these contracts as at March 31, 1999.

The following provides details of the derivative money market-to-equity swap contracts outstanding as at March 31, 1999. Notional amounts of derivative contracts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with the market risk or credit risk of such transactions but serve as the basis upon which the return from and market value of the contracts are determined. These contracts are denominated in Canadian dollars and are reset quarterly.

Notional Principal	Original Term	Credit Rating of Counter-party	Equity Index	BA Index	Market Value
(in thousands)					
\$ 39,500	1.0 yr	AA(low)	TSE100	CAD-BA-CDOR	\$ 476
35,666	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(565)
39,877	2.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	369
14,143	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	(218)
22,427	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	829
22,427	3.0 yrs	AA(low)	TSE100	CAD-BA-CDOR	842
<u>\$ 174,040</u>					<u>\$ 1,733</u>

(c) Market value of investments and related income after allocating the effects of derivative contracts.

	1999			1998		
	Assets	%	Income* (Loss)	Asset	%	Income*
(in thousands)						
Money market	\$ 123,346	4.9%	\$ 2,684	\$ 95,872	3.5%	\$ 3,672
Fixed income	868,735	34.7%	66,517	826,460	30.1%	97,679
Equities - Canadian	1,013,349	40.4%	(129,516)	1,301,865	47.4%	327,135
- US	224,697	9.0%	204	244,241	8.9%	92,733
- Other foreign	276,941	11.0%	23,675	276,050	10.1%	40,942
Other	---	---	50	---	0.0%	60
	<u>\$2,507,068</u>	<u>100%</u>	<u>\$ (36,386)</u>	<u>\$ 2,744,488</u>	<u>100%</u>	<u>\$ 562,221</u>

* Includes realized gains of \$189.7 million (\$141.4 million - 1998) and unrealized losses of \$291.1 million (\$310.3 million gain - 1998).

(d) Interest rate risk

Interest rate risk refers to the fact that the Plan's financial position will change as market interest rates change. Interest rate risk is inherent in the nature of the pension plan business due to prolonged timing differences between cash flows related to the plan's assets and cash flows related to the plan's liabilities.

(d) Interest rate risk (continued):

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation. To meet these liabilities the plan has established a policy asset mix of approximately 60% equities and 40% fixed income securities. Long-term equity returns have historically shown high correlation with changes in inflation and salary escalation, while fixed income securities are sensitive to changes in nominal interest rates. At March 31, 1999 the \$868,735,000 fixed income securities had a modified duration of 6.41 years. This means a 1% decrease in nominal interest rates would increase their market value by approximately 6.41 %.

(e) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss.

The Plan limits credit risk by purchasing fixed income securities with a credit rating of "BBB" and higher. In addition, the Plan limits derivative contract risk by dealing with counterparties that have a minimum "A" credit rating.

(f) Foreign currency risk

Foreign currency exposure arises from the Plan's holding of foreign currency-denominated equities. From time to time some of this exposure will be hedged based on interest rates or other economic fundamentals.

The Plan's foreign currency exposure is summarized in the following table.

Currency	Gross Exposure (in thousands)	Net Foreign Currency Hedge	Net Exposure
Canada.....	\$ 2,017,874	\$ 14,500	\$ 2,032,374
Eurozone.....	83,726	---	83,726
Japan.....	43,036	(16,971)	26,065
United Kingdom.....	46,574	---	46,574
United States.....	250,241	---	250,241
Other.....	88,387	---	88,387
Total.....	\$ <u>2,529,838</u>	\$ <u>(2,471)</u>	\$ <u>2,527,367</u>

4. Actuarial Asset Value Adjustment

The actuarial asset value adjustment of \$1,210,000 (\$1,367,000 - 1998) represents the present value of outstanding employee and employer contributions which are due as a result of service buy-backs.

5. Actuarial Valuation

Actuarial valuations of the Public Service Superannuation Fund are carried out at least every three years and provide an estimate of the accrued pension benefits (fund liabilities) as at the valuation date, calculated on the basis of various assumptions with respect to pension costs and rates of return on investments. The calculations are updated in intervaluation years. The last valuation of the Public Service Superannuation Fund was carried out by the Plan's consulting actuary, Morneau Sobeco, as at October 31, 1998 and was reported upon on November 19, 1998.

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the member's projected five year average salary at the expected date of retirement. The major economic and demographic assumptions used in the last valuation were as follows:

Inflation	3.0% per annum
Average Salary Increase	0.5% real plus 1.0% merit increase
Real Rate of Return on Investment	4.5% per annum
Average Retirement Age	60 years

The valuation as at October 31, 1998 indicated that the plan had a surplus of \$38.65 million compared to a surplus of \$149.9 million as at December 31, 1996. A projection to March 31, 1999 indicated a surplus of \$112.81 million.

6. Operating Expenses

The Fund is charged with administrative and certain other expenses incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses.

	1999	1998
	(in thousands)	
Investment management fees	\$ 4,791	\$ 3,997
Professional services	147	113
Salaries	416	523
Supplies and services	478	103
Travel	8	27
Other	109	44
	<u>\$ 5,949</u>	<u>\$ 4,807</u>

7. Uncertainty due to the Year 2000 Issue

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

AUDITOR'S REPORT

To the Minister of Justice; and
To the Public Trustee

I have audited the balance sheet of the Public Trustee Trust Funds as at March 31, 1999 and the statement of continuity of assets for the year then ended. These financial statements are the responsibility of the Public Trustee. My responsibility is to express an opinion on these financial statements based on my audit.

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

In common with many trust funds, it is not possible to verify by audit procedure that all the assets of any given trust actually came under the administration of the Public Trustee. Accordingly, my verification of trust assets was limited to those recorded in the records.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to verify the completeness of the assets of the trust funds, these financial statements present fairly, in all material respects, the financial position of the Public Trustee Trust Funds as at March 31, 1999 and the continuity of assets for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements.

E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
July 16, 1999

PUBLIC TRUSTEE TRUST FUNDS

**Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Estates and Trusts		
Cash	\$ 1,280,180	\$ 514,168
Securities, real estate and other assets	15,317,750	16,378,059
Common Fund securities (Note 4)	<u>1,305,340</u>	<u>1,178,800</u>
	17,903,270	18,071,027
Special Reserve Fund (Note 5)		
Cash and securities	<u>1,114,573</u>	<u>1,018,033</u>
	\$ <u><u>19,017,843</u></u>	\$ <u><u>19,089,060</u></u>
LIABILITIES		
Estates and Trusts		
Estates and trusts balances	\$ <u>17,903,270</u>	\$ <u>18,071,027</u>
Special Reserve Fund (Note 5)		
Restricted funds	1,056,537	971,151
Funds transferable to Province of Nova Scotia	<u>58,036</u>	<u>46,882</u>
	<u>1,114,573</u>	<u>1,018,033</u>
	\$ <u><u>19,017,843</u></u>	\$ <u><u>19,089,060</u></u>

PUBLIC TRUSTEE TRUST FUNDS

**Statement of Continuity of Assets
for the year ended March 31, 1999**

	Estates and Trusts	Special Reserve Fund	Fees Earned	1999 Total	1998 Total
Balance, beginning of year	\$ 18,071,027	\$ 1,018,033	---	\$ 19,089,060	\$ 16,145,491
<i>Add:</i>					
Assets acquired during the year	9,480,693	---	---	9,480,693	9,785,990
Income earned	715,113	---	---	715,113	806,851
Fees earned	---	---	376,060	376,060	369,413
Interest earned on Special Reserve Fund investments . . .	---	58,036	---	58,036	46,882
Excess interest transferred from Common Fund	---	85,386	---	85,386	55,208
	<u>10,195,806</u>	<u>143,422</u>	<u>376,060</u>	<u>10,715,288</u>	<u>11,064,344</u>
<i>Less:</i>					
Distributions of estates and trusts	9,613,698	---	---	9,613,698	7,463,348
Transfers to the Province Fees	---	---	376,060	376,060	369,413
Undistributable estates and trusts (per Section 28) . . .	749,865	---	---	749,865	232,773
Investment income earned on Special Reserve Fund	---	46,882	---	46,882	55,241
	<u>10,363,563</u>	<u>46,882</u>	<u>376,060</u>	<u>10,786,505</u>	<u>8,120,775</u>
Balance, end of year . . .	<u>\$ 17,903,270</u>	<u>\$ 1,114,573</u>	<u>---</u>	<u>\$ 19,017,843</u>	<u>\$ 19,089,060</u>

PUBLIC TRUSTEE TRUST FUNDS

**Notes to Financial Statements
March 31, 1999**

1. Authority

The Office of the Public Trustee was established pursuant to the Public Trustee Act. The Public Trustee is empowered to perform the duties of a guardian, custodian, trustee, and executor or administrator of an estate. All investments by the Public Trustee are to be made in accordance with the Trustee Act.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles modified by the following policies.

- a) Securities consist of bonds, debentures, stocks and deposit certificates. Securities purchased by the Public Trustee are valued at cost. Securities taken over by the Public Trustee are valued at face value or market value.
- b) The Public Trustee is responsible for administering certain other assets such as real estate, personal effects and chattels. These assets are valued and recorded in the financial records at an estimated market value at the date control is assumed. If market value is not readily ascertainable, they are each recorded at a nominal value of \$1.
- c) The Office of the Public Trustee uses a modified cash basis of accounting. These financial statements do not include accrued interest receivable on investments.
- d) Administration expenses of the Office of the Public Trustee are provided for by the general administration vote of the Department of Justice. Rent is paid by the Department of Transportation and Public Works. These expenses are not reflected in the statement of continuity of assets (see Note 3).

3. Operating Costs

Certain operating costs are absorbed by various government departments and are not reflected in the statement of continuity of assets. These costs of operating the Office of the Public Trustee are offset by fees charged for administering estates and by investment income.

	1999	1998
Department of Justice		
- Salaries and benefits	546,534 \$	522,609
- Other operating costs	36,904	32,024
Department of Transportation and Public Works		
- Rent	49,107	49,107
	<u>632,545</u>	<u>603,740</u>
Less transfers to Province		
- Fees	376,060	369,413
- Special Reserve Fund income	46,882	55,241
	<u>422,942</u>	<u>424,654</u>
Net cost to the Province	<u>209,603 \$</u>	<u>179,086</u>

4. Common Fund Securities

Section 30 of the Public Trustee Act permits the Public Trustee to invest monies, not subject to any express trust or direction for investment thereof, in a Common Fund. Investments of the Common Fund are valued at cost.

5. Special Reserve Fund

Section 32 of the Public Trustee Act provides for the establishment of a Special Reserve Fund. The purposes of the Fund are to provide for any deficiencies between income earned on investments of the Common Fund and interest required to be paid to estates comprising the Common Fund; and also to provide for any deficiency between the aggregate amount of sums invested and the realized value of investments of the Common Fund.

The Fund consists of investment income earned on Common Fund securities in excess of interest paid to Common Fund estates. Income earned on securities held in the Special Reserve Fund also forms part of the Fund.

Income earned on securities held in the Special Reserve Fund is eligible for transfer annually to the Province. The remainder of the Fund is restricted to the purposes described above.

6. Uncertainty Due to the Year 2000 Issue

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

AUDITORS' REPORT

To the Board of Directors of
Queen Elizabeth II Health Sciences Centre

We have audited the statement of financial position - operating and capital fund of the Queen Elizabeth II Health Sciences Centre ("QEII") as at March 31, 1999 and the statements of fund balances, revenues and expenditures, and changes in financial position for the year then ended. These financial statements are the responsibility of the QEII's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

ERNST & YOUNG LLP
Chartered Accountants

Halifax, Canada
June 14, 1999
(except for note 16 which
is as of June 28, 1999)

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

**Statement of Financial Position - Operating and Capital Funds
as at March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
			(restated - Note 3)	
		(in thousands)		
	ASSETS			
Current				
Investment held in trust	500	---	500	500
Accounts receivable	24,274	---	24,274	19,980
Due from (to) other funds	50,165	(50,165)	---	---
Inventories (note 5)	4,524	---	4,524	4,934
Prepaid expenses	5,748	---	5,748	4,839
	<u>85,211</u>	<u>(50,165)</u>	<u>35,046</u>	<u>30,253</u>
Restricted cash and short-term investments (notes 2 and 8)	12,805	---	12,805	10,488
	<u>98,016</u>	<u>(50,165)</u>	<u>47,851</u>	<u>40,741</u>
Capital assets (note 6)	---	206,500	206,500	208,030
	<u>\$ 98,016</u>	<u>\$ 156,335</u>	<u>\$ 254,351</u>	<u>\$ 248,771</u>
	LIABILITIES			
Current				
Bank indebtedness \$	34,673	---	34,673	26,051
Accounts payable and accrued liabilities	45,050	---	45,050	51,806
Due to Nova Scotia Government Department of Health (note 4)	90,443	---	90,443	35,622
Deferred revenue (note 7)	8,705	3,733	12,438	14,843
Current portion of long-term debt (note 9)	---	93	93	112
	<u>178,871</u>	<u>3,826</u>	<u>182,697</u>	<u>128,434</u>
Restricted liabilities (notes 2 and 8)	12,805	---	12,805	10,488
	<u>191,676</u>	<u>3,826</u>	<u>195,502</u>	<u>138,922</u>
Long-term debt (note 9)	---	354	354	---
	<u>191,676</u>	<u>4,180</u>	<u>195,856</u>	<u>138,922</u>
	FUND BALANCE			
Operating deficiency (note 16)	(95,094)	---	(95,094)	(53,705)
Surplus retention	1,434	---	1,434	1,434
Investment in capital assets	---	152,155	152,155	162,120
	<u>(93,660)</u>	<u>152,155</u>	<u>58,495</u>	<u>109,849</u>
	<u>\$ 98,016</u>	<u>\$ 156,335</u>	<u>\$ 254,351</u>	<u>\$ 248,771</u>

Contingencies and commitments (notes 11, 12, 13 and 15)

See accompanying notes

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

**Statement of Fund Balances
Year ended March 31, 1999**

	1999	1998
	(restated - note 3)	
OPERATING FUND		
	(in thousands)	
Balance, beginning of year as previously reported	\$	(16,524)
Change in accounting policy (note 3)		(2,145)
Balance, beginning of year as restated	<u>(53,705)</u>	<u>(18,669)</u>
Operating expenditures over revenue	(30,519)	(23,871)
Net capital amortization	(6,906)	(4,612)
Re-engineering	(1,293)	(6,334)
Year 2000	<u>(2,671)</u>	<u>(219)</u>
Net expenditures over revenue	<u>(41,389)</u>	<u>(35,036)</u>
 Balance, end of year (note 16)	 <u>\$ (95,094)</u>	 <u>\$ (53,705)</u>
 SURPLUS RETENTION FUND		
 Balance, beginning and end of year	 <u>\$ 1,434</u>	 <u>\$ 1,434</u>
 INVESTMENT IN CAPITAL ASSETS		
 Capital Funding, beginning of year	 223,675	 215,815
Capital funding for the year (Schedule C)	<u>2,954</u>	<u>7,860</u>
	226,629	223,675
Accumulated amortization of capital funding, beginning of year	(61,555)	(48,572)
Amortization of capital funding for the year	<u>(12,919)</u>	<u>(12,983)</u>
Accumulated amortization of capital funding, end of year	<u>(74,474)</u>	<u>(61,555)</u>
 Balance, end of year	 <u>152,155</u>	 <u>162,120</u>
 Total	 <u>\$ 58,495</u>	 <u>\$ 109,849</u>

See accompanying notes

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Statement of Revenues and Expenditures
Operating Fund
Year ended March 31, 1999

	1999	1998
		(restated - Note 3)
		(in thousands)
Patient Care		
Revenues (Schedule A)	\$ 329,775	\$ 316,410
Expenditures (Schedule B)	<u>361,151</u>	<u>336,730</u>
	(31,376)	(20,320)
Net capital amortization	(6,906)	(4,612)
Re-engineering (Schedule B)	(1,293)	(6,334)
Year 2000	<u>(2,671)</u>	<u>(219)</u>
	<u>(42,246)</u>	<u>(31,485)</u>
Environmental		
Revenues (Schedule A)	2,600	2,632
Expenditures (Schedule B)	<u>2,600</u>	<u>6,609</u>
	---	(3,977)
Results from operating activities	<u>(42,246)</u>	<u>(35,462)</u>
Research		
Revenues (Schedule A)	11,733	11,222
Expenditures (Schedule B)	<u>9,416</u>	<u>7,944</u>
	2,317	3,278
Opening balance	<u>10,488</u>	<u>7,210</u>
Ending funds available for research	12,805	10,488
Funds committed to future periods	<u>12,805</u>	<u>10,488</u>
	---	---
Other		
Revenues (Schedule A)	6,624	10,466
Expenditures (Schedule B)	<u>5,767</u>	<u>10,040</u>
	857	426
Net expenditures over revenues	<u>(41,389)</u>	<u>(35,036)</u>

See accompanying notes

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

**Statement of Changes in Financial Position
Year ended March 31, 1999**

	1999	1998
	(restated - Note 3)	
	(in thousands)	
OPERATING ACTIVITIES		
Net expenditures over revenues - operating fund.	\$ (41,389)	\$ (35,036)
Items not requiring cash		
Depreciation.	19,825	17,596
Amortization of capital funding.	(12,919)	(12,983)
Changes in non-cash working capital items (Schedule D)	40,865	31,956
Cash provided by operating activities	<u>6,382</u>	<u>1,533</u>
FINANCING ACTIVITIES		
Capital funding (Schedule C)	2,954	7,860
Increase in (repayment of) long-term debt	335	(98)
Decrease in due from Workers' Compensation Board	---	3,967
Cash provided by financing activities	<u>3,289</u>	<u>11,729</u>
INVESTING ACTIVITIES		
Capital assets acquired (Schedule C)	(18,293)	(24,815)
Cash used in investing activities	<u>(18,293)</u>	<u>(24,815)</u>
Restricted Funding	<u>2,317</u>	<u>3,260</u>
Net cash outflow during the year	(6,305)	(8,293)
Cash position, beginning of year	(15,063)	(6,770)
Cash position, end of year	<u><u>(21,368)</u></u>	<u><u>(15,063)</u></u>
The cash position, end of year is comprised as follows:		
Bank indebtedness	\$ (34,673)	\$ (26,051)
Investments held in trust	500	500
Restricted cash and short-term investments	12,805	10,488
	<u><u>\$ (21,368)</u></u>	<u><u>(15,063)</u></u>

See accompanying notes

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Notes to the Financial Statements March 31, 1999

1. Nature of the Organization

On July 8, 1994, the Province of Nova Scotia announced the formation of the Queen Elizabeth II Health Sciences Centre ("QEII"). An Act of the Legislation of the Province of Nova Scotia, proclaiming the incorporation of the QEII, was passed on February 27, 1996.

The QEII is dedicated to the provision of exemplary health care through the integration of patient care, teaching and research within a compassionate and caring Centre community, in partnership with other providers. It is the principal centre for the provision of these services in the Maritime Provinces.

The QEII is a non profit entity and, as such, is exempt from income tax.

2. Significant Accounting Policies

Fund Accounting

The QEII maintains its financial statements on a fund accounting basis. Separate funds have been established to distinguish operating activity from capital activity.

The Operating Fund contains the non-capital operating assets, liabilities, revenues and expenditures of the QEII related to the provision of hospital services.

The Capital Fund contains the capital assets, net of accumulated depreciation and related capital funding, net of accumulated amortization.

Investments

Investments are stated at cost.

Inventories

Inventories are stated at cost, being the lower of cost and net realizable value.

Capital Assets

Capital Assets are recorded at cost and depreciated at the following annual rates:

New Halifax Infirmary building	50 years straight line
Other buildings and additions	50 years straight line
Equipment	10 years straight line
Leasehold improvements	10 years straight line
Information technology	5 years straight line
Parking	5 years straight line

Restricted cash and short-term investments and restricted liabilities

Restricted cash and short-term investments are designated for restricted purposes by independent funders, by regulation, or by resolution of the QEII's Board of Directors. The corresponding restricted liability represents the unexpended fund balance.

2. Significant Accounting Policies (continued):

Capital contributions

Capital contributions are recorded as capital funding and amortized to income using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assets are recorded as direct increases in the investment in capital.

3. Change in Accounting Policy

a. Re-engineering Costs

For fiscal years commencing on or after April 1, 1998, The Canadian Institute of Chartered Accountants recommended that re-engineering costs be expensed in the year incurred. Accordingly, the QEII changed its accounting policy for re-engineering costs from deferring these costs and amortizing them against future savings to expensing these costs as incurred. This accounting policy has been applied retroactively. The effect of these changes on the comparative figures for the year ended Mar 31, 1998 has been to change the following amounts:

- a) Re-engineering expense in the operating fund increased from \$nil previously reported to be \$6,333,575.
- b) Deferred charge previously reported on the balance sheet at \$8,479,000 was reduced to \$nil.
- c) Re-engineering expenses of \$2,145,323 incurred prior to April 1, 1997 has been charged to the operating deficiency as at April 1, 1997.

b. Inventories

During the year ended March 31, 1999, the QEII changed its accounting policy for sterile processing and operating room inventories such that the cost of inventories within these areas is no longer recorded in the financial statements. Under the new policy all inventories issued to these areas are expensed upon issuance. This new accounting policy has been applied retroactively. The effects of the retroactive application of this change in accounting policy have been as follows:

- a) Inventories as at March 31, 1998 have been reduced from \$7,423,000 previously reported to \$4,934,000.
- b) Med/surg supplies expense for the year ended March 31, 1998 increased from \$28,305,000 previously reported to \$30,794,000.

4. Due to Nova Scotia Government Department of Health

The balance due to the Nova Scotia Government Department of Health as at March 31 is comprised as follows:

	1999	1998
	(in thousands)	
Incinerator funding.....\$	94 \$	238
1995/96 claims	---	153
1994/95 operating claims	692	613
1996/97 claims	1,850	37
Environmental claims	1,000	1,756
Severance and early retirements	---	2,499
SIPS	(6,356)	---
Long-term care-Veterans Affairs Canada	2,300	2,649
Medical education	447	(238)
Capital grants	---	3,000
OR funding.....	(2,313)	---
	<u>(2,286)</u>	<u>10,707</u>
Funding advance 1998/99	(38,002)	---
Funding advance 1997/98	(19,600)	(17,661)
Funding advance - March 1997	(10,000)	(10,000)
Wage Rollback Program	---	(1,356)
New Halifax Infirmary	(15,142)	(13,799)
Funding Rollback Program	(5,395)	(3,513)
Other	(18)	---
	<u>\$ (90,443)</u>	<u>\$ (35,622)</u>

All amounts due are subject to review and approval by the Nova Scotia Government Department of Health.

5. Inventories

	1999	1998
	(in thousands)	
Drugs.....\$	2,239 \$	2,354
General supplies	774	816
Medical and surgical supplies	1,511	1,764
	<u>\$ 4,524</u>	<u>\$ 4,934</u>

6. Capital Assets

	Cost	Accumulated Depreciation	Net Book Value	
			1999	1998
			(in thousands)	
Land.....\$	324 \$	---	324 \$	324
Halifax Infirmary building	110,023	5,465	104,558	106,217
Other buildings & additions	7,091	1,206	5,885	6,027
Equipment	112,485	59,947	52,538	58,368
Leasehold improvements	33,770	7,462	26,308	22,237
Information technology.....	27,608	11,022	16,586	14,857
Parking	333	32	301	---
	<u>\$ 291,634</u>	<u>\$ 85,134</u>	<u>\$ 206,500</u>	<u>\$ 208,030</u>

7. Deferred Revenue

Deferred revenue in the operating fund of \$8,705,000 (1998 - \$14,843,000) represents an advance payment to the Centre from the Nova Scotia Government Department of Health on funding for the 1999/00 fiscal year. Deferred revenue in the capital fund of \$3,733,000 (1998 - \$nil) represents an advance from the QEII Foundation for capital equipment to be purchased subsequent to March 31, 1999.

8. Restricted Cash and Short-term Investments and Restricted Liabilities

These assets and liabilities represent funds, the use of which is restricted by various conditions as described in note 2.

	1999	1998
	(in thousands)	
Abbie J. Lane Trust Fund	\$ 57	\$ 57
Charitable funds	61	61
Centre for Clinical Research	12,182	9,988
Other	505	382
	<u>\$ 12,805</u>	<u>\$ 10,488</u>

9. Long-Term Debt

	1999	1998
	(in thousands)	
Equipment Purchase Agreements		
Versa Services Ltd., repayable in 60 monthly payments of principal only (non-interest bearing) maturing November 1999	\$ ---	\$ 112
Nova Scotia Power Inc., repayable in 60 monthly payments of \$10,312, bearing interest at 7.8%, maturing June 2003.	447	---
	<u>447</u>	<u>112</u>
Current portion	(93)	(112)
	<u>\$ 354</u>	<u>---</u>

10. Pension Funds

Public Service Superannuation Fund

Most former employees of the Victoria General Hospital ("VGH") and Cancer Treatment and Research Foundation ("CTRF") belong to the Public Service Superannuation Fund ("the Plan"). The Plan is funded by equal employee and employer contributions. The employer's contributions are included in the QEII's operating expenses. The Plan is administered by the Nova Scotia Government Department of Finance. The QEII is not responsible for any unfunded liability in this plan.

Nova Scotia Association of Health Organizations

The Nova Scotia Rehabilitation Centre ("NSRC") and Camp Hill Medical Centre ("CHMC") participate in the multi-employer pension plan administered by the Nova Scotia Association of Health Organizations. The most recent Actuarial Valuation was conducted as at December 1, 1995 and showed a funding excess for the entire plan of over \$80,000,000.

11. Long-Term Disability Plan

Most employees of the VGH and the CTRF are eligible to join a long-term disability plan which is funded equally by employee and employer contributions. The employer's contributions are included in the QEII's operating expenses. The plan is currently administered by the Province of Nova Scotia which has disclosed an unfunded liability of approximately \$16,000,000 for VGH and CTRF employees. The ultimate responsibility for funding the liability has not been resolved between the Province of Nova Scotia and the QEII.

12. Uncertainty Due to the Year 2000 issue

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

13. Lease commitments

The QEII is committed to the following annual lease payments in each of the next five fiscal years ended March 31:

2000	\$	5,598,000
2001		4,452,000
2002		3,705,000
2003		3,683,000
2004		3,664,000

14. Comparative Figures

Certain of the March 31, 1998 comparative figures have been reclassified to conform with the presentation adopted in the current year.

15. Contingency

The QEII is disputing amounts claimed by a consulting firm as a result of a re-engineering project. The outcome of this dispute is not determinable at this time and no amount has been recorded in the financial statements as at March 31, 1999. The costs of settlement of this matter, if any, will be recorded in the year of resolution.

16. Subsequent event

Subsequent to March 31, 1999, the Government of Nova Scotia publicly stated its intention to fund the accumulated operating deficiency of the QEII as at March 31, 1999. Subsequent to this public statement, the Government of Nova Scotia was defeated. Funding of the accumulated deficit of the QEII will depend upon the decisions of a new government to be elected July 27, 1999.

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule A

Schedule of Revenues
Operating Fund
Year ended March 31, 1999

	Patient Care	Environ- mental	Research (in thousands)	Other	1999 Total	1998 Total
Inpatient						(restated - note 3)
Department of Health	\$ 224,631	\$ ---	\$ ---	\$ ---	\$ 224,631	\$ 223,778
Federal	955	---	---	---	955	925
Veterans Affairs Canada	13,415	---	---	---	13,415	13,100
Non-resident	1,166	---	---	---	1,166	1,302
Workers' Compensation Board	2,330	---	---	---	2,330	2,287
Other	(12)	---	---	---	(12)	56
	<u>242,485</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>242,485</u>	<u>241,448</u>
Outpatient						
Department of health	60,687	---	---	---	60,687	53,655
Federal	727	---	---	---	727	570
Non-resident	2,922	---	---	---	2,922	2,179
Workers Compensation Board	614	---	---	---	614	595
Other	646	---	---	---	646	590
	<u>65,596</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>65,596</u>	<u>57,589</u>

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule A

Schedule of Revenues
Operating Fund (Cont'd)
Year ended March 31, 1999

	Patient Care	Environ- mental (in thousands)	Research	Other	1999 Total	1998 Total (restated - note 3)
Other						
Department of Health	3,173	2,600	---	1,582	7,355	9,066
Contract revenue	---	---	6,291	---	6,291	6,989
Perferred accommodation	3,790	---	---	73	3,863	3,767
Medical education	4,426	---	---	---	4,426	4,154
Laboratory	6,296	---	---	---	6,296	5,699
Dietary	16	---	---	4,700	4,716	4,302
Plant	980	---	---	---	980	1,223
Interest	---	---	---	24	24	---
Amortization of capital funding	12,919	---	---	---	12,919	12,983
Other	2,085	---	5,442	245	7,772	5,309
Rentals	5	---	---	---	5	154
Parking	923	---	---	---	923	1,030
	<u>34,613</u>	<u>2,600</u>	<u>11,733</u>	<u>6,624</u>	<u>55,570</u>	<u>54,676</u>
Gross revenues	342,694	2,600	11,733	6,624	363,651	353,713
Less: Amortization of capital funding	(12,919)	---	---	---	(12,919)	(12,983)
Net revenues	\$ 329,775	\$ 2,600	\$ 11,733	\$ 6,624	\$ 350,732	\$ 340,730

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule B

Schedule of Expenditures
Operating Fund
Year ended March 31, 1999

	Patient Care	Environ- mental (in thousands)	Research	Other	1999 Total	1998 Total (restated - note 3)
Compensation	\$ 249,755	\$ 2,264	\$ 6,602	\$ 3,650	\$ 262,271	\$ 245,472
Med/surg. supplies	31,810	---	24	2	31,836	30,794
Plant maintenance'supplies	20,225	2	402	125	20,754	17,303
Drugs	20,900	---	16	---	20,916	18,846
Purchased service	16,226	(3)	599	42	16,864	16,043
Other	5,074	337	(317)	48	5,142	5,405
Lab Supplies	4,327	---	57	---	4,384	4,312
Fees	5,248	---	1,025	202	6,475	6,177
Food supplies	2,881	---	1	1,615	4,497	5,157
Diagnostic imaging	2,741	---	---	---	2,741	3,017
Travel	1,041	---	497	76	1,614	1,877
Write-off of due Worker's Compensation Board.	---	---	---	---	---	3,967
Insurance	923	---	---	---	923	1,118
Depreciation.	19,825	---	---	---	19,825	17,596
Move to New Halifax Infirmary	---	---	---	7	7	268
Research grants	---	---	510	---	510	1,567
Year 2000	2,671	---	---	---	2,671	219
Re-engineering	1,293	---	---	---	1,293	6,334
Gross expenditures	384,940	2,600	9,416	5,767	402,723	385,472
Less: Depreciation	(19,825)	---	---	---	(19,825)	(17,596)
Re-engineering	(1,293)	---	---	---	(1,293)	(6,334)
Year 2000	(2,671)	---	---	---	(2,671)	(219)
Net expenditures	<u>\$ 361,151</u>	<u>\$ 2,600</u>	<u>\$ 9,416</u>	<u>\$ 5,767</u>	<u>\$ 378,934</u>	<u>\$ 361,323</u>

QUEEN ELIZABETH II HEALTH SCIENCES CENTRE

Schedule of Changes in Capital
Year ended March 31, 1999

	1999	1998
	(in thousands)	
Capital Funding		
Nova Scotia Government Department of Health	\$ 1,024	\$ 5,063
Foundations	1,690	2,797
Other	240	---
	<u>\$ 2,954</u>	<u>\$ 7,860</u>
 Capital Expenditures		
New Halifax Infirmary building	\$ 536	745
Equipment	4,195	9,509
Leasehold improvements	7,094	5,211
Information technology	6,135	9,350
Transfer of parking assets from QEII Foundation	333	---
	<u>\$ 18,293</u>	<u>\$ 24,815</u>

Schedule D

Changes in Non-Cash Working Capital Items
Year ended March 31, 1999

	1999	1998
	(in thousands)	
Decrease (increase) in		
Accounts receivable	\$ (4,294)	\$ (5,141)
Inventory	410	220
Prepaid expenses	(909)	(2,925)
 Increase (decrease) in		
Accounts payable and accrued liabilities	(6,758)	(717)
Due from Nova Scotia Government		
Department of Health	54,821	39,979
Due to Nova Scotia Government		
Department of Finance	---	(3,449)
Deferred revenue	(2,405)	3,989
Changes in non-cash working capital items	<u>\$ 40,865</u>	<u>\$ 31,956</u>

AUDITORS' REPORT

To the Board of Directors of Resource Recovery Fund Board Inc.

We have audited the statement of financial position of Resource Recovery Fund Board Inc. as at March 31, 1999 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORTON
Chartered Accountants

Truro, Nova Scotia
May 6, 1999

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Financial Position
year ended March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash and short term investments	\$ 9,005,783	\$ 8,136,163
Receivables		
Trade	2,480,987	1,971,462
Accrued interest	35,006	16,651
Inventory	104,603	70,183
Prepays	2,033	6,677
	<u>11,628,412</u>	<u>10,201,136</u>
Investment in an affiliated company (Note 3)	254,022	---
Property and equipment (Note 4)	612,814	706,580
Organizational costs, net of accumulated amortization.	302,764	433,483
	\$ <u>12,798,012</u>	\$ <u>11,341,199</u>

LIABILITIES

Current		
Payables and accruals		
Trade	\$ 2,994,794	\$ 1,542,201
Municipal solid waste diversion	3,159,946	3,051,420
Unearned revenue.	2,695,500	2,035,300
	<u>8,850,240</u>	<u>6,628,921</u>

NET ASSETS (Page 4)

Invested in capital assets.	915,578	1,140,063
Invested in value added manufacturing.	254,022	---
Restricted for future projects.	835,107	1,116,507
Restricted for approved programs	1,943,065	2,455,708
	<u>3,947,772</u>	<u>4,712,278</u>
	\$ <u>12,798,012</u>	\$ <u>11,341,199</u>

Commitment (Note 7)
Uncertainty (Note 8)

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Operations
Year ended March 31, 1999**

	1999	1998
REVENUES		
Deposits		
Gross revenues from deposits	\$ 19,062,106	\$ 18,532,879
Less: Harmonized sales tax	<u>(2,572,475)</u>	<u>(2,397,010)</u>
	16,489,631	16,135,869
Sales of recyclable materials	2,364,948	2,311,004
Stewardship	7,400	38,485
Tire program	<u>2,688,440</u>	<u>2,328,534</u>
TOTAL REVENUES	<u><u>21,550,419</u></u>	<u><u>20,813,892</u></u>
COST OF SALES		
Inventory, beginning of year	70,183	46,261
Central processing expenses	378,853	395,539
Deposit refunds	6,618,787	5,940,669
Enviro-Depot handling fees	3,837,205	3,916,242
Freight-in	36,579	63,672
Local cartage	1,025,032	1,030,015
Regional processing	966,308	984,928
Used tires	1,759,540	1,439,400
Paint program	<u>92,000</u>	<u>48,202</u>
	14,784,487	13,864,928
Less inventory, end of year	<u>104,603</u>	<u>70,183</u>
	<u>14,679,884</u>	<u>13,794,745</u>
Gross margin	6,870,535	7,019,147
Administrative expenses	<u>1,176,249</u>	<u>1,302,589</u>
OPERATING INCOME	5,694,286	5,716,558
Equity in net loss of an affiliated company	(27,378)	---
Interest and other income	<u>400,511</u>	<u>211,953</u>
EXCESS OF REVENUES OVER EXPENSES	<u><u>6,067,419</u></u> \$	<u><u>5,928,511</u></u>

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Changes in Net Assets
Year Ended March 31, 1999**

Net Assets	Invested in Capital Assets	Invested in Value-added Manufacturing	Restricted for Future Projects	Restricted for Approved Programs	Net Revenues	Total 1999	Total 1998
Balance, beginning of year. . . .	\$ 1,140,063	\$ ---	\$ 1,116,507	\$ 2,455,708	\$ ---	\$ 4,712,278	\$ 3,808,240
Excess of revenues over expenses.	(399,990)	(27,378)	---	---	6,494,787	6,067,419	5,928,511
Investment in capital assets	<u>175,505</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(175,505)</u>	<u>---</u>	<u>---</u>
	915,578	(27,378)	1,116,507	2,455,708	6,319,282	10,779,697	9,736,751
Internally imposed restrictions	---	---	---	3,159,641	(3,159,641)	---	---
Investment in value-added manufacturing	---	281,400	(281,400)	---	---	---	---
Payments during the year							
Education and awareness	---	---	---	(1,093,284)	---	(1,093,284)	(400,000)
Regional coordinators	---	---	---	(210,000)	---	(210,000)	(205,000)
Approved programs	---	---	---	(2,369,000)	---	(2,369,000)	(668,053)
Allocation to Municipal solid waste diversion							
Payable.	---	---	---	---	(3,159,641)	(3,159,641)	(3,051,420)
Special payment.	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>(700,000)</u>
Balance, end of year	<u>\$ 915,578</u>	<u>\$ 254,022</u>	<u>\$ 835,107</u>	<u>\$ 1,943,065</u>	<u>\$ ---</u>	<u>\$ 3,947,772</u>	<u>\$ 4,712,278</u>

See accompanying notes to the financial statements

RESOURCE RECOVERY FUND BOARD INC.

**Statement of Cash Flows
year ended March 31, 1999**

	1999	1998
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Operating		
Excess of revenues over expenses	\$ 6,067,419	\$ 5,928,511
Equity in net loss of affiliated company	27,378	---
Depreciation and amortization	365,796	320,168
Loss on sale of property and equipment	34,194	---
	<u>6,494,787</u>	<u>6,248,679</u>
Change in non-cash operating working capital		
Receivables	(527,880)	465,871
Inventory	(34,420)	(23,922)
Prepays	4,643	(141)
Payables and accruals	1,561,119	3,235,083
Unearned revenue	660,200	(153,174)
	<u>8,158,449</u>	<u>9,772,396</u>
Investing		
Proceeds on sale of property and equipment	234,000	---
Purchase of		
Property and equipment	(409,504)	(141,139)
Organizational costs	---	(4,700)
Investment - value added manufacturing	(281,400)	---
	<u>(456,904)</u>	<u>(145,839)</u>
Allocation of net assets to:		
Municipal solid waste diversion	(3,159,641)	(3,751,420)
Approved programs	(3,672,284)	(1,273,053)
	<u>(6,831,925)</u>	<u>(5,024,473)</u>
Net increase in cash and cash equivalents	869,620	4,602,084
Cash and cash equivalents		
Beginning of year	8,136,163	3,534,079
End of year	\$ <u>9,005,783</u>	\$ <u>8,136,163</u>

See accompanying notes to the financial statements.

RESOURCE RECOVERY FUND BOARD INC.

Notes to the Financial Statements March 31, 1999

1. NATURE OF OPERATIONS

The Resource Recovery Fund Board Inc. is a not-for-profit company established by the Nova Scotia government to manage a substantial portion of the Province's Solid Waste-Resource Management Regulations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Field equipment	20%	straight-line
Office and warehouse equipment	20%	straight-line
Computer hardware and software	20%	straight-line
Containers	33 1/3%	straight-line
Vehicles	33 1/3%	straight-line

Inventory

Inventory is valued at the lower of cost and net realizable value.

Unearned revenue

Unearned revenue represents deposits received from distributors for beverage containers that have not been returned for redemption. Unearned revenue consists of deposits received in the last sixty (60) days adjusted by the current year return rate.

Organizational costs

Organizational costs for new programs are amortized on a straight line basis over five years.

Income taxes

The company is exempt from income taxes under Section 149(I)(d) of the Canadian Income Tax Act.

Revenue recognition

Resource Recovery Fund Board Inc. follows the deferral method of accounting for revenue.

Investment in affiliated company

The company accounts for its investment in affiliated company using the equity method.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits. Bank borrowings are considered to be financing activities.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	1999 Net Book Value	1998 Net Book Value
Land	\$ ---	\$ ---	\$ ---	29,492
Building	---	---	---	245,835
Field Equipment	106,500	58,296	48,204	60,692
Office and warehouse equipment	89,075	37,008	52,067	45,199
Containers	540,921	267,817	273,104	106,540
Computer hardware and software	355,567	170,898	184,669	218,822
Vehicles	73,842	19,072	54,770	---
	<u>\$ 1,165,905</u>	<u>\$ 553,091</u>	<u>\$ 612,814</u>	<u>\$ 706,580</u>

4. INVESTMENT IN AFFILIATED COMPANY

Resource Recovery Fund Board Inc. has a 51% ownership in Novapet Inc., a company that processes polyethylene terephthalate (PET) plastic bottles into a flake for resale.

Novapet has not been consolidated in the Resource Recovery Fund Board Inc.'s financial statements. Financial summaries of Novapet as at March 31, 1999 are as follows:

Financial Position

Total assets	\$ <u>688,881</u>
Total liabilities	\$ 368,798
Shareholders' equity	<u>320,083</u>
	<u>\$ 688,881</u>

Results of operations

Total revenues	\$ 1,266,083
Total costs of goods sold and expenses	<u>1,319,765</u>
Net loss	<u>\$ (53,682)</u>

Cash Flows

Cash from operations	\$ 11,388
Cash used in financing activities	(50)
Cash used in investing activities	<u>(34,385)</u>
Decrease in cash and cash equivalents	<u>\$ (23,047)</u>

5. BANK INDEBTEDNESS

The company has an operating line of credit of \$2,500,000 all of which is unused at March 31, 1999.

6. RELATED PARTY TRANSACTIONS

During the year, the company had the following transactions with an affiliated company:

a) Sold polyethylene terephthalate (PET) plastic beverage bottles in the amount of \$619,507 to Novapet. Included in trade accounts receivable is \$39,330 owing from Novapet relating to these sales.

b) During the year the company received dividends in the amount of \$9,800 from Novapet, and these have been accounted for as interest and other income. The total amount of these dividends is included in accrued interest receivable.

7. COMMITMENT

The company has entered into agreements to lease a warehouse and equipment. Minimum rent payable for the next year is \$49,799.

8. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

9. COMPARATIVE FIGURES

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

RESOURCE RECOVERY FUND BOARD INC.

**Schedule of Administrative Expenses
Year Ended March 31, 1999**

	1999	1998
Bad debt expense	\$ 17,217	\$ 38,360
Board fees and expenses	24,917	18,480
Computer support	18,975	145,782
Depreciation and amortization	222,352	200,289
Dues and fees	4,165	3,253
Equipment lease or rent	4,713	4,903
Insurance	5,532	4,383
Interest and bank charges	5,204	6,104
Meetings and travel	55,725	33,416
Office expense	9,064	13,021
Postage and delivery	11,590	12,706
Printing and stationery	5,962	5,560
Professional fees	79,102	155,568
Property taxes	4,776	5,646
Public relations	162,699	130,389
Repairs and maintenance - building	12,072	9,827
Salaries and benefits	473,924	457,000
Telecommunications	33,868	33,650
Training	8,355	620
Utilities	7,887	7,024
Vehicle expense	8,150	16,608
	\$ <u>1,176,249</u>	\$ <u>1,302,589</u>

**Schedule of Central Processing Expenses
Year Ended March 31, 1999**

	1999	1998
Depreciation and amortization	\$ 143,444	\$ 119,879
Equipment lease or rent	1,960	7,662
Insurance	744	789
Postage and delivery	977	1,383
Propane - forklift	1,566	2,172
Rent	42,000	42,000
Repairs and maintenance - bulk bags	25,969	25,674
Repairs and maintenance - equipment	4,828	8,020
Salaries and benefits	108,875	120,487
Shipping supplies	21,925	25,520
Telecommunications	9,853	12,178
Travel	9,835	8,540
Vehicle expense	6,877	21,235
	\$ <u>378,853</u>	\$ <u>395,539</u>

AUDITORS' REPORT

To the Members of the
Sherbrooke Restoration Commission

We have audited the balance sheet of Sherbrooke Restoration Commission as at March 31, 1999 and the statements of operations, fund balances, and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting principles adopted for museum boards in the Province of Nova Scotia.

DELOITTE & TOUCHE
Chartered Accountants

May 14, 1999

SHERBROOKE RESTORATION COMMISSION

**Balance Sheet
as at March 31, 1999**

	1999		1998	
ASSETS				
Current				
Cash	\$	62,416	\$	327,949
Accounts receivable		17,824		26,437
Inventory (Note 2)		98,407		114,508
Prepaid expenses		22,315		18,830
		<u>200,962</u>		<u>487,724</u>
Capital assets, at cost (Note 2)				
Property, buildings and furnishings		4,105,198		4,001,105
	\$	<u>4,306,160</u>	\$	<u>4,488,829</u>

LIABILITIES AND EQUITY

Current				
Bank indebtedness	\$	---	\$	46,000
Accounts payable		51,661		29,690
Deferred operating grant		---		380,000
		<u>51,661</u>		<u>455,690</u>
Equity				
Investment in capital assets		4,105,198		4,001,105
Operating fund surplus		149,301		32,034
		<u>4,254,499</u>		<u>4,033,139</u>
	\$	<u>4,306,160</u>	\$	<u>4,488,829</u>

**Statement of Operations
Year Ended March 31, 1999**

	1999		1999		1998	
	Budget		Actual		Actual	
Revenue						
Operating grants						
Board of Governors of the Nova Scotia Museum	\$	928,300	\$	928,300	\$	766,300
Capital grants						
Department of Transportation and Public Works (Note 3)		100,000		97,770		103,149
Program revenue (Schedule 2)		264,600		334,225		298,474
Other						
Gate admissions		143,000		141,264		126,746
Interest		4,000		10,790		2,708
Miscellaneous		8,290		5,171		6,913
		<u>155,290</u>		<u>157,225</u>		<u>136,367</u>
Total revenue		<u>1,448,190</u>		<u>1,517,520</u>		<u>1,304,290</u>
Expenditures						
General operating (Schedule 1)		567,040		532,960		527,644
Program (Schedule 2)		668,635		766,500		653,182
Capital		100,000		100,793		104,223
Total expenditures		<u>1,335,675</u>		<u>1,400,253</u>		<u>1,285,049</u>
Net revenue	\$	<u>112,515</u>	\$	<u>117,267</u>	\$	<u>19,241</u>

SHERBROOKE RESTORATION COMMISSION

**Statement of Fund Balances
Year Ended March 31, 1999**

	1999	1998
OPERATING FUND SURPLUS		
Balance, beginning of year	\$ 32,034	\$ 12,793
Net revenue	<u>117,267</u>	<u>19,241</u>
Balance, end of year	\$ <u><u>149,301</u></u>	\$ <u><u>32,034</u></u>

INVESTMENT IN CAPITAL ASSETS

Balance, beginning of year	\$ <u>4,001,105</u>	\$ <u>3,895,010</u>
Additions		
Furnishings and equipment	3,300	1,872
Renovations - Department of Transportation and Public Works	<u>100,793</u>	<u>104,223</u>
	<u>104,093</u>	<u>106,095</u>
Balance, end of year	\$ <u><u>4,105,198</u></u>	\$ <u><u>4,001,105</u></u>

**Statement of Changes in Financial Position
Year Ended March 31, 1999**

	1999	1998
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net revenue	\$ 117,267	\$ 19,241
Add capital expenditures charged to operations	<u>104,093</u>	<u>106,095</u>
	221,360	125,336
Changes in non-cash operating capital items (Note 5)	<u>(336,800)</u>	<u>323,566</u>
	<u>(115,440)</u>	<u>448,902</u>
Investing		
Additions to property, buildings and furnishings	<u>(104,093)</u>	<u>(106,095)</u>
Net cash (outflow) inflow	(219,533)	342,807
Bank indebtedness, beginning of year	<u>281,949</u>	<u>(60,858)</u>
Cash position , end of year	\$ <u><u>62,416</u></u>	\$ <u><u>281,949</u></u>
Represented by:		
Cash	\$ 62,416	\$ 327,949
Bank indebtedness	---	<u>(46,000)</u>
	\$ <u><u>62,416</u></u>	\$ <u><u>281,949</u></u>

SHERBROOKE RESTORATION COMMISSION

Notes to the Financial Statements Year Ended March 31, 1999

1. Description of Operations

The Commission operates the Sherbrooke Village Restoration Project. It is accountable to the Board of Governors of the Nova Scotia Museum for all disbursements made out of monies received by the Commission.

2. Accounting Policies

The financial statements have been prepared in accordance with accounting policies considered appropriate for the museums of Nova Scotia. The more significant of these accounting policies are summarized below:

a) Fund Accounting

The assets and liabilities of the Commission are segregated into two funds - Operating and Investment in Property, Buildings and Furnishings. The Operating Fund assets and liabilities are those which are used for the general operations of the Commission. The Investment in Property, Buildings and Furnishings Fund comprises assets of enduring benefit and any related debt.

b) Depreciation

Depreciation is not recorded on the capital assets.

c) Capital Assets

Capital assets reflect all expenditures of the Commission from June 15, 1971 to March 31, 1974 and all expenditures of a capital nature thereafter. These capital expenditures have been made by the Commission on behalf of the Province of Nova Scotia, with the Province being the beneficial owner of the assets.

d) Inventory

Inventories of finished goods for resale and raw materials are accounted for at the lower of cost and market.

3. Capital Grants - Department of Transportation and Public Works

The Commission receives grants for capital projects from the Nova Scotia Department of Transportation and Public Works. The portion of these grants relating to reimbursement for Workers' Compensation is applied directly to reduce the Workers' Compensation expense, rather than to revenue.

4 Pension Plan

The Commission has a defined benefit pension plan which covers all employees. The plan is contributory and provides retirement benefits based on length of service and average earnings as defined. The last actuarial valuation was carried out in 1998, and covered the financial position of the plan as at December 31, 1997. At that time, the assets of the plan amounted to \$657,922 and the liabilities amounted to \$528,205, with the result that the plan had a surplus of \$129,717 at that date.

5. Changes in Non-cash Operating Working Capital Items

	1999	1998
Accounts receivable	\$ 8,613	\$ (16,953)
Accounts payable	21,971	(10,416)
Prepaid expenses	(3,485)	941
Deferred revenue	(380,000)	380,000
Inventory	16,101	(30,006)
	<u>\$ (336,800)</u>	<u>\$ 323,566</u>

6. Uncertainty Due to the Year 2000 Issue

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

SHERBROOKE RESTORATION COMMISSION

Schedule 1

**Schedule of General Operating Expenditures
Year Ended March 31, 1999**

	1999 Budget		1999 Actual		1998 Actual
Advertising and brochures	\$ 22,000	\$	15,542	\$	15,639
Bad debts	---		1,710		---
Freight	2,000		2,401		2,012
Heat, light and power	59,000		51,591		55,546
Insurance and taxes	4,800		2,919		2,853
Interest and bank charges	2,600		2,885		3,018
Maintenance supplies	12,000		15,546		14,166
Miscellaneous	6,775		4,365		10,295
Motor vehicles	3,000		5,598		4,016
Office supplies and postage	9,000		13,034		11,966
Sewer and water	40,000		35,894		37,520
Professional fees	6,500		4,500		7,815
Property maintenance and security salaries .	101,290		99,264		97,492
Pension plan and other benefits	28,000		27,161		55,233
Salaries and wages - Administration	206,075		200,507		155,759
Staff and Commission training	25,000		9,487		11,511
Special projects wages	(4,000)		603		659
Telephone	13,000		15,415		15,569
Travel	10,000		10,319		10,114
Workers' compensation	20,000		14,219		16,461
	\$ <u>567,040</u>	\$	<u>532,960</u>	\$	<u>527,644</u>

Schedule 2

**Schedule of Program Revenue and Expenditures
Year Ended March 31, 1999**

	1999 Budget		1999 Net Expenditures		1998 Net Expenditures
Blacksmith shop	\$ 12,865	\$	9,817	\$	8,855
Costume shop	24,660		23,643		18,739
Craft shop	25,775		29,757		3,480
Emporium (Schedule 3)	(26,740)		5,024		(7,317)
Exhibit operations	1,200		1,533		14,749
Jordan barn	33,300		43,984		35,628
Pottery shop	26,235		28,124		21,655
Restaurant	(1,500)		(334)		(779)
Print shop	1,000		(21)		455
Sawmill operations	18,610		28,950		22,583
Ambrotype Studio	10,730		9,902		9,679
Turner shop	25,710		20,169		11,965
Woodworking shop	19,290		30,060		20,746
Education program	(11,000)		(21,769)		(13,352)
Guides	229,900		221,173		200,398
Riverfront project	10,000		1,652		3,072
Theatre program	4,000		611		4,152
	\$ <u>404,035</u>	\$	<u>432,275</u>	\$	<u>354,708</u>
Program expenditures	\$ 668,635	\$	766,500	\$	653,182
Less: Program revenue	<u>264,600</u>		<u>334,225</u>		<u>298,474</u>
Net expenditures	\$ <u>404,035</u>	\$	<u>432,275</u>	\$	<u>354,708</u>

Schedule of Retail Operations
Year Ended March 31, 1999

	1999	1998
Revenue		
Sales	\$ <u>162,286</u>	\$ <u>146,690</u>
Cost of goods sold		
Merchandise inventory, opening	50,903	39,218
Purchases	<u>94,854</u>	<u>117,278</u>
Merchandise available for sale	145,757	156,496
Less: Merchandise inventory, ending	<u>26,427</u>	<u>50,903</u>
Cost of goods sold	<u>119,330</u>	<u>105,593</u>
Gross profit on sales	<u>42,956</u>	<u>41,097</u>
Expenses		
Salaries and wages	42,496	27,563
General expense	<u>5,484</u>	<u>6,217</u>
	<u>47,980</u>	<u>33,780</u>
Net retail (loss) income	\$ <u><u>(5,024)</u></u>	\$ <u><u>7,317</u></u>

AUDITORS' REPORT

To the Chairperson and Members
of the Southwest Regional School Board

We have examined the Consolidated, Operating Fund, Capital Fund, Reserve Fund and Trust Fund balance sheets of the Southwest Regional School Board as at March 31, 1999, and the statements of operations for the year then ended. These financial statements are the responsibility of the Southwest Regional School Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Southwest Regional School Board as at March 31, 1999, and the results of its operations and the changes in its capital position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia School Boards.

GRANT THORNTON
Registered Municipal Auditors

Bridgewater, Nova Scotia
July 28, 1999

SOUTHWEST REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Current		
Receivables (Note 2)	\$ 5,696,428	\$ 3,262,679
Inventory	432,118	242,918
Prepaid expenses	459,905	253,062
	<u>6,588,451</u>	<u>3,758,659</u>
Restricted cash	226,585	218,189
Restricted investments	96,652	92,024
	<u>323,237</u>	<u>310,213</u>
 Fixed assets, at cost		
Land, buildings and improvements (Note 3)	50,837,800	48,229,511
New Germany High Upgrade Project	250,000	250,000
Digby Energy Project	250,000	248,902
Equipment and furnishings	17,067,833	16,464,159
School buses and other vehicles	10,656,175	11,771,349
	<u>79,061,808</u>	<u>76,963,921</u>
	<u>\$ 85,973,496</u>	<u>\$ 81,032,793</u>

LIABILITIES

Current		
Bank overdraft	\$ 3,813,994	\$ 3,658,332
Payables and accruals		
Trade	1,629,476	1,501,589
Payroll and employee deductions	318,440	534,342
C.S.A.P.	452,241	153,000
Deferred revenue	219,841	110,206
Current portion of Province of Nova Scotia (Note 4)	135,644	218,868
Current portion of Municipal Finance (Note 4)	50,000	50,000
	<u>6,619,636</u>	<u>6,226,337</u>
 Long term		
Commitment to Early Retirement Program (Note 7)	22,225,143	17,107,040
Long term Province of Nova Scotia (Note 4)	282,197	537,737
Municipal Finance Corporation (Note 4)	150,000	198,902
	<u>22,657,340</u>	<u>17,843,679</u>
 Equity		
Reserves	323,237	310,213
Deficit	(63,382)	(2,705,415)
Investment in Early Retirement Program (Note 7)	(22,225,143)	(17,107,040)
Investment in capital assets	78,661,808	76,465,019
	<u>56,696,520</u>	<u>56,962,777</u>
	<u>\$ 85,973,496</u>	<u>\$ 81,032,793</u>
 Commitments (Note 5)		

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 1999**

ASSETS		
	1999	1998
Current		
Receivables (Note 2)	\$ 5,696,428	\$ 3,262,679
Inventory	432,118	242,918
Prepaid expenses	459,905	253,062
	<u>\$ 6,588,451</u>	<u>\$ 3,758,659</u>
LIABILITIES		
Current		
Bank overdraft	\$ 3,813,994	\$ 3,658,332
Payables and accruals		
Trade	1,629,476	1,501,589
Payroll and employee deductions	318,440	534,342
C.S.A.P.	452,241	153,000
Deferred revenue	219,841	110,206
Current portion of Province of Nova Scotia (Note 4)	85,644	168,868
	<u>6,519,636</u>	<u>6,126,337</u>
Long term debt		
Commitment to Early Retirement Program (Note 7)	22,225,143	17,107,040
Province of Nova Scotia (Note 4)	132,197	337,737
	<u>22,357,340</u>	<u>17,444,777</u>
Equity		
Investment in Early Retirement Program (Note 7)	(22,225,143)	(17,107,040)
Deficit	<u>(63,382)</u>	<u>(2,705,415)</u>
	<u>(22,288,525)</u>	<u>(19,812,455)</u>
	<u>\$ 6,588,451</u>	<u>\$ 3,758,659</u>

**Statement of Operations
Year Ended March 31, 1999**

	Budget	1999 Actual	1998 Actual
Revenue			
Province of Nova Scotia	\$ 70,104,559	\$ 72,834,161	\$ 67,736,096
Government of Canada	557,000	1,271,530	600,564
Appropriations from Councils	17,816,947	17,816,948	16,462,536
Board Operations	525,600	738,587	583,039
Transfer from Reserves	---	18,125	36,248
	<u>89,004,106</u>	<u>92,679,351</u>	<u>85,418,483</u>
Expenditures			
Regional Board Management	2,558,913	2,609,528	2,862,939
School Administration and Instruction	59,583,207	60,794,636	60,499,794
Special Education	6,936,600	7,373,136	6,479,692
Adult Education	441,445	400,668	423,997
Summer School	25,000	29,873	3,821
Driver Education	---	31,088	49,686
Other Programs	779,195	833,778	754,241
Cafeteria	108,100	50,793	215,721
Property Service	7,866,943	8,486,818	8,458,188
Student Transportation	6,321,166	6,161,152	6,006,179
Operating Capital	1,714,537	3,540,540	2,159,328
Prior Years' Deficit	2,669,000	2,509,175	---
	<u>89,004,106</u>	<u>92,821,185</u>	<u>87,913,586</u>
Excess of expenditures over revenue	\$ ---	\$ (141,834)	\$ (2,495,103)
See accompanying notes to the financial statements			

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Continuity of Surplus
Year Ended March 31, 1999**

	1999	1998
Deficit beginning of year	\$ (2,705,415)	\$ (211,662)
Transfer from current operations	2,495,103	1,350
Reduction of 1997 deficit of \$506,605		
Province of Nova Scotia - Reduction	274,692	---
Deficit repayment	<u>14,072</u>	<u>---</u>
	78,452	(210,312)
Excess expenditures over revenue	<u>(141,834)</u>	<u>(2,495,103)</u>
Deficit, end of year	\$ <u>(63,382)</u>	\$ <u>(2,705,415)</u>

**Capital Fund Balance Sheet
March 31, 1999**

	1999	1998
ASSETS		
Fixed assets, at cost		
Land, buildings and improvements (Note 3)	\$ 50,837,800	\$ 48,229,511
New Germany High - upgrade project	250,000	250,000
Digby emergency system upgrade	250,000	248,902
Equipment and furnishings	17,067,833	16,464,159
School buses and other vehicles	<u>10,656,175</u>	<u>11,771,349</u>
	\$ <u>79,061,808</u>	\$ <u>76,963,921</u>
LIABILITIES		
Current		
Long term debt	\$ <u>100,000</u>	\$ <u>100,000</u>
Long term		
Municipal Finance Corporation (Note 4)	150,000	198,902
Province of Nova Scotia (Note 4)	<u>150,000</u>	<u>200,000</u>
	300,000	398,902
Equity		
Investment in capital assets	<u>78,661,808</u>	<u>76,465,019</u>
	\$ <u>79,061,808</u>	\$ <u>76,963,921</u>

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ 76,465,019	\$ 74,288,396
Capital purchases		
Land, building and improvements	2,608,289	1,099,836
New Germany High Upgrade	50,000	---
Digby High Energy Management System	50,000	---
Equipment and furnishings	603,674	270,087
	<u>3,311,963</u>	<u>1,369,923</u>
School bus/motor vehicle dispositions	(1,962,029)	---
School buses	<u>846,855</u>	<u>806,700</u>
Balance, end of year	\$ <u>78,661,808</u>	\$ <u>76,465,019</u>

**Reserve Fund Balance Sheet
March 31, 1999**

	ASSETS	1999	1998
Restricted cash	\$	226,585	\$ 218,189
Restricted investments		<u>96,652</u>	<u>92,024</u>
	\$	<u>323,237</u>	\$ <u>310,213</u>
EQUITY			
Reserve for future projects	\$	4,628	\$ ---
Reserve for retirement awards		103,885	100,248
Reserve for libraries		7,730	7,580
Reserve for equipment		17,010	16,414
Reserve for school bus replacement		34,458	50,621
Reserve for capital projects		<u>155,526</u>	<u>135,350</u>
	\$	<u>323,237</u>	\$ <u>310,213</u>

**Statement of Continuity of Reserves
March 31, 1999**

	Balance Beginning of Year	Transfer (To) From Operating Fund	Interest Revenue	Balance End of Year
Future projects -				
investment increase	\$ ---	\$ ---	\$ 4,628	\$ 4,628
Retirement awards	100,248	---	3,637	103,885
Library upgrade	7,580	(125)	275	7,730
Technology and equipment	16,414	---	596	17,010
School bus replacement	50,621	(18,000)	1,837	34,458
Future capital - air handling project	---	15,000	265	15,265
Future capital projects	<u>135,350</u>	---	<u>4,911</u>	<u>140,261</u>
	\$ <u>310,213</u>	\$ <u>(3,125)</u>	\$ <u>16,149</u>	\$ <u>323,237</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Revenues
Year Ended March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Province of Nova Scotia			
General Formula	\$ 55,570,713	\$ 55,883,712	\$ 50,543,712
Transportation	6,273,000	6,273,000	6,273,000
Special education	4,704,371	4,704,587	4,704,585
Learning disability grant.	156,000	143,250	135,061
Special education - transition homes	---	6,700	44,465
Textbook credit	787,184	787,184	787,184
Bus purchase	814,800	814,800	814,800
Emergency capital.	---	1,903,502	519,000
ERP payment	---	---	2,464,127
Other:			
Wage recovery	---	---	729,378
Nursery school funding/adult education	---	---	36,019
School to work transition program.	---	---	43,657
NSTU Limited plan surplus.	---	---	250,000
Reading recovery	---	---	51,960
Race relations.	---	---	7,680
Infrastructure	---	287,162	153,000
School initiative - 3P schools.	---	75,000	---
Professional development - special education.	---	50,638	9,062
Level 5 treatment facility.	---	28,422	---
Provincial gas tax rebate	---	7,670	7,807
Prior years' deficit - funding	1,750,000	1,470,000	---
French monitor program.	---	32,534	---
Grants- Junior High Computer Networks.	---	130,000	61,600
Environmental.	---	236,000	---
Technology.	48,491	---	100,000
	<u>\$ 70,104,559</u>	<u>\$ 72,834,161</u>	<u>\$ 67,736,097</u>
Government of Canada			
Dept. of Indian/Northern Development	\$ 100,000	\$ 289,008	\$ 170,238
Employment and Immigration	60,000	57,230	175,288
French formula grant	90,000	88,564	65,895
French special projects	272,000	259,226	178,786
Co-op education.	---	1,248	9,280
School to work transition program.	35,000	70,000	---
IEI Technology project	---	506,254	---
Other.	---	---	1,077
	<u>\$ 557,000</u>	<u>\$ 1,271,530</u>	<u>\$ 600,564</u>

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Revenues (continued)
Year Ended March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Appropriations from Councils			
Town of Bridgewater	\$ 1,487,899	\$ 1,487,900	\$ 1,554,680
Town of Lunenburg	415,342	415,342	381,655
Town of Mahone Bay	177,991	177,991	172,643
Municipality of Chester	2,054,132	2,054,132	1,790,232
Municipality of Lunenburg	3,753,022	3,753,022	3,352,249
Region of Queens Municipality	2,248,772	2,248,772	2,078,780
Municipality of Barrington	875,702	875,702	874,891
Town of Clark's Harbour	114,706	114,706	119,342
Town of Shelburne	248,209	248,209	245,754
Municipality of Shelburne	673,710	673,710	685,566
Town of Lockeport	76,838	76,838	78,702
Town of Yarmouth	1,149,164	1,149,164	1,112,235
Municipality of Yarmouth	1,261,867	1,261,867	1,212,645
Municipality of Digby	799,302	799,302	688,557
Town of Digby	303,734	303,734	299,927
Municipality of Clare	1,129,178	1,129,178	884,371
Municipality of Argyle	1,047,379	1,047,379	930,307
	<u>\$ 17,816,947</u>	<u>\$ 17,816,948</u>	<u>\$ 16,462,536</u>
Board Operations			
Investment income	\$ 80,000	\$ 213,088	\$ 96,739
Cafeteria	108,100	34,516	214,366
Adult education fees	212,500	181,901	105,278
Summer school fees	25,000	31,378	3,265
Driver education fees	---	31,658	38,632
Other fees/revenues			
Rental of buses	60,000	72,333	84,037
Vandalism reimbursement	5,000	5,312	5,921
Summer camps	---	---	18,716
Insurance claims	---	14,555	1,444
International student program	---	102,584	---
School programming-various grants	---	29,246	---
Miscellaneous	---	---	3,669
Total other fees/revenues	<u>65,000</u>	<u>224,030</u>	<u>113,787</u>
Facilities rental	25,000	9,884	10,118
Sale of assets	10,000	12,132	854
	<u>\$ 525,600</u>	<u>\$ 738,587</u>	<u>\$ 583,039</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Revenues (continued)
Year Ended March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Regional Board Management			
Salaries, wages and honoraria:			
administration	\$ 530,605	\$ 512,208	\$ 1,113,041
Salaries, wages and honoraria:			
board members	136,200	134,831	83,062
Salaries, wages and honoraria: clerical.	521,161	550,584	277,898
Salaries, wages and honoraria: other.	144,962	106,743	54,230
Employer benefits: statutory benefits	72,647	81,303	87,690
Employer benefits:			
group insurance/pension	52,539	61,500	65,674
Employer benefits:			
professional development	---	288	1,934
Supplies and materials.	218,740	180,896	244,784
In-service training.	15,500	---	24,752
Travel and conference: other staff			
travel/conference.	111,090	92,840	108,382
Travel and conference: board members			
travel/conference.	74,800	86,814	96,818
Liability insurance	104,711	125,589	110,412
Professional services: audit.	12,000	13,172	12,793
Professional services: legal.	135,000	129,752	132,465
Contracts: administrative services.	---	---	9,284
Contracts: bank charges.	1,500	958	1,419
Board office: rental.	54,000	53,967	43,131
Occupational health.	8,910	10,387	6,571
Board office: telephone.	130,000	129,196	125,913
Board office: utilities.	16,500	26,049	12,720
Dues/fees	79,973	86,370	75,205
School board elections.	---	272	57,295
Computer services/equipment/data communication.	20,000	93,633	15,146
Other:			
Debt service.	28,438	16,371	19,130
Advertising.	65,000	62,772	63,572
Insurance claim - Barrington High.	---	13,461	---
Board office: maintenance.	24,637	19,523	19,619
Overdraft interest.	---	20,049	---
	\$ <u>2,558,913</u>	\$ <u>2,609,528</u>	\$ <u>2,862,940</u>

See accompanying notes to financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
School Administration and Instruction			
Salaries and wages: administration.	\$ 4,423,806	\$ 4,452,899	\$ 4,628,775
Salaries and wages: instruction.	42,715,985	43,593,454	41,027,573
Salaries and wages: substitutes.	1,355,000	1,573,063	1,362,192
Salaries and wages: sabbatical.	196,000	180,595	---
Salaries and wages: support services.	291,374	295,499	1,505
Salaries and wages: library.	380,048	454,425	411,900
Salaries and wages: guidance	951,374	947,787	941,955
Salaries and wages: student assistance/tutors.	10,000	29,725	140
Salaries and wages: clerical.	1,367,213	1,381,785	1,362,472
Salaries and wages: lunch and bus.	350,000	434,238	425,785
Salaries and wages: other.	---	5,731	1,933
Employer benefits: statutory benefits	2,683,897	2,854,623	2,886,105
Employer benefits: service awards	140,000	172,809	156,357
Employer benefits: group insurance/pension	245,897	565,646	598,683
Employer benefits: professional development	56,000	46,774	43,553
Employer benefits: early retirement program	---	---	2,412,930
Employer benefits: other benefits	---	---	625
Administration.	---	125,366	135,157
Instruction.	860,931	344,658	369,204
School deficits	---	---	(164,200)
Copies/copier leases	138,889	379,488	371,124
Printing services/supplies.	---	6,112	10,372
Computer services.	---	21,417	58,379
Computer services - Jr. High Network	---	129,373	20,000
Software.	---	1,638	8,816
Postage	---	4,423	3,367
Freight.	---	803	1,220
Books - instruction.	---	50,861	76,611
Meetings/food	---	6,923	11,146
Furniture and equipment	---	101,043	72,066
Total school admin and instruction - supplies	<u>999,820</u>	<u>1,172,105</u>	<u>973,262</u>
Supplies and materials: guidance.	---	816	5,558
Supplies and materials: library.	138,496	123,446	97,618
Supplies and materials: textbook credit allocation.	787,184	787,184	787,184
Supplies and materials: other supplies.	212,200	146,410	36,119
In-service training	90,000	124,292	80,412
Travel: circuit/resource.	38,000	42,752	35,852
Travel: other staff travel/conference	177,000	189,699	193,447
Telephone/fax/data comm.	250,000	222,943	216,206
Computer services.	---	73,736	45,634
Other:			
CSAP - purchase of services.	1,672,748	299,241	1,690,328
Extracurricular - board paid/supplies	---	14,505	6,844
Rental of facilities.	51,165	---	30,193
International Baccalaureate	---	26,339	32,561
Advance placement.	---	11,098	6,093
International Student Program.	---	59,500	---
IEI Technology Program.	---	506,254	---
Other expenses	---	5,263	---
	<u>\$ 59,583,207</u>	<u>\$ 60,794,636</u>	<u>\$ 60,499,794</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Special Education			
Salaries and wages: administration	\$ 57,878	\$ 58,511	\$ 175,822
Salaries and wages: instruction	2,889,582	2,875,653	2,913,300
Salaries and wages: substitutes	---	3,308	---
Salaries and wages: support services	742,534	751,826	531,263
Salaries and wages: student assistants	2,639,443	3,001,842	2,301,438
Salaries and wages: clerical	20,030	23,567	33,980
Salaries and wages: other	---	829	1,033
Benefits: statutory benefits	363,794	404,120	314,014
Benefits: group insurance/pension	92,809	107,938	88,332
Benefits: professional development	---	---	792
Benefits: other benefits	---	---	240
Supplies and materials	24,730	21,515	21,263
In-service training	8,800	6,269	4,827
Travel: circuit/resource	45,000	48,701	42,723
Travel: other travel/conference	40,000	39,786	34,228
Telephone/fax/data comm.	12,000	15,950	12,848
Computer services	---	13,321	---
Other	---	---	3,589
	<u>\$ 6,936,600</u>	<u>\$ 7,373,136</u>	<u>\$ 6,479,692</u>
Adult Education			
Salaries and wages: administration	\$ 90,000	\$ 70,426	\$ 141,997
Salaries and wages: instruction	---	---	60,259
Salaries and wages: support services	184,845	200,178	42,598
Salaries and wages: clerical	7,500	11,368	7,740
Salaries and wages: other	---	25,908	83,677
Benefits: statutory benefits	24,100	24,595	28,637
Benefits: group insurance/pension	---	2,993	7,172
Supplies and materials	36,000	33,285	22,912
In-service training	---	971	91
Travel: other travel/conference	5,200	4,159	8,368
Telephone/fax/data comm.	6,000	5,731	6,429
Computer services	---	---	897
Other	87,800	21,054	13,220
	<u>\$ 441,445</u>	<u>\$ 400,668</u>	<u>\$ 423,997</u>
Summer School			
Salaries and wages: instruction	\$ 25,000	\$ 13,695	\$ 3,000
Salaries and wages: other	---	11,550	637
Benefits: statutory benefits	---	575	---
Supplies and materials	---	4,053	---
Other	---	---	184
	<u>\$ 25,000</u>	<u>\$ 29,873</u>	<u>\$ 3,821</u>
Driver Education			
Salaries and wages: instruction	\$ ---	\$ 31,088	\$ 48,093
Benefits: statutory benefits	---	---	213
Vehicle operating expense	---	---	1,380
	<u>\$ ---</u>	<u>\$ 31,088</u>	<u>\$ 49,686</u>

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 1999**

	1999		1998
	Budget	Actual	Actual
Federal Programs			
Co-op education	\$ ---	\$ ---	\$ 9,175
Stay-in-school	---	71	---
Reading recovery	744,195	777,240	685,692
School to work transition program.	35,000	56,467	59,374
	<u>\$ 779,195</u>	<u>\$ 833,778</u>	<u>\$ 754,241</u>
Cafeteria			
Salaries and wages: administration	\$ ---	\$ ---	\$ 5,985
Salaries and wages: other	100,000	33,055	108,293
Benefits: statutory benefits.	7,000	1,548	6,197
Benefits: group insurance/pension	1,100	---	2,609
Supplies and materials: food.	---	---	48,290
Supplies and materials: other.	---	1,488	1,401
Contracted services	---	3,944	3,451
Utilities.	---	4,278	4,540
Other.	---	6,480	34,955
	<u>\$ 108,100</u>	<u>\$ 50,793</u>	<u>\$ 215,721</u>
Property Services			
Salaries and wages: supervisory	\$ 197,229	\$ 257,147	\$ 300,005
Salaries and wages: maintenance	260,098	354,862	301,229
Salaries and wages: custodial	2,981,129	3,170,220	3,007,093
Salaries and wages: clerical.	22,842	35,333	18,909
Salaries and wages: other	---	52,479	8,559
Benefits: statutory benefits.	266,962	332,736	310,322
Benefits: service awards	---	45,356	---
Benefits: group insurance/pension	172,247	153,549	140,037
Benefits: other benefits	---	691	15,438
Supplies and materials: maintenance	736,500	521,946	835,934
Supplies and materials: custodial.	240,000	334,698	301,372
Supplies and materials: other.	---	43,322	42,774
Insurance.	195,936	215,564	219,955
Utilities			
Electricity.	1,291,000	1,368,436	1,309,168
Heat-fuel oil	755,000	619,623	744,350
Sewer/water/fire.	157,500	162,967	152,346
	<u>2,203,500</u>	<u>2,151,026</u>	<u>2,205,864</u>
In-service training	---	5,578	4,209
Travel/conference.	35,000	46,263	24,430
Rental of facilities	---	81,342	48,069
Contracted services: maintenance.	325,000	419,671	392,722

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 1999**

	1999		1998
	Budget	Actual	Actual
Contracted services: custodial			
Snow removal	102,000	94,174	135,547
Garbage removal.	83,000	102,203	94,641
Other contracted services: custodial.	---	5,115	4,979
	185,000	201,492	235,167
Telephone/fax	22,000	30,239	21,319
Computer services.	---	13,759	350
Other.	23,500	5,124	---
Architectural fees	---	14,421	24,431
	\$ 7,866,943	\$ 8,486,818	\$ 8,458,188
Pupil Transportation			
Salaries and wages: supervisory	\$ 203,419	\$ 235,818	\$ 70,384
Salaries and wages: drivers	3,270,479	3,354,458	3,147,763
Salaries and wages: mechanics and helpers.	450,777	494,021	456,333
Salaries and wages: clerical.	20,970	43,169	12,093
Salaries and wages: other	9,000	---	5,658
Benefits: statutory benefits.	286,360	324,841	334,411
Benefits: service awards	---	---	800
Benefits: group insurance/pension	241,472	182,090	149,287
Benefits: other benefits	---	715	2,164
Supplies and materials	80,000	111,982	94,386
Vehicle operating expenses: gas/oil/grease	630,000	501,347	556,417
Vehicle operating expenses: tires/tubes	117,000	104,400	139,106
Vehicle operating expenses: registration and license	88,400	92,637	100,453
Vehicle operating expenses: repairs/maintenance	580,000	354,068	590,739
Garage expenses: repairs/maintenance.	18,864	32,697	28,335
Garage expenses: utilities	45,000	52,629	50,261
In-service training	13,000	8,852	15,796
Travel/conference.	18,000	28,368	22,914
Extra-curricular travel	25,000	3,977	21,510
Contract conveyance	111,000	104,922	95,481
Telephone/fax	40,000	49,399	38,053
Computer services.	---	4,706	203
Bus site maintenance	7,200	7,429	6,921
Other.	4,700	7,464	6,185
Insurance	60,525	61,163	60,526
	\$ 6,321,166	\$ 6,161,152	\$ 6,006,179

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditures (continued)
Year Ended March 31, 1999**

	1999		1998
	Budget	Actual	Actual
Operating Capital			
Emergency capital.	\$ ---	\$ 1,903,503	\$ ---
Repairs and renovations: other programs	---	---	122,197
Repairs and renovations: property service	586,004	690,182	986,571
Furniture and equipment: regional board management.	---	---	106,237
Furniture and equipment: school administration and instruction.	199,996	---	93,670
Furniture and equipment: special education.	---	---	11,081
Furniture and equipment: adult education	---	---	2,200
Furniture and equipment: other programs.	---	---	4,462
Furniture and equipment: property service	---	---	20,654
Furniture and equipment: student transportation	---	---	5,556
Vehicles: transportation - buses.	828,537	846,855	806,700
Capital debt service	100,000	100,000	---
	\$ 1,714,537	\$ 3,540,540	\$ 2,159,328

See accompanying notes to the financial statements.

SOUTHWEST REGIONAL SCHOOL BOARD

**Notes to the Financial Statements
March 31, 1999**

1. Accounting principles

These financial statements have been prepared to conform in all material respects to the accounting principles prescribed by the Nova Scotia District School Board Financial Handbook.

Inventories

Garage parts inventory is recorded at cost. All other supplies and purchases are expensed.

Financial statement presentation

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

Expenditure recognition

Expenditures other than salaries are recorded on an accrual basis. Outstanding purchase orders at the balance sheet date are accrued and recorded as payables.

Capital equipment and school buses

Fixed assets are recorded at cost. Assets received from the various boards as at January 1, 1982, under the agreement creating the Southwest Regional School Board, are treated as additions to investments in fixed assets. The Board does not record depreciation on its fixed assets.

2. Receivables

	1999	1998
Government of Canada.....	\$ 1,379,869	\$ 640,178
Province of Nova Scotia.....	3,079,823	1,425,142
Municipalities.....	87,282	223,219
Band Councils.....	368,182	169,574
Current portion of long term receivable.....		10,518
C.S.A.P.....	67,788	151,565
Other.....	713,484	642,483
	<u>\$ 5,696,428</u>	<u>\$ 3,262,679</u>

3. Land, buildings and improvements

Prior to the formation of the Southwest Regional School Board, certain municipal units had joined to form District School Boards. Under various agreements, land and school buildings on hand remained assets of the appropriate municipal units but were under the operational control of the District School Boards until such time as the Board no longer required the assets for school purposes. At that time, control reverted back to the appropriate municipality. These agreements will now remain in force with the Southwest Regional School Board.

The Southwest Regional School Board has a vested interest in capital improvements to school buildings. Under the Education act, should a municipal unit sell a building returned to it by the Board under the circumstances noted above, a portion of the proceeds will be payable to the Board. In the event of the destruction of the building such that insurance proceeds are payable, a portion of these proceeds will similarly be payable to the Board.

4. Long term debt

	1999	1998
Operating		
0% bridge financing, Province of Nova Scotia. Interest free for duration of loan's three year period	\$ 492,533	\$ 506,605
Less: portion paid by Province of Nova Scotia	<u>274,692</u>	<u>---</u>
	217,841	506,605
Less: current portion.	<u>85,644</u>	<u>168,868</u>
	<u>\$ 132,197</u>	<u>\$ 337,737</u>
Capital		
6.5% loan Province of Nova Scotia Maintenance Stabilization Fund, maturing in 2003. Repayable in semi-annual payments of \$25,000 plus interest	\$ 200,000	\$ 250,000
4.5% - 6.5% Nova Scotia Municipal Finance Corporation debenture, maturing in 2003. Repayable in annual instalments of \$50,000 principal plus interest	<u>200,000</u>	<u>248,902</u>
	400,000	498,902
Less: current portion.	<u>100,000</u>	<u>100,000</u>
	<u>\$ 300,000</u>	<u>\$ 398,902</u>

Principal repayments required in future years are as follows:

<u>Long term</u>	<u>Operating</u>	<u>Capital</u>
2000	\$ 85,644	\$ 100,000
2001	69,000	100,000
2002	63,197	100,000
2003	<u>---</u>	<u>100,000</u>
	<u>\$ 217,841</u>	<u>\$ 400,000</u>

5. Commitments

Service awards

Under the terms of agreements with local units of the Nova Scotia Teachers' Union, the Board is required to pay a service award to each teacher who accumulates a minimum of fifteen years service with the Board and is employed by the Board immediately prior to retirement. The amounts of the awards are as follows:

Digby District	- \$80 per year of service
Queens District	- 0.45 of one percent of a TC5 - MAX per year of service
Shelburne District	- \$90 per year of service
Yarmouth District	- 0.75 of one percent of annual salary per year of service
Lunenburg District	- \$200 per year of service
Clare/Argyl District	- 0.60 of one percent of annual salary per year of service

The amount of \$172,809 recorded as a service award expense represents the cash payments to teachers who retired in the fiscal year 1998/99 and under the Early Retirement Program. Appropriations are not made for the cost of service award credits earned in the current year by teachers who have not yet retired. Any future liability is completely unfunded.

P-3 Operating Expenses

The Board is planning to open a new school for the 99/00 school year. This school is being built under a Public Private Partnership arrangement with the Province of Nova Scotia as the lessee. The lease contains both a capital and operating component and all payments are to be made by the Province to the private partner. Since school boards are generally responsible for school operating expenses, the Province intends to recover a portion of the operating lease payment from the school board. As there are going to be a significant number of leased schools in the next few years, it has been agreed by the Province to establish a province-wide rate for this recovery from school boards. At year end, this rate had not been established. It is unknown what the costs for 1999-2000 will be.

Purchase

The Board has entered into an agreement to purchase a new payroll system. Payments due over the next three years under the agreement are as follows:

2000	\$	50,000
2001	\$	50,000
2002	\$	50,000

6. Pensions plans

The Board makes payments into the following pension plans:

Lunenburg District	- C.U.P.E. staff and support staff non-teaching defined benefit plans.
Queens District	- Non-teaching staff money purchased plan and defined benefit plan.
Shelburne District	- Non-teaching staff money purchase plan and defined benefit plan.
Yarmouth District	- Non-teaching staff money purchased plan and undivided registered retirement savings plan.
Digby District	- Non-teaching staff defined benefit plan.

Recent actuarial reports have not been prepared for these various plans and therefore no balances have been reflected in these financial statements. The Board's teachers are covered by a pension plan established by the Province pursuant to the Teachers Pension Act.

7. Early Retirement (1994-98) Program (ERP)

On July 22, 1994, regulations governing the Nova Scotia Teachers' Early Retirement (1994-98) Program were enacted by the Province of Nova Scotia. This program entitles teachers who meet the eligibility criteria to elect to retire at a date preceding their normal retirement date.

The program operates and is accounted for in the following manner. For each program participant, the Board records the present value of the prescribed obligation with a corresponding deferred expenditure amount. In respect of each participant, the obligation is being repaid in monthly instalments; payments are charged to operations. In addition, both the deferred expenditure account and the obligation are reduced by the extent of the principal retired.

For the fiscal year ending March 31, 1999, the Board has been granted a payment holiday and, as a result, no amount has been included in its 1998-1999 expenditures.

As at March 31, 1999, there were 179 teachers who had retired under the Early Retirement Program. The Board has recognized the remaining liability associated with these retirements in the amount of \$22,225,143 as at March 31, 1999.

8. Contingencies

Receivable

Included in receivables is \$250,000 due from the Province of Nova Scotia for the Nova Scotia Board Association insurance rebate. This has been outstanding for a number of years and the Board cannot make a determination of the amount of likelihood of any writedown that might be required upon settlement with the Province.

Legal

There are a number of claims and possible claims outstanding against the Board. The outcomes of these claims are not determinable and therefore no amounts have been recorded in the accounts of the Board. Any settlements resulting from the resolution of these claims will be treated as a charge to operations in the period the settlement occurs.

9. Uncertainty due to the Year 2000 Issue

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

10. Comparative figures

Certain of the 1998 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current period.

SOUTHWEST REGIONAL SCHOOL BOARD

**Trust Funds Balance Sheet
March 31, 1999**

	1999	1998
Assets		
Cash	\$ <u>332,261</u>	\$ <u>288,814</u>
 Equity		
Reserve for scholarships		
Teachers' Scholastic Scholarship	\$ 5,762	\$ 6,290
Forbes Mountain Scholarship	1,010	1,152
Josephine Christie Fredea Award	1,578	1,575
L.C.D.S.B. Memorial Scholarship	3,982	3,200
W.G.L.Hirtle Scholarship	10,408	10,384
Elinor Muir Leary Scholarship	10,183	10,361
Irene and Derrell Ernst Scholarship	5,336	5,365
David Lowe Scholarship	7,364	7,489
Clara Quinlan Scholarship	5,112	5,152
Monte Oickle Scholarship	4,995	5,089
Cameron Smith Memorial	138	132
Paul Eisnor Memorial	437	465
Austin Nauss Scholarship	2,237	2,423
Rodney Veinot Memorial	2,529	2,659
Timothy Daniels Memorial	2,810	2,686
Sylvia Weagle Bursary	29,182	29,253
Dr. J.C. Wickwire	3,159	3,005
Augusta Nickerson	12,073	11,956
J. Pask Memorial	111	106
Margaret Ernst MacLeod	3,262	3,102
Elsie Hemeon Fund	447	425
Stay-in-School Bursary	1,632	1,552
F. Dakin and P. Dakin Dickson	41,456	40,380
Dr. Charles and Mary Webster	22,540	20,468
Erna Westhaver Loomis	36,426	35,608
Yarmouth District Scholarship Society - unassigned	3,383	---
Samuel Margolian Trust	316	---
Churchill Trust	1,117	---
Loraleis Trust	1,611	---
Blackader - Kirk Trust	3,705	---
Andrew Maxwell	3,324	---
Marjorie E. Jones	57,907	46,040
CUPE Pension Fund	<u>47,114</u>	<u>32,497</u>
	\$ <u>332,646</u>	\$ <u>288,814</u>

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Continuity of Trust Funds
For the Year Ended March 31, 1999**

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Contributions</u>	<u>Receipt of</u> <u>Donations</u>	<u>Interest</u> <u>Earned</u>	<u>Scholarships</u> <u>Awarded</u>	<u>Balance</u> <u>End of Year</u>
Teachers Scholastic.	\$ 6,290	\$ ---	\$ 7,443	\$ 329	\$ 8,300	\$ 5,762
Forbes Mountain.	1,152	---	---	58	200	1,010
J.C.Fredea Award.	1,575	---	---	78	75	1,578
L.C.D.S.B. Memorial.	3,200	---	610	172	---	3,982
W.G.L. Hirtle.	10,384	---	---	524	500	10,408
Elinor Muir Leary.	10,361	---	---	522	700	10,183
Irene/Derrell Ernst	5,365	---	---	271	300	5,336
David Lowe.	7,489	---	---	375	500	7,364
Clara Quinlan.	5,152	---	---	260	300	5,112
Monte Oickle	5,089	---	---	256	350	4,995
Cameron Smith	132	---	---	6	---	138
Paul Eisnor	465	---	---	22	50	437
Austin Nauss.	2,423	---	---	114	300	2,237
Rodney Veinot.	2,659	---	40	130	300	2,529
Timothy Daniels	2,686	---	490	134	500	2,810
Sylvia Weagle Bursary.	29,253	---	---	1,429	1,500	29,182
Dr. J.C. Wickwire.	3,005	---	---	154	---	3,159
Augusta Nickerson	11,956	---	---	617	500	12,073

SOUTHWEST REGIONAL SCHOOL BOARD

**Statement of Continuity of Trust Funds (Continued)
For the Year Ended March 31, 1999**

	Balance Beginning of Year	Contributions	Receipt of Donations	Interest Earned	Scholarships Awarded	Balance End of Year
J. Pask Memorial	106	---	---	5	---	111
Margaret Ernst MacLeod	3,102	---	---	160	---	3,262
R. Elsie Hemeon Fund.	425	---	---	22	---	447
Stay in School Bursary Fund.	1,552	---	---	80	---	1,632
F. Dakin and P. Dakin Dickson	40,380	---	---	2,076	1,000	41,456
Dr. Charles and Mary Webster.	20,468	---	1,000	1,072	---	22,540
Erna Westhaver Loomis	35,608	---	---	1,818	1,000	36,426
Unassigned.	---	3,541	---	142	300	3,383
Samuel Margolian Trust.	---	914	---	---	598	316
Churchill Trust.	---	1,050	---	67	---	1,117
Loraleis Trust	---	1,515	---	96	---	1,611
Blackader - Kirk Trust	---	3,968	---	237	500	3,705
Andrew Maxwell.	---	3,246	---	278	200	3,324
Marjorie E. Jones	46,040	11,949	---	3,001	3,083	57,907
CUPE Pension Fund.	32,497	12,670	---	1,947	---	47,114
	<u>\$ 288,814</u>	<u>\$ 38,853</u>	<u>\$ 9,583</u>	<u>\$ 16,452</u>	<u>\$ 21,056</u>	<u>\$ 332,646</u>

AUDITOR'S REPORT

To the Chairman and Members
Strait Regional School Board

I have audited the Operating Fund and Capital Fund of the Strait Regional School Board as at March 31, 1999 and the statements of operations and capital financing for the year then ended. These financial statements are the responsibility of the School Board's Management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Strait Regional School Board as at March 31, 1999 and the results of its operations and the changes in its capital position for the year then ended in accordance with generally accepted accounting principles adopted for Nova Scotia Municipalities.

WILLIAM B. DRAPER
Chartered Accountant
Registered Municipal Auditor

Antigonish, Nova Scotia
July 26, 1999

STRAIT REGIONAL SCHOOL BOARD

**Consolidated Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Current		
Cash.....\$	3,450	\$ 3,700
Prepaid expenses	1,046,509	1,089,275
Receivables		
Province of Nova Scotia	1,494,258	1,780,471
Municipal Councils.....	572,902	475,011
Government of Canada	1,360,478	1,057,334
General public.....	<u>439,700</u>	<u>548,309</u>
	<u>4,917,297</u>	<u>4,954,100</u>
Fixed assets, at cost		
Equipment and furnishings	3,764,516	4,922,828
School buses and other vehicles.....	5,960,822	6,736,274
School buildings and improvements	<u>42,468,594</u>	<u>44,116,441</u>
	<u>52,193,932</u>	<u>55,775,543</u>
	<u>\$ 57,111,229</u>	<u>\$ 60,729,643</u>

LIABILITIES

Current		
Cheques issued in excess of funds on deposit..... \$	1,652,583	\$ 6,485,075
Payables and accruals		
Trade and other	2,984,971	601,981
Employee deductions and salary accruals.....	232,537	386,841
Current portion of early retirement program.....	<u>1,665,252</u>	<u>1,451,936</u>
	6,535,343	8,925,833
Long term - commitment to early retirement program (Note 3).....	<u>19,909,283</u>	<u>15,884,854</u>
	<u>26,444,626</u>	<u>24,810,687</u>

EQUITY

Surplus (deficit) current year	47,206	(2,519,797)
Investment in capital assets	52,193,932	55,775,543
Investment in early retirement program.....	<u>(21,574,535)</u>	<u>(17,336,790)</u>
	<u>30,666,603</u>	<u>35,918,956</u>
	<u>\$ 57,111,229</u>	<u>\$ 60,729,643</u>

STRAIT REGIONAL SCHOOL BOARD

**Operating Fund Balance Sheet
March 31, 1999**

ASSETS

	1999	1998
Current		
Cash.....\$	3,450	\$ 3,700
Prepaid expenses	1,046,509	1,089,275
Receivables		
Province of Nova Scotia	1,494,258	1,780,471
Municipal councils.....	572,902	475,011
Government of Canada	1,360,478	1,057,334
General public.....	439,700	548,309
	<u>\$ 4,917,297</u>	<u>\$ 4,954,100</u>

LIABILITIES

Current		
Cheques issued in excess of funds on deposit..... \$	1,652,583	\$ 6,485,075
Payables, accruals and deferrals		
Trade and other	2,984,971	601,981
Employee deductions and salary accruals.....	232,537	386,841
Current portion of early retirement program.....	1,665,252	1,451,936
	<u>6,535,343</u>	<u>8,925,833</u>
Long term - commitment to early retirement program (Note 3).....	19,909,283	15,884,854
	<u>26,444,626</u>	<u>24,810,687</u>

EQUITY

Surplus (deficit) current year	47,206	(2,519,797)
Investment in early retirement program.....	<u>(21,574,535)</u>	<u>(17,336,790)</u>
	<u>(21,527,329)</u>	<u>(19,856,587)</u>
	<u>\$ 4,917,297</u>	<u>\$ 4,954,100</u>

STRAIT REGIONAL SCHOOL BOARD

**Statement of Operations
Year Ended March 31, 1999**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue			
Province of Nova Scotia	\$ 51,727,989	\$ 52,520,637	\$ 51,125,145
Government of Canada	925,897	1,117,521	1,025,640
Board operations	1,420,530	592,112	653,881
Appropriation from councils	<u>7,406,172</u>	<u>7,406,172</u>	<u>6,505,451</u>
	<u>61,480,588</u>	<u>61,636,442</u>	<u>59,310,117</u>
Expenditures			
Regional Board Management	2,149,864	2,435,334	2,492,960
School administration and instruction	38,942,644	38,205,310	39,795,716
Property service	6,222,597	6,474,202	6,382,390
Student transportation	5,052,823	5,021,284	5,096,944
Special education	4,740,118	4,658,653	4,301,804
Capital expenditures	1,667,745	2,089,447	1,592,142
Cafeteria	<u>185,000</u>	<u>185,209</u>	<u>206,836</u>
	<u>58,960,791</u>	<u>59,069,439</u>	<u>59,868,792</u>
Current year operating	2,519,797	2,567,003	(558,675)
Surplus (deficit) of previous year	(2,519,797)	(2,519,797)	(1,783,834)
Transfer from other funds and prior year adjustments.		---	(177,288)
Excess of revenue (expenditure)		\$ <u>47,206</u>	\$ <u>(2,519,797)</u>

**Statement of Continuity of Surplus (Deficit)
Year Ended March 31, 1999**

	1999	1998
Balance, beginning of year (deficit)	\$ (2,519,797)	\$ (1,783,834)
Add:		
Transfer from other funds and prior year adjustments	---	(177,288)
Current year surplus	<u>2,567,003</u>	---
	47,206	(1,961,122)
Deduct:		
Current year deficit	---	(558,675)
Balance, end of year (deficit)	\$ <u>47,206</u>	\$ <u>(2,519,797)</u>

STRAIT REGIONAL SCHOOL BOARD

**Capital Fund Balance Sheet
March 31, 1999**

ASSETS		1999	1998
Fixed assets, at cost			
Equipment and furnishings.	\$ 3,764,516	\$ 4,922,828	
School buses and other vehicles.	5,960,822	6,736,274	
School buildings and improvements.	<u>42,468,594</u>	<u>44,116,441</u>	
	\$ <u>52,193,932</u>	\$ <u>55,775,543</u>	

INVESTMENT IN CAPITAL ASSETS

Investment in capital assets	\$ <u>52,193,932</u>	\$ <u>55,775,543</u>
	\$ <u>52,193,932</u>	\$ <u>55,775,543</u>

**Statement of Continuity of Investment in Capital Assets
Year Ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ 55,775,543	\$ 45,545,761
Capital purchases		
Buses	790,482	645,360
New School (estimated cost)	<u>---</u>	<u>14,500,000</u>
	56,566,025	60,691,121
Retirement of assets and depreciation provision	<u>4,372,093</u>	<u>4,915,578</u>
Balance, end of year	\$ <u>52,193,932</u>	\$ <u>55,775,543</u>

STRAIT REGIONAL SCHOOL BOARD

**Supplementary Detail of Revenue
Year Ended March 31, 1999**

	<u>1999</u>		<u>1998</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Province of Nova Scotia			
General formula and special	\$ 42,908,584	\$ 42,908,584	\$ 37,520,199
Transportation - operating	4,612,500	4,612,500	4,612,500
Special education	2,859,300	2,855,132	2,877,102
Capital bus purchase	609,000	609,000	609,000
Textbook credit allocation	460,133	457,418	459,870
Special projects, emergency capital, other	278,472	1,078,003	2,477,822
Early retirement contributions	---	---	2,568,652
	<u>\$ 51,727,989</u>	<u>\$ 52,520,637</u>	<u>\$ 51,125,145</u>
Government of Canada			
Indian and Northern Affairs	\$ 766,243	\$ 861,855	\$ 781,971
Minority language	40,000	34,556	144,980
CEIC programs and special projects	119,654	221,110	98,689
	<u>\$ 925,897</u>	<u>\$ 1,117,521</u>	<u>\$ 1,025,640</u>
Board Operations			
Cafeterias	\$ 185,000	\$ 177,168	\$ 199,714
Investment income	35,000	107,316	23,660
Rental income and sale of assets	1,200,530	281,898	366,945
Other	---	25,730	63,562
	<u>\$ 1,420,530</u>	<u>\$ 592,112</u>	<u>\$ 653,881</u>

STRAIT REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditure
Year Ended March 31, 1999**

	<u>1999</u>		<u>1998</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Regional Board Management			
Salaries and Wages			
Administrative and clerical.	\$ 1,199,968	\$ 1,282,261	\$ 1,276,738
Board Members	85,800	85,800	136,651
Employee benefits.	165,409	287,086	237,890
Supplies, materials and equipment.	114,500	115,237	179,579
Telephone and data transmission	85,700	92,962	87,462
Staff travel and conference expenses.	130,000	196,008	177,059
Liability insurance.	82,287	83,079	54,967
Professional fees	65,000	96,143	97,048
Bank charges.	20,000	1,334	50,157
Board members expense	77,600	54,305	68,105
NSSBA Dues	60,000	57,773	60,244
Other including computer services	63,600	83,346	67,060
	<u>\$ 2,149,864</u>	<u>\$ 2,435,334</u>	<u>\$ 2,492,960</u>
School Administration and Instruction			
Salaries and Wages			
Administration.	\$ 4,130,292	\$ 4,153,447	\$ 3,919,222
Instruction.	26,098,558	25,692,537	25,633,729
Guidance.	682,906	537,745	733,619
Library.	579,467	563,332	496,573
Substitutes.	1,100,000	1,056,720	1,132,980
Clerical.	997,961	1,103,336	961,280
Early retirement incentive-principal and interest.	---	---	2,568,652
Employee Benefits	2,932,207	2,725,640	2,336,469
Supplies, materials and telephone.	1,032,916	1,197,446	1,057,478
Textbook credit allocation.	460,133	450,405	466,847
Travel and in service.	142,000	216,927	206,598
Alternative education	50,000	95,770	84,123
Mulgrave professional centre.	159,702	147,442	198,146
Other projects	576,502	264,563	---
	<u>\$ 38,942,644</u>	<u>\$ 38,205,310</u>	<u>\$ 39,795,716</u>
Property Service			
Salaries and wages.	\$ 2,781,412	\$ 2,918,284	\$ 2,757,625
Employee benefits	350,400	358,880	375,565
Insurance	154,000	153,977	182,088
Utilities.	2,161,785	2,219,800	2,323,103
Supplies and materials.	760,000	769,270	504,196
Telephone, travel, contracted services & other	15,000	53,991	239,813
	<u>\$ 6,222,597</u>	<u>\$ 6,474,202</u>	<u>\$ 6,382,390</u>

STRAIT REGIONAL SCHOOL BOARD

**Supplementary Details of Expenditure (continued)
Year Ended March 31, 1999**

Student Transportation

Salaries and wages	\$ 3,349,359	\$ 3,425,392	\$ 3,297,608
Employee benefits	409,364	442,867	446,464
Travel	30,000	23,284	23,820
In-service	6,000	5,440	12,771
Vehicle operating			
Gas and oil	600,000	463,008	537,077
Tires	69,600	69,519	72,344
License fees	56,000	55,402	50,035
Insurance	40,000	37,993	53,149
Repairs and maintenance	250,000	297,507	435,677
Garage maintenance, supplies and utilities. . .	134,500	93,695	89,953
Contract conveyance, telephone and other. . .	108,000	107,177	78,046
	<u>\$ 5,052,823</u>	<u>\$ 5,021,284</u>	<u>\$ 5,096,944</u>

Special Education

Salaries and wages			
Administration	\$ 71,146	\$ 102,407	\$ 68,928
Instruction	2,487,729	2,361,892	2,279,379
Other professional services	468,839	458,548	435,812
Student Program assistants	1,306,750	1,346,626	1,141,351
Clerical	7,790	8,000	18,934
Employee benefits	292,864	305,971	267,639
Supplies, materials and telephone	54,000	38,967	44,320
Travel and conference	51,000	36,242	45,441
	<u>\$ 4,740,118</u>	<u>\$ 4,658,653</u>	<u>\$ 4,301,804</u>

Capital Expenditures

School equipment	\$ 151,383	\$ 146,506	\$ 158,914
School renovations, repairs and emergency capital.	845,962	1,129,050	787,868
Buses and vehicles	670,400	813,891	645,360
	<u>\$ 1,667,745</u>	<u>\$ 2,089,447</u>	<u>\$ 1,592,142</u>

Cafeteria

Salaries and wages	\$ 100,000	\$ 91,442	\$ 116,379
Employee benefits	10,000	8,566	11,188
Supplies and expenses	75,000	85,201	79,269
	<u>\$ 185,000</u>	<u>\$ 185,209</u>	<u>\$ 206,836</u>

STRAIT REGIONAL SCHOOL BOARD

Notes to Financial Statements Year Ended March 31, 1999

1. Significant accounting policies and principles

These financial statements have been prepared to conform in all material respects, to the accounting principles prescribed by the Nova Scotia School Board Financial Handbook.

(a) Financial Statement Presentation:

The financial statements of the Board have been prepared in accordance with the fund basis of accounting.

(b) Revenue and Expenditure Recognition:

Major revenues and expenditures are recorded on the accrual basis. Fixed assets acquired with operating funds are recorded as an expenditure when incurred. Non teacher salaries are accrued at year end but teacher salaries are not, so that 195 teaching days salary is recorded as an expense. Outstanding purchase orders are accrued and recorded as payables at year end. The cost of inventories of supplies and materials is not recognized at year end, extraordinary circumstances excepted.

(c) Fixed Assets are recorded at cost. The cost of Assets received from various in the counties of Antigonish, Guysborough, Inverness and Richmond on January 1, 1982 were treated as additions to the investment in capital assets of the respective new boards formed at the time. On January 1, 1996 the Antigonish District School Board, the Guysborough County District School Board, the Inverness District School Board and the Richmond District School Board were amalgamated to form the Strait Regional School Board. Land and buildings involved in this agreement remain assets of the original municipal units but will be under the operational control of the Strait Regional School Board until such time as the Board no longer requires them for school purposes. At that time, control will revert back to the appropriate municipality.

2. Service Awards

On April 28, 1999 a new agreement was signed by the Strait Regional School Board and the Nova Scotia Teachers Union, terminating July 31, 2002. Article 12 - Service Award/Death Benefit states as follows:

- 12.1 A Service Award/Death Benefit shall be paid to a teacher who has been employed by the board for ten (10) or more consecutive years and ceases employment with the Board or dies in the service of the Board.
- 12.2 For all teachers in the former Antigonish District School Board who were hired prior to January 13, 1989, the award shall be calculated as follows:
- (a) For at least ten (10) years of service with the Board, nine percent (9%) of the annual rate of salary applicable to the teacher according to certificate and experience on the last day of employment with the Board;
 - (b) For at least fifteen (15) years of service with the Board, fourteen percent (14%) of the salary pursuant to Article 12.2 (a);
 - (c) For at least (20) years of service with the board, nineteen percent (19%) of the salary pursuant to Article 12.2 (a); and
 - (d) For at least twenty-five (25) years of service with the Board, twenty-three (23%) of the salary pursuant to Article 12.2 (a).

2. Service Awards (continued):

12.3 For all teachers in the former Inverness District School Board Region who were hired prior to January 1, 1999, the award shall be calculated as follows:

The Service Award/Death Benefit shall be calculated at the rate of zero decimal six percent (0.6%) for each year of service with the Board multiplied by the annual rate of salary applicable to the teacher according to certificate and experience on the last day of employment with the Board;

12.4 For all teachers hired by the former Antigonish District School Board Region after January 13, 1989, for all teachers hired by the former Inverness District School Board Region after January 1, 1999, for all teachers employed by the former Richmond District School Board and the former Guysborough District School Board and for all other teachers hired by the Strait Regional School Board after January 1, 1996, the award shall be calculated as follows:

- (a) For at least ten (10) years of service with the Board, the sum of twenty-six hundred dollars (\$2,600.00); and
- (b) For each additional year thereafter, the sum of two hundred sixty dollars (\$260.00) per year of service to a maximum of seventy-eight hundred dollars (\$7,800.00) upon completion of thirty (30) years of service.

12.5 A teacher shall be entitled to file with the Board, a written Designation of Beneficiary for the purpose of the payment of a Service Award/Death Benefit pursuant to a teacher who dies in the service of the Board.

12.6 The Service Award/Death Benefit shall be paid in one (1) lump sum or in equal monthly instalments at the option of the teacher.

12.7 Notwithstanding the provisions of this article, the Board shall advance, at least (30) days prior to the effective date of the teacher's resignation, to the Pension Services Group for the purposes of purchasing past service, the lesser of:

- (a) The full Service Award/Death Benefit available to the teacher; or
- (b) The actual amount required by the Pension Fund for the purpose of past service

12.8 The following conditions must be met before funds shall be released pursuant to Article 12.7:

- (a) The teacher has resigned his/her position;
- (b) The teacher requests the Board, in writing, to release the funds; and
- (c) The teacher files with the Board, a letter from the Pension Services Group stating the amount of funds required to purchase the past service.

12.9 Service Award/Death Benefits shall be due and payable immediately after the necessary documentation is supplied.

Prior to April 28 the agreement was between the Strait Regional School Board and each of the predecessor Boards under which the Board is required to pay service awards in accordance with the following excerpts from the agreements.

Antigonish County

14.02 For all teachers employed by the Antigonish District School Board on or before the 13th day of January, 1989, a Service Award/Death Benefit shall be paid in accordance with the following schedule:

- i) for at least ten (10) years of service with the Board, nine percent (9%) of the annual rate of salary applicable to the teacher according to certificate and experience on the last day of employment with the Board;
- ii) for at least fifteen (15) years of service with the Board, fourteen percent (14%) of the salary pursuant to 14.02 (i);
- iii) for at least twenty (20) years of service with the Board, nineteen percent (19%) of the salary pursuant to 14.02 (i);
- iv) for at least twenty-five (25) years of service with the Board, twenty-three percent (23%) of the salary pursuant to 14.02 (i);

14.03 For all teachers employed by the Antigonish District School Board hired after January 13, 1989, a Service Award/Death Benefit shall be paid in accordance with the following schedule:

- i) for at least ten (10) years of service with the Board, the sum of twenty-six hundred dollars (\$2600.00);
- ii) for each additional year thereafter, the sum of two hundred sixty dollars (\$260.00) per year of service to a maximum of seventy-eight hundred dollars (\$7800.00) upon completion of thirty (30) years of service.

Inverness County

15.01 A Service Award/Death Benefit shall be paid to a teacher who has been employed by the Board for ten (10) or more consecutive years.

15.03 The Service Award/Death Benefit shall be calculated at the rate of zero decimal six percent (0.6%) for each year of service with the Board multiplied by the annual rate of salary applicable to the teacher according to certificate and experience on the last day of employment with the Board.

15.04 Notwithstanding 15.03, the number of years of service to be used in calculation shall not exceed thirty-five (35).

Guysborough County

14.01 All teachers who upon retiring or leaving the employ of the Board and who have served the Board for a minimum of fifteen (15) consecutive years, will receive a Service Award/Death Benefit.

14.02 The Service Award/Death Benefit shall be calculated in 1989 at a rate of ninety dollars (\$90.00) and in 1990 at a rate of one hundred (\$100.00) for each year of service with the Board.

Richmond County

17.01 The Board shall pay a Service Award/Death Benefit to a teacher who has been in the employ of the Board for at least fifteen (15) years and who, upon retirement is eligible for a Service Pension, a Deferred Service Pension or a Nova Scotia Disability Pension, or who dies in the service of the Board.

Richmond County (continued):

17.02 The Service Award/Death Benefit shall be calculated by multiplying the number of years of service with the Board by sixty dollars (\$60.00).

17.03 Notwithstanding 17.02, effective January 1, 1987, the maximum number of years to be used in calculating each Service Award/Death Benefit shall be thirty-five (35) years.

3. Early Retirement Program

On July 22, 1994 regulations governing the Nova Scotia Teachers' Early Retirement (1994-98) Program were enacted by the Province of Nova Scotia. This program entitles teachers who meet the eligibility criteria to retire at a date preceding their normal retirement date.

The program operates and is accounted for in the following manner. For each program participant the board records the present value of the prescribed obligation with a corresponding deferred expenditure amount. In respect of each participant, the obligation is being repaid in monthly instalments; payments are charged to operations. In addition, both the deferred expenditure account and the obligation are reduced by the extent of the principal retired.

For the fiscal year ending March 31, 1999, the board has been granted a payment holiday and, as a result, no amount has been included in its 1998-1999 expenditures.

As at March 31, 1999, there were 225 teachers who had retired under the Early Retirement Program. The board has recognized the remaining liability associated with these retirements in the amount of \$21,574,535 as at March 31, 1999.

AUDITOR'S REPORT

To the Minister Responsible for Sydney Environmental Resources Limited

I have audited the operating fund balance sheet of Sydney Environmental Resources Limited for the year ended March 31, 1999, and the statement of revenue and expenditures for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1999, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles except as disclosed in Note 3.

JOHN NASH
Chartered Accountant

May 7, 1999

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

**Balance Sheet
as at March 31, 1999**

ASSETS

	1999		1998
Current			
Cash.....	\$ 84,157	\$	118,143
Accounts receivable.....	52,400		50,090
Prepaid expenses.....	27,517		---
	<u>\$ 164,074</u>	\$	<u>168,233</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities.....	\$ 93,179	\$	99,287
Due to Province of Nova Scotia.....	70,894		68,945
	<u>164,073</u>		<u>168,232</u>

EQUITY

Share capital (Note 8).....	<u>1</u>		<u>1</u>
	<u>\$ 164,074</u>	\$	<u>168,233</u>

Commitments (Note 7)

**Statement of Revenue and Expenditures
Year Ended March 31, 1999**

	1999		1998
Operating revenue	\$ 1,748,051	\$	1,349,797
Operating expenditures			
Civic taxes.....	2,608		3,575
Directors' fees.....	12,599		17,346
Health, safety and environmental.....	192,246		---
Incineration plant operation and maintenance.....	52,632		70,923
Incineration plant overhead.....	197,854		135,096
Joint Action Group.....	297,367		147,463
Office.....	25,212		33,000
Professional fees.....	8,977		11,791
Public information.....	55,151		48,307
Rent.....	23,546		25,735
Salaries and benefits.....	765,712		719,165
Technical services.....	98,230		120,162
Telephone.....	10,174		11,599
Travel.....	5,743		5,635
	<u>1,748,051</u>		<u>1,349,797</u>
Excess revenue over expenditures	\$ ---	\$	---

SYDNEY ENVIRONMENTAL RESOURCES LIMITED

Notes to the Financial Statements Year Ended March 31, 1999

1. AUTHORITY AND OBJECTIVE

The Company was incorporated under the Nova Scotia Companies Act on July 10, 1990. It was established as a crown corporation of the Province of Nova Scotia by Order-in-Council on March 26, 1991. On January 7, 1998 the company changed its name from Sydney Tar Ponds Clean-Up Inc. to Sydney Environmental Resources Limited.

Its current objective is to utilize its resources in emerging community based environmental initiatives.

2. CONTINUATION OF THE BUSINESS

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The continuation of the Company is dependent upon obtaining necessary funding from the Province of Nova Scotia and/or the Government of Canada.

3. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles except as outlined below:

a) **Financing**

The Company, an agency of Her Majesty, receives legislative appropriations for operating expenditures. These appropriations are reflected as operating grants to the extent of operating expenditures. Any excess appropriations are accounted for as deferred operating grants. Consequently, the Company does not have any equity.

b) **Capital Assets**

In accordance with funding requirements, the cost of capital assets are accounted for as current operating expenditures.

4. DUE FROM PROVINCE OF NOVA SCOTIA

The payable to the Province of Nova Scotia as at March 31, 1999 represents operating funding received for the year ended March 31, 1999 in excess of operating expenditures.

5. RELATED PARTY TRANSACTIONS

During the year, the Company received a net current operating grant of \$1,748,051 (1998 - \$1,349,797) from the Province of Nova Scotia.

In addition to the above-noted related party transactions, the Company is related in terms of common ownership to all Province of Nova Scotia created departments, agencies and crown corporations. The Company enters into transactions with these entities in the normal course of business.

6. COMPENSATION LEGISLATION

The Company has complied with the provisions of the Public Sector Compensation Act.

7. COMMITMENTS

a) Operations

The Company has committed to the Province of Nova Scotia, that it will run its affairs in accordance with Provincial standards. Its operations will be accountable to the Province through the Minister responsible for Sydney Environmental Resources Limited.

b) Sales Agreement

Should the Company operate the incinerator, it has a sales agreement with Nova Scotia Power Inc. to sell power, which the incinerator will generate. The agreement expires August 25, 2000.

c) Land Lease

The Company has entered into an agreement with Canadian National Railway Company to lease approximately 46 acres of land for an annual rental of \$1.00. The land gives the Company access to the Sydney Tar Ponds. The Company undertakes not to further contaminate any leased lands. The lease expires October 31, 2001.

d) Sydney Steel Corporation

The Company has undertaken to hire displaced Sydney Steel Corporation employees.

8. SHARE CAPITAL

Authorized

50,000 common shares with no par value

Issued

1 Share at \$1

\$ 1

9. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

AUDITORS' REPORT TO THE DIRECTORS

We have audited the balance sheet of Sydney Steel Corporation as at December 31, 1998 and the statements of loss and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Note 7 describes the Company's approach to determining pension expense. The note indicates that in 1997 the Company charged to the Statement of Loss and Deficit the full cost of benefits associated with enhancements to the Company's Pension Plans which were negotiated in that year. In this respect the financial statements are not in accordance with generally accepted accounting principles, which would require that the cost of such enhancements be amortized over the expected average remaining service life (EARS�) of the employee group, estimated at between 6 and 8 years. If the cost of enhancement benefits had been provided over EARS� of, say, 7 years, pension expense and loss for the 1998 year would have increased by \$5 million (decreased by \$30 million in 1997) and accrued pension obligations and deficit at December 31, 1998 would have correspondingly been reduced by \$25 million (\$30 million at December 31, 1997).

In our opinion, except for the effects of the failure to record pension expense in the manner described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP
Chartered Accountants

Sydney, Canada
March 2, 1999

SYDNEY STEEL CORPORATION

**Balance Sheet
December 31, 1998, with comparative figures for 1997**

ASSETS

	1998	1997
		(in thousands)
Current assets:		
Cash	\$ 1	\$ 6
Accounts receivable (note 3)	6,806	14,947
Inventories (note 4)	38,669	22,783
Prepaid expenses	<u>1,039</u>	<u>1,295</u>
	46,515	39,031
Property, plant and equipment:		
Land, buildings and equipment	438,336	437,419
Less accumulated depreciation and write-downs	<u>(412,941)</u>	<u>(410,109)</u>
	<u>25,395</u>	<u>27,310</u>
	<u>\$ 71,910</u>	<u>\$ 66,341</u>

LIABILITIES AND SHAREHOLDER'S DEFICIENCY

Current liabilities		
Cheques issued in excess of funds on deposit	\$ 5,616	\$ 4,045
Demand loans, guaranteed by the Province of Nova Scotia	103,685	73,584
Accounts payable and accrued liabilities (note 5)	<u>18,448</u>	<u>16,020</u>
	127,749	93,649
Accrued pension obligations	37,800	35,000
Shareholder's deficiency:		
Contributed surplus	523,018	523,018
Deficit	<u>(616,657)</u>	<u>(585,326)</u>
	<u>(93,639)</u>	<u>(62,308)</u>
	<u>\$ 71,910</u>	<u>\$ 66,341</u>

Future operations (note 1)
Contingencies (note 6)

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

**Statement of Loss and Deficit
Year Ended December 31, 1998, with comparative figures for 1997**

	1998	1997
	(in thousands)	
Sales	\$ 90,364	\$ 63,011
Expenses and other income:		
Manufacturing	89,294	65,969
Repairs and maintenance	16,649	10,963
Administrative and selling	4,980	6,201
Interest on short-term borrowing	5,283	2,892
Other income	<u>(143)</u>	<u>(130)</u>
	<u>116,063</u>	<u>85,895</u>
Loss before below-noted items	25,699	22,884
Depreciation	2,832	2,692
Provision for pension obligations	2,800	35,000
Loss for the year	<u>31,331</u>	<u>60,576</u>
Deficit, beginning of year	<u>585,326</u>	<u>524,750</u>
Deficit, end of year	<u>\$ 616,657</u>	<u>\$ 585,326</u>

**Statement of Changes in Financial Position
Year Ended December 31, 1998, with comparative figures for 1997**

	1998	1997
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (31,331)	\$ (60,576)
Items not involving cash:		
Depreciation	2,832	2,692
Provision for pension obligations	2,800	35,000
Change in non-cash operating working capital	<u>(5,061)</u>	<u>(6,490)</u>
	<u>(30,760)</u>	<u>(29,374)</u>
Investments:		
Expenditures on property, plant and equipment	(917)	(555)
Decrease in cash position	<u>(31,677)</u>	<u>(29,929)</u>
Cash position, beginning of year	(77,623)	(47,694)
Cash position, end of year	<u>\$ (109,300)</u>	<u>\$ (77,623)</u>

Cash position is defined as cash net of cheques issued in excess of funds on deposit and demand loan.

See accompanying notes to financial statements.

SYDNEY STEEL CORPORATION

**Notes to Financial Statements
Years Ended December 31, 1998**

Sydney Steel Corporation is a Crown Corporation incorporated by special act of the Province of Nova Scotia. Its principal business activities include the manufacturing of steel products.

1. Future operations:

The Corporation is dependent on its owner, the Province of Nova Scotia, for the financial support including loan guarantees necessary to sustain its operations.

The Corporation and the Province are seeking to establish an arrangement which would permit the Province to divest of its ownership and, concurrently, to identify a suitable new owner/operator who would commit to the long-term operation of the business and have engaged Hoogovens Technical Services Technological and Operational Assistance, Inc. to assist them in this regard.

These financial statements have been prepared on the going concern basis which assumes the realization of assets and liquidation of liabilities in the normal course of business. Accordingly, they do not give effect to adjustments that would be necessary should the Corporation be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments in other than the normal course of business and at amounts different from those in the financial statements.

2. Significant accounting policies:

(a) Inventories:

Manufactured products are stated at lower of cost and net realizable value. Raw materials and supplies are stated at lower of cost and replacement cost. Excessive inventories are stated at lower of cost and net realizable value.

(b) Property, plant and equipment:

Property, plant and equipment are stated at cost.

Depreciation for assets on hand April 1, 1994 (having a collective value of \$30 million at that date) is provided on a straight-line basis over a fifteen year period.

Depreciation for assets acquired since April 1, 1994 is provided on a straight-line basis over the estimated useful life of the asset commencing in the year following acquisition of the asset.

Additional write-downs are provided so as to reduce the net book value of property, plant and equipment to an amount considered recoverable in future periods.

3. Accounts receivable:

	1998	1997
	(in thousands)	
Trade receivables	\$ 5,056	\$ 13,237
Goods and Services Tax	1,750	1,710
	<u>\$ 6,806</u>	<u>\$ 14,947</u>

4. Inventories:

	1998	1997
	(in thousands)	
Manufactured products.	\$ 24,751	\$ 10,192
Raw materials.	13,322	12,039
Supplies.	<u>596</u>	<u>552</u>
	<u>\$ 38,669</u>	<u>\$ 22,783</u>

5. Accounts payable and accrued liabilities:

	1998	1997
	(in thousands)	
Trade	\$ 14,699	\$ 13,218
Wages and benefits	<u>3,749</u>	<u>2,802</u>
	<u>\$ 18,448</u>	<u>\$ 16,020</u>

6. Contingencies:

The Corporation, supported by guarantee of the Province of Nova Scotia, is liable to the extent of \$2,835 in respect of letters of guarantee issued under bid and performance contracts.

7. Pension cost and obligations:

The Corporation contributes to defined benefit plans on behalf of virtually all employees. Pursuant to a prior agreement, the Province had agreed to assume responsibility for pension costs and obligations of the Corporation up to December 31, 1994. At that date, the Corporation recorded the assumption by the Province of such obligations. Since January, 1995, the total pension expense recorded by the Corporation has been as follows:

Year ended	Current service	Plan amendments	Interest on unfunded obligations	Total
December 31, 1995	\$ 634	\$ ---	\$ ---	634
December 31, 1996	501	---	---	501
December 31, 1997	648	35,000	---	35,648
December 31, 1998	575	---	2,800	3,375

a) Current service:

Current service costs represent the cost of pension benefits provided in exchange for employees services rendered in the current period.

b) Plan amendments:

In 1997 the Corporation negotiated labor agreements which resulted in enhancements to its pension plans. The net present value of benefits related to the enhancements was estimated at \$35 million and the Corporation, in contemplation of divestiture, had included the full estimated cost of the enhancements separately in the 1997 Statement of Loss and Deficit.

c) Interest on unfunded obligations:

Because the Corporation has not yet provided funding for the \$35 million cost of 1997 plan amendments, the Corporation has included in 1998 an additional cost of \$2.8 million representing interest on the unfunded obligations.

7. Pension cost and obligations (continued):

The most recent actuarial review of the Pension Plans was carried out by William M. Mercer Limited as at December 31, 1996 (prior to amendments to the Plans). While the review disclosed a deficiency between the value of pension fund assets and obligations at that date, the responsibility for funding same primarily vests with the Province of Nova Scotia pursuant to the earlier agreement.

Because responsibility for the Plans funding rests, in part, with the Company and, in part, with the Province, further discussions are required with the Superintendent of Pensions to clarify, implement and give effect to the respective obligations of the Company and the Province.

8. Uncertainty due to the Year 2000 Issue:

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

TIDAL POWER CORPORATION

Unaudited

**Balance Sheet
as at March 31, 1999**

	1999	1998
Assets		
Current Assets		
Bank	\$ 40,023	\$ 38,353
Fixed Assets		
Office furniture	7,178	7,178
Less Accumulated Depreciation	<u>3,350</u>	<u>2,991</u>
	3,828	4,187
Computer Equipment	4,875	4,875
Less Accumulated Depreciation	<u>1,948</u>	<u>1,461</u>
	2,927	3,414
Total Assets	<u>\$ 46,778</u>	<u>\$ 45,954</u>
Liability		
Liabilities	\$ ---	---
Equity		
Opening retained earnings	45,954	45,790
Current earnings	<u>824</u>	<u>164</u>
Closing retained earnings	<u>46,778</u>	<u>45,954</u>
Long Term Liabilities/Equity	<u>\$ 46,778</u>	<u>\$ 45,954</u>

**Income Statement
for the year ended March 31, 1999**

	1999	1998
Revenue		
Investment income	\$ 1,670	\$ 1,022
Total revenue	<u>\$ 1,670</u>	<u>\$ 1,022</u>
Expenses		
Administration-Bank charges	\$ ---	\$ 12
Depreciation Expense		
Furniture/Equipment	359	359
Computer	<u>487</u>	<u>487</u>
Total Expenses	<u>\$ 846</u>	<u>\$ 858</u>
Net Income	<u>\$ 824</u>	<u>\$ 164</u>

TIDAL POWER CORPORATION

**Schedule of Interest and Charges
Year ended March 31, 1999**

Month	Interest	Charges
April	126.08 \$	---
May	130.68	---
June	126.92	---
July	131.57	---
August	132.00	---
September	160.26	---
October	157.96	---
November	145.39	---
December	142.43	---
January	142.90	---
February	129.58	---
March	143.93	---
Total	<u>\$ 1,669.70</u>	<u>---</u>

**Notes to Financial Statements
March 31, 1999**

1. Authority

The Tidal Power Corporation was established by the Tidal Power Corporation Act which came into force on April 22, 1971. The object of the Corporation is to obtain, for Nova Scotia, the maximum benefit which may be derived from exploitation of tidal power and undertakings which are ancillary to, connected with, or may arise as a result of exploitation.

2. Significant Accounting Policies

Fixed Assets

Fixed assets are stated at cost. Depreciation is provided on a straight-line basis at an annual rate of 5% for office furniture and 10% for computer equipment.

AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of Trade Centre Limited as at March 31, 1999 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

KPMG LLP
Chartered Accountants

Halifax, Canada
June 9, 1999

TRADE CENTRE LIMITED

Balance Sheet
March 31, 1999, with comparative figures for 1998

	1999	1998
ASSETS		
Current assets:		
Cash and short-term investments	\$ 4,187,798	\$ 4,196,667
Accounts receivable (note 3)	1,362,579	962,278
Inventories	103,221	120,920
Prepaid expenses	<u>44,938</u>	<u>40,030</u>
	5,698,536	5,319,895
Property and equipment (note 4):		
Land, building, furniture and equipment and tenant leaseholds	36,614,458	36,157,099
Less accumulated depreciation and amortization	<u>19,040,436</u>	<u>17,572,055</u>
	<u>17,574,022</u>	<u>18,585,044</u>
	<u>\$ 23,272,558</u>	<u>\$ 23,904,939</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 740,954	\$ 696,421
Due to the Province of Nova Scotia	647,778	700,253
Event deposits	443,798	229,299
Deferred revenue	<u>89,031</u>	<u>26,961</u>
	1,921,561	1,652,934
Shareholder's equity:		
Capital stock:		
Authorized: 1,000,000 common shares without par value		
Issued and outstanding: 100 common shares	100	100
Contributed surplus (note 5)	45,173,101	45,173,101
Deficit (note 2)	<u>(23,822,204)</u>	<u>(22,921,196)</u>
	<u>21,350,997</u>	<u>22,252,005</u>
	<u>\$ 23,272,558</u>	<u>\$ 23,904,939</u>

Commitments (note 8)

See accompanying notes to financial statements.

TRADE CENTRE LIMITED

**Statement of Operations and Deficit
Year ended March 31, 1999, with comparative figures for 1998**

	1999	1998
Revenues:		
Convention centre	\$ 4,223,703	\$ 4,496,698
Halifax Regional Municipality Convention Centre Subsidy (note 6)	449,206	445,862
Office Tower	1,937,123	1,980,539
World Trade Centre and Windows	691,790	638,167
	7,301,822	7,561,266
Expenses:		
Event expenses	2,495,452	2,570,928
Salaries, wages and benefits	1,699,374	1,594,478
Administration	520,237	504,798
Advertising and marketing	426,038	358,837
Maintenance	555,680	610,989
Energy	453,547	512,086
Taxes and insurance	832,504	839,913
	6,982,832	6,992,029
Income before other items	318,990	569,237
Other income:		
Gain on disposal of assets	2,040	1,434
Interest income on short-term investments	158,416	112,670
Pension contribution holiday	87,927	---
	248,383	114,104
	567,373	683,341
Other expenses:		
Depreciation and amortization	1,468,381	1,418,004
Loss for the year	(901,008)	(734,663)
Deficit, beginning of year, as restated (note 2)	(22,921,196)	(22,186,533)
Deficit, end of year	\$ (23,822,204)	\$ (22,921,196)

See accompanying notes to financial statements.

TRADE CENTRE LIMITED

**Statement of Changes in Financial Position
Year ended March 31, 1999, with comparative figures for 1998**

	1999	1998
Cash provided by (used in):		
Operations:		
Loss for the year	\$ (901,008)	\$ (734,663)
Items not involving cash:		
Depreciation and amortization	1,468,381	1,418,004
Gain on disposal of assets	(2,040)	(1,434)
Change in non-cash operating working capital	<u>(118,883)</u>	<u>(108,483)</u>
	446,450	573,424
Financing:		
Increase in deferred capital assistance	---	55,890
Investments:		
Proceeds on disposal of furniture and equipment	2,040	1,434
Purchase of property and equipment	(457,359)	(577,800)
Disposal of portfolio investments	---	429,850
	<u>(455,319)</u>	<u>(146,516)</u>
Increase (decrease) in cash	(8,869)	482,798
Cash, beginning of year	<u>4,196,667</u>	<u>3,713,869</u>
Cash, end of year	<u>\$ 4,187,798</u>	<u>\$ 4,196,667</u>

Cash position is defined as cash plus short-term investments.

See accompanying notes to financial statements.

TRADE CENTRE LIMITED

**Notes to Financial Statements
Year ended March 31, 1999**

The Trade Centre Limited is incorporated under the laws of the Province of Nova Scotia and its principal business activities include the operation of a trade and convention centre and leasing of office and commercial space.

1. Significant accounting policies:

(a) Divisional operations:

The Trade Centre Limited consists of three divisions; the Convention Centre, the World Trade Centre and the Office Tower. Revenue and expenses are recorded on the accrual basis.

(b) Short-term investments:

Short-term investments are recorded at the lower of cost and market.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(d) Property and equipment:

Property and equipment is stated at cost, net of government assistance. Depreciation and amortization is provided on the straight-line basis over the following terms:

Asset	Rate
Building	30 years
Furniture and equipment	5 years
Tenant leaseholds	Lease term

2. Deficit:

In years from 1985 to 1998, the Trade Centre transferred to a payable to the Province of Nova Scotia operating surpluses representing the net income for the year before depreciation and amortization and interest on short-term investments. During the same years, certain purchases of property and equipment were charged to this operating surplus instead of being capitalized and depreciated.

In 1999, the Centre retroactively corrected its financial statements to recognize the cumulative operating surpluses, property and equipment and related depreciation in its financial statements and to restate the balance due to the Province of Nova Scotia.

The restatement has reduced the 1998 loss for the year by \$191,559; and has reduced the opening deficit as a April 1, 1997 by \$3,665,498.

2. Deficit (continued):

The cumulative effect of the above changes on the financial statements for the year ended March 31, 1998 is as follows:

	Net Property and equipment	Due to the Province of Nova Scotia	Deficit
Balance, March 31, 1998, as originally reported	\$ 16,966,859	\$ 2,939,125	\$ (26,778,253)
Cumulative operating surplus from 1985-1998	---	(2,238,872)	2,238,872
Purchases of property and equipment from 1985 to 1998 (not previously capitalized)	3,067,219	---	3,067,219
Accumulated depreciation on property and equipment	(1,449,034)	---	(1,449,034)
Balance, March 31, 1998	<u>\$ 18,585,044</u>	<u>\$ 700,253</u>	<u>\$ (22,921,196)</u>

3. Accounts receivable:

	1999	1998
Convention Centre events	\$ 757,567	\$ 485,523
Office Tower rents	313,069	148,525
World Trade Club	124,620	74,360
Other	199,209	277,698
	<u>1,394,465</u>	<u>986,106</u>
Less allowance for doubtful accounts	(31,886)	(23,828)
	<u>\$ 1,362,579</u>	<u>\$ 962,278</u>

4. Property and equipment:

	Cost	Accumulated depreciation and amortization	1999 Net	1998 Net
Land	\$ 1	\$ ---	\$ 1	1
Building	31,747,562	15,003,220	16,744,342	17,714,152
Furniture and equipment	3,033,782	2,376,949	656,833	711,502
Tenant leaseholds	1,833,113	1,660,267	172,846	159,389
	<u>\$ 36,614,458</u>	<u>\$ 19,040,436</u>	<u>\$ 17,574,022</u>	<u>\$ 18,585,044</u>

5. Contributed surplus:

	1999	1998
Government of Canada	\$ 2,750,000	\$ 2,750,000
Halifax Regional Municipality	1,500,000	1,500,000
Province of Nova Scotia	40,923,101	40,923,101
	<u>\$ 45,173,101</u>	<u>\$ 45,173,101</u>

Contributed surplus consists of non-repayable grants from the three levels of government as set forth above to assist in the financing of the capital cost of the project. These grants have been treated as contributed surplus since they have been received by virtue of the Province of Nova Scotia's position as the sole shareholder of the Trade Centre Limited.

6. Operating subsidy from the Halifax Regional Municipality:

Pursuant to the Financing Agreement of May 14, 1982, the Halifax Regional Municipality makes an annual contribution to the operating deficit of the Convention Centre. In this respect, the Trade Centre Limited has recognized the contribution relating to the 1999 fiscal year in these financial statements.

7. Capital assistance:

The Halifax Regional Municipality provided a contribution of \$nil (1998 - \$55,890) during the year toward certain scheduled capital projects.

8. Commitments:

The Centre is committed to payments under operating leases with terms expiring between 2000 and 2004. Annual payments are as follows:

2000.....	25,638
2001.....	17,141
2002.....	17,141
2003.....	17,141
2004.....	12,856

9. Related party transactions:

The Trade Centre Limited rents significant office tower space to departments and agencies of the Province of Nova Scotia.

For the year ended March 31, 1999, rental revenue and tenant recoveries included \$1,596,041 (1998 - \$1,601,689) received from departments and agencies of the Province of Nova Scotia.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

10. Events Halifax:

Events Halifax ("Eh!") is a new division of the Centre established in fiscal 1999. The purpose of Eh! is to provide marketing and promotion services to the Centre. The statement of operations and deficit include revenues and expenses in the amount of \$88,931 and \$88,931 respectively, relating to the operations of Eh!. Contributions in the amount of \$62,178 have been deferred and included in deferred revenue.

11. Year 2000 uncertainty:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Centre's ability to conduct normal business operations. The Centre has developed and is implementing a process involving a phased approach designed to mitigate the expected effects of the Year 2000 Issue on the Centre. As at March 31, 1999, the identification and assessment phases of the Year 2000 process, which address the Year 2000 readiness of the Centre's computer systems, and of third parties, such as customers, suppliers, and others, are ongoing. The Centre has commenced the remediation phase, which is intended to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Centre, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

TRANSPORTATION TRUST FUND

**Continuity of Transportation Trust Fund
for the year ended March 31, 1999**

	1999	1998
Balance, beginning of year	\$ ---	\$ ---
Add: Revenue collected during year	38,128,841.05	36,000,203.62
	<u>38,128,841.05</u>	<u>36,000,203.62</u>
Deduct: Refund of Payments	480,933.52	696,819.70
Department of Transportation and Public Works Expenditures (Schedule 1)	24,136,265.53	35,303,383.92
Transfer to consolidated Fund	13,511,642.00	---
	<u>38,128,841.05</u>	<u>36,000,203.62</u>
Balance - end of year	\$ <u>---</u>	\$ <u>---</u>

Schedule 1

**Transportation Trust Fund Expenditures
for the year ended March 31, 1998**

Highway	1999	1998
101	\$ 2,465,200.95	\$ 570,000.00
102	1,786,389.83	1,289,900.00
103	5,952,026.06	4,355,700.00
104	6,237,036.78	24,816,000.00
105	2,557,330.13	463,603.62
106	---	---
107	---	2,620,000.00
111	---	---
118	1,330,908.38	740,000.00
125	2,467,992.23	1,145,000.00
142	1,148,937.95	---
Misc	190,443.22	---
Total Expenditure	\$ <u>24,136,265.53</u>	\$ <u>36,000,203.62</u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the balance sheet of Upper Clements Family Theme Park Limited as at March 31, 1999, and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

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

E.R. SALMON, F.C.A.
Auditor General

Halifax, Nova Scotia
May 11, 1999

UPPER CLEMENTS FAMILY THEME PARK LIMITED

**Balance Sheet
as at March 31, 1999**

	1999	1998
ASSETS		
Current		
Cash	\$ <u>6,987</u>	\$ <u>6,435</u>
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	\$ ---	\$ 1,501
Current portion of long-term liability	<u>1,778</u>	<u>1,640</u>
	<u>1,778</u>	<u>3,141</u>
Long-term		
Workers' compensation benefits liability (Note 2)	<u>26,669</u>	<u>28,446</u>
Equity		
Capital stock	1	1
Contributed surplus	5,667,174	5,667,174
Deficit	<u>(5,688,635)</u>	<u>(5,692,327)</u>
	<u>(21,460)</u>	<u>(25,152)</u>
	\$ <u>6,987</u>	\$ <u>6,435</u>

**Statement of Income and Deficit
for the year ended March 31, 1999**

	1999	1998
Revenue		
Contributions from the Province (Note 3)	\$ <u>10,000</u>	\$ <u>68,956</u>
Expenses		
Legal settlement	---	15,000
Professional fees	330	2,889
Workers' compensation benefits (Note 2)	5,813	44,257
Dues and fees	85	85
Miscellaneous	<u>78</u>	<u>65</u>
	6,306	62,296
Less: Adjustment to workers' compensation benefits (Note 2)	---	<u>(8,613)</u>
	<u>6,306</u>	<u>53,683</u>
Net Income	<u>3,694</u>	<u>15,273</u>
Deficit, beginning of year	<u>(5,692,327)</u>	<u>(5,707,600)</u>
Deficit, end of year	\$ <u>(5,688,633)</u>	\$ <u>(5,692,327)</u>

See accompanying notes to financial statements.

UPPER CLEMENTS FAMILY THEME PARK LIMITED

Notes to Financial Statements March 31, 1999

1. Authority

The Upper Clements Family Theme Park Limited was created by Order-in-Council #88-17 for the purpose of assisting in the establishment and operation of a family theme park. On April 6, 1994 the Company transferred all of its fixed assets to its shareholder, the Province of Nova Scotia.

The Province has subsequently entered into leasing arrangements with third parties to continue the operations of the park, the latest effective February 1, 1997 to January 31, 2007. Revenue and costs associated with the lease arrangements are included in the accounts of the Province.

The Company's affairs are being managed by staff of the Department of Economic Development and Tourism, and it is not actively involved in the operation of the family theme park.

2. Workers' Compensation Benefits

The Company accounts for the estimated long-term liability associated with workers' compensation benefits of a former employee. An adjustment to workers' compensation benefits occurs when changes are made to the assumptions used to estimate the long-term liability.

3. Contributions from the Province of Nova Scotia

The Company is economically dependent on contributions from the Province of Nova Scotia to continue operating. The extent to which this assistance will be received in the future has not been determined.

4. Statement of Cash Flow

A statement of cash flow is provided since disclosure in the balance sheet and income statement is considered adequate.

VICTIMS' ASSISTANCE FUND

Balance Sheet
as at March 31, 1999

ASSETS

	1999	1998
Cash	\$ 350,113.23	\$ 62,196.44
Investments	<u>729,279.36</u>	<u>1,261,400.00</u>
	<u>\$ 1,079,392.59</u>	<u>\$ 1,323,596.44</u>

LIABILITIES

Fund	<u>\$ 1,079,392.59</u>	<u>\$ 1,323,596.44</u>
------------	------------------------	------------------------

Continuity of Fund
for the year ended March 31, 1999

	1999	1998
Balance, beginning of year	<u>\$ 1,323,596.44</u>	<u>\$ 1,513,344.81</u>
Receipts:		
Investment income	45,810.05	35,805.38
Bank interest	12,866.08	12,605.15
Fine surcharge revenue	<u>715,918.17</u>	<u>654,242.95</u>
	774,594.30	702,653.48
Disbursements	<u>1,018,798.15</u>	<u>892,401.85</u>
Balance, end of year	<u>\$ 1,079,392.59</u>	<u>\$ 1,323,596.44</u>

Note to the Financial Statements
March 31, 1999

Investments at March 31, 1999 consisted of the following:

\$29,857.50 Bank of Nova Scotia BA		
4.98% March 30, 1999 to May 4, 1999	\$	30,000.00
\$692,790.00 Royal Bank BA		
5.00% January 28, 1999 to April 14, 1999		700,000.00
\$6,631.86 Royal Bank BA		
5.00% January 28, 1999 to April 13, 1999		<u>6,700.00</u>
	\$	<u>736,700.00</u>

AUDITORS' REPORT

To the Shareholder of
Waterfront Development Corporation Limited

We have audited the balance sheet of Waterfront Development Corporation Limited as at March 31, 1999, and the statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

GRANT THORNTON
Chartered Accountants

Halifax, Nova Scotia
May 6, 1999

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Balance Sheet
March 31, 1999**

	1999	1998
ASSETS		
Receivables - trade	\$ 122,080	\$ 61,233
Notes receivable (Note 3)	176,731	181,140
Grants receivable (Note 4)	868,768	---
Prepays	---	19,369
Real estate and development projects (Note 5)	28,415,660	22,011,271
Deferred pension cost	13,605	14,512
Deposits	---	220,000
	<u>\$ 29,596,844</u>	<u>\$ 22,507,525</u>
LIABILITIES		
Bank indebtedness (Note 6)	\$ 1,091,117	\$ 408,670
Payables and accruals	539,550	2,484,465
Loan payable (Note 7)	<u>13,600,000</u>	<u>6,000,000</u>
	<u>15,230,667</u>	<u>8,893,135</u>
SHAREHOLDER'S EQUITY		
Capital stock (Note 8)	3	3
General Development Fund (Note 9)	3,105,000	2,365,000
Contributed surplus	13,747,826	13,747,826
Deficit	<u>(2,486,652)</u>	<u>(2,498,439)</u>
	<u>14,366,177</u>	<u>13,614,390</u>
	<u>\$ 29,596,844</u>	<u>\$ 22,507,525</u>

Commitments (Note 10)
Contingency (Note 11)
Uncertainty due to the Year 2000 issue (Note 15)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Statement of Earnings and Deficit
Year Ended March 31, 1999**

	1999	1998
Revenue		
Rents	\$ 2,438,178	\$ 1,854,661
Recoveries	3,430	4,574
Interest income	12,848	11,592
Other income	31,680	5,392
Grant revenue		
Overhead recovery	162,720	---
Non-owned infrastructure	100,000	---
	<u>2,748,856</u>	<u>1,876,219</u>
Property Expenses		
Property taxes	35,046	83,158
Operating	320,657	336,586
Depreciation and amortization	229,703	222,490
	<u>585,406</u>	<u>642,234</u>
Income before other items	<u>2,163,450</u>	<u>1,233,985</u>
Corporate expenses		
Directors fees and expenses	21,947	24,727
Doubtful accounts	2,442	44
Office operations	46,737	37,943
Professional fees		
- Audit	9,000	7,700
- Consultants	49,749	23,229
- Legal	47,566	44,493
Salaries and benefits	317,846	272,604
Waterfront promotions and public relations	23,076	30,168
	<u>518,363</u>	<u>440,908</u>
Loan interest		
Expense	715,072	236,218
Contributions from the Province of Nova Scotia	---	(336,000)
	<u>715,072</u>	<u>(99,782)</u>
Depreciation on facilities for public access	78,228	73,889
Contribution to non-owned infrastructure	100,000	---
	<u>1,411,663</u>	<u>415,015</u>
Net earnings from operations	<u>751,787</u>	<u>818,970</u>
Gain on sale of property	---	20,000
	<u>---</u>	<u>20,000</u>
Net earnings	<u>751,787</u>	<u>838,970</u>
Transfer to General Development Fund (Note 8)	<u>(740,000)</u>	<u>(830,000)</u>
Transfer to Deficit	<u>11,787</u>	<u>8,970</u>
Deficit, beginning of year	<u>(2,498,439)</u>	<u>(2,507,409)</u>
Deficit, end of year	<u>\$ (2,486,652)</u>	<u>\$ (2,498,439)</u>

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

**Statement of Cash Flows
Year Ended March 31, 1999**

	1999	1998
Cash derived from (applied to)		
Operating		
Net earnings	\$ 751,787	\$ 838,970
Depreciation and amortization	307,931	296,379
Gain on sale of property	---	(20,000)
	1,059,718	1,115,349
Change in non-cash operating working capital (Note 12)	(28,206)	176,226
	1,031,512	1,291,575
Financing		
Decrease in notes receivable, net.	4,409	23,819
Increase in capital grants receivable.	(706,048)	---
Increase in loan payable	7,600,000	100,000
Increase (decrease) in payable for real estate purchases.	(1,900,000)	1,900,000
	4,998,361	2,023,819
Investing		
Purchase of		
Equipment	(11,331)	(6,678)
Real estate and construction projects	(6,700,989)	(4,363,314)
Proceeds from sale of property	---	629,100
	(6,712,320)	(3,740,892)
Net decrease in cash and cash equivalents	(682,447)	(425,498)
Bank indebtedness, net of cash and cash equivalents		
Beginning of year	(408,670)	16,828
End of year	\$ (1,091,117)	\$ (408,670)

See accompanying notes to the financial statements.

WATERFRONT DEVELOPMENT CORPORATION LIMITED

Notes to the Financial Statements March 31, 1999

1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor in Council No. 76-373 dated March 30, 1976.

The Corporation's mission is the stewardship, long term development and revitalization of the Halifax and Dartmouth waterfronts, including the encouragement of promotional activity to attract public attention and use of these areas.

2. Summary of significant accounting policies

Capitalization

All expenditures directly related to acquisition, renovation and development are included in the cost of real estate.

Government assistance

Government assistance for capital projects are accounted for as a reduction in the capital cost of the applicable project. Government assistance related to the cost recovery of overhead costs are accounted for as grant revenue.

Income taxes

As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of The Income Tax Act.

Depreciation

Building and equipment

Assets are depreciated on a straight line basis over their useful life, but not greater than 50 years, at rates between 2% and 33.3% per annum.

Long-term lease

The cost of the lease referred to in Note 5 is amortized over its term.

Development costs

Costs for projects constructed on Corporation lands are capitalized and depreciated at 2% per annum.

3. Notes receivable	1999	1998
Note receivable bearing interest at 7%, repayable in blended monthly payments of \$1,185, maturing March 2002, secured by an assignment of land and building.	\$ 38,555	\$ 49,649
Note receivable bearing interest at a variable rate calculated annually, repayable in blended monthly payments of \$1,712, maturing June 2006. \$75,000 of the principal amount has been guaranteed by a third party	119,356	131,491
Note receivable bearing interest at 9%, repayable in blended monthly payments of \$253, maturing April 2008	<u>18,820</u>	<u>---</u>
	<u>\$ 176,731</u>	<u>\$ 181,140</u>

4. Grants receivable

The grants from the Nova Scotia Department of Economic Development and Tourism and Atlantic Canada Opportunities Agency, were subsequently received in April and relate to projects completed before March 31, 1999.

5. Real estate and development projects

	Accumulated		1999		1998
	Cost	Depreciation	Net Book	Value	Net Book
			Value		Value
Facilities for public access	\$ 6,411,084	\$ 1,021,925	\$ 5,389,159	\$	5,228,379
Real estate and development projects	<u>26,733,009</u>	<u>3,706,508</u>	<u>23,026,501</u>	<u>16,782,892</u>	
	<u>\$ 33,144,093</u>	<u>\$ 4,728,433</u>	<u>\$ 28,415,660</u>	<u>\$ 22,011,271</u>	

Included in the cost of real estate is a prepaid long-term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

6. Credit facility

The bank indebtedness is a general operating line of credit to a maximum of \$1,000,000 bearing interest at prime, less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

7. Loan payable

Demand loan bearing interest at approximately bank prime less one percent. The loan is secured by a guarantee of the Province of Nova Scotia.

8. Capital stock

	1999	1998
Authorized 5,000 shares without nominal or par value		
Issued: 3 shares	<u>\$ 3</u>	<u>\$ 3</u>

The shares are held in trust by representatives of the Province for the Queen in Right of the Province of Nova Scotia.

9. General Development Fund

The Board of Directors has established a fund for future development and promotional projects. Expenditures from this fund will be at their discretion.

10. Commitments

(i) The Corporation has entered into a lease agreement for the water lot portion of Queen's Wharf. Minimum lease payments over the next five years, assuming renewal at similar terms, are as follows:

2000	\$	1,016
2001		1,016
2002		1,016
2003		1,016
2004		1,016

(ii) The Corporation has committed funds to a maximum of \$80,000 to renovate public washrooms at the Halifax Ferry Terminal. In addition, the Corporation has committed \$300,000 to refurbish a wharf for public access.

11. Contingency

The Corporation has received funding from a private company to development a park for Bishop's Landing. If the development agreement is not executed, this funding will have to be repaid.

12. Change in non-cash operating working capital

	1999	1998
Receivables	\$ (60,847)	\$ 21,536
Operating grants receivable	(162,720)	---
Prepays	19,369	23,585
Payables and accruals	(44,915)	350,198
Deposits	220,000	(220,000)
Deferred pension cost	907	907
	<u>\$ (28,206)</u>	<u>\$ 176,226</u>

13. Financial instruments

The fair values of cash and receivables approximate their carrying amounts because of their short term to maturity. The fair value of loans receivable approximate their carrying amounts because of variable interest rates and an insignificant fluctuation in the interest rates for those with fixed rates.

The fair values of payables and accruals and note payable approximate their carrying amounts because of their short term to maturity and variable interest rate.

14. Employee pension plan

The Corporation is a participant in a multi-employer pension plan, the Nova Scotia Public Sector Superannuation Plan. The plan required the payment costs for past service benefits which are being amortized to earnings over the expected average remaining service life of the employee group.

14. Employee pension plan (continued):

The most recent actuarial valuation of this plan was completed as at December 31, 1996 and includes pension assets of \$2,255,530,000, and pension liabilities of \$2,105,620,000, resulting in a pension surplus of \$149,910,000. This surplus has resulted in a pension holiday for its participants. The amount applicable to the Corporation is not determinable and should not be significant as its participation includes only three employees.

15. Uncertainty due to the year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

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

AUDITORS' REPORT

To the Chairman and Members of the Board of Directors of
Western Regional Health Board

We have audited the statement of financial position of the Western Regional Health Board as at March 31, 1999 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

DELOITTE & TOUCHE LLP
Chartered Accountants

June 18, 1999

WESTERN REGIONAL HEALTH BOARD

**Statement of Financial Position
as at March 31, 1999**

ASSETS

	Operating Fund	Capital Fund	Total 1999	Total 1998
Current				
Cash and cash equivalents (Page 5) \$	---	\$ 2,569,669	\$ 2,569,669	\$ 2,293,019
Accounts receivable (Note 3)	6,752,649	3,449,659	10,202,308	7,785,922
Inventory (Note 2(f))	2,120,574	---	2,120,574	2,193,979
Prepaid expenses	<u>1,369,930</u>	<u>206,451</u>	<u>1,576,381</u>	<u>1,401,521</u>
	10,243,153	6,225,779	16,468,932	13,674,441
Property, plant and equipment (Note 4)				
	---	<u>110,837,186</u>	<u>110,837,186</u>	<u>99,467,479</u>
	<u>\$ 10,243,153</u>	<u>\$ 117,062,965</u>	<u>\$ 127,306,118</u>	<u>\$ 113,141,920</u>

LIABILITIES

Current				
Bank indebtedness (Page 5) \$	2,368,635	\$ ---	\$ 2,368,635	\$ ---
Accounts payable and accrued liabilities (Note 5)	16,133,170	2,801,199	18,934,369	14,337,855
Revenue received in advance	11,055,335	---	11,055,335	4,331,086
Current portion of long-term debt (Note 6)	---	<u>290,106</u>	<u>290,106</u>	<u>469,864</u>
	29,557,140	3,091,305	32,648,445	19,138,805
Long-term debt (Note 8)	---	3,709,819	3,709,819	3,989,926
Deferred capital grants (Note 7)	---	<u>106,335,682</u>	<u>106,335,682</u>	<u>95,004,338</u>
	<u>29,557,140</u>	<u>113,136,806</u>	<u>142,693,946</u>	<u>118,133,069</u>

FUND BALANCES

Externally restricted (Page 4)	600,792	253,986	854,778	854,778
Unrestricted (Page 4)	<u>(19,914,779)</u>	<u>3,672,173</u>	<u>(16,242,606)</u>	<u>(5,845,927)</u>
	<u>(19,313,987)</u>	<u>3,926,159</u>	<u>(15,387,828)</u>	<u>(4,991,149)</u>
	---	---	---	---
	<u>\$ 10,243,153</u>	<u>\$ 117,062,965</u>	<u>\$ 127,306,118</u>	<u>\$ 113,141,920</u>

Contingencies (Note 8)
Commitments (Note 9)

WESTERN REGIONAL HEALTH BOARD

**Statement of Operations
Year Ended March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
Revenue				
Department of Health (Note 2(b))	\$ 104,231,573	\$ ---	\$ 104,231,573	\$ 99,394,106
Department of Veteran's Affairs . .	3,589,608	---	3,589,608	3,574,608
Patient services	3,994,673	---	3,994,673	3,406,254
Physician funding	3,663,512	---	3,663,512	3,891,344
Program recoveries and sales	4,660,388	---	4,660,388	4,112,073
Early Departure and Retirement Incentives	---	---	---	1,726,030
Amortization of deferred capital grants (Notes 2(d) and 7)	---	5,988,138	5,988,138	6,662,303
Other	414,041	38,241	452,282	421,448
	<u>120,553,795</u>	<u>6,026,379</u>	<u>126,580,174</u>	<u>123,188,166</u>
Expenditures				
Administration and Support	3,672,126	---	3,672,126	3,827,302
Addiction Services	3,084,807	---	3,084,807	2,965,553
Diagnostic Imaging	7,068,459	---	7,068,459	6,332,413
Environmental Services	5,674,393	---	5,674,393	5,419,809
Finance	1,518,055	---	1,518,055	1,503,228
Food & Nutritional Services	8,423,215	---	8,423,215	7,559,271
Human Resources	1,151,916	---	1,151,916	998,737
Information Services	5,336,440	---	5,336,440	4,164,280
Laboratory	9,454,461	---	9,454,461	9,181,414
Materials Management	3,263,783	---	3,263,783	2,554,925
Mental Health	8,740,333	---	8,740,333	8,107,303
Nursing	51,927,285	---	51,927,285	46,123,434
Pharmacy	1,260,896	---	1,260,896	1,229,931
Plant & Support Services	8,182,859	---	8,182,859	7,959,985
Public Health	3,592,795	---	3,592,795	3,257,363
Rehabilitation Services	2,199,027	---	2,199,027	1,934,379
Other programs	3,008,584	---	3,008,584	2,940,164
Retirement and severance allowances	181,843	---	181,843	1,543,789
Depreciation (Note 2(c))	---	6,834,188	6,834,188	7,250,258
Interest	---	288,270	288,270	126,778
Other expenditures including estimates for wage settlements	2,024,071	62,276	2,086,347	1,103,628
	<u>129,765,348</u>	<u>7,184,734</u>	<u>136,950,082</u>	<u>126,083,944</u>
Deficiency of revenues over expenditures before final settlement estimates	<u>(9,211,553)</u>	<u>(1,158,355)</u>	<u>(10,369,908)</u>	<u>(2,895,778)</u>
Final settlement estimates (Note 3)				
Department of Health	---	---	---	918,499
Department of Veteran's Affairs . .	---	---	---	49,699
	<u>---</u>	<u>---</u>	<u>---</u>	<u>968,198</u>
Deficiency of revenues over expenditures	<u>\$(9,211,553)</u>	<u>\$(1,158,355)</u>	<u>\$(10,369,908)</u>	<u>\$(1,927,580)</u>

WESTERN REGIONAL HEALTH BOARD

**Statement of Changes in Fund Balances
as at March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
Externally Restricted Fund Balances				
Balance, beginning of year.	\$ 600,792	\$ 253,986	\$ 854,778	\$ 2,802,243
Restricted net assets devolved at April 1, 1997.	---	---	---	202,181
Transfer to designated reserves	---	---	---	(143,981)
Transfer from (to) unrestricted fund	---	---	---	(2,003,644)
Other	---	---	---	(2,021)
Balance, end of year.	<u>600,792</u>	<u>253,986</u>	<u>854,778</u>	<u>854,778</u>
Unrestricted Fund Balances				
Balance, beginning of year.	(8,670,199)	2,824,272	(5,845,927)	(5,129,065)
Unrestricted net assets devolved at April 1, 1997	---	---	---	(44,261)
Transfer from (to) restricted fund. . .	---	---	---	2,003,644
Specified gifts to foundations	(26,771)	---	(26,771)	(39,224)
Transfer to deferred capital grants (Note 7)	---	---	---	(709,441)
Appropriations to capital fund	(2,006,256)	2,006,256	---	---
Deficiency of revenues over expenditures (Page 2)	<u>(9,211,553)</u>	<u>(1,158,355)</u>	<u>(10,369,908)</u>	<u>(1,927,580)</u>
Balance, end of year.	<u>(19,914,779)</u>	<u>3,672,173</u>	<u>(16,242,606)</u>	<u>(5,845,927)</u>
Total Fund Balances.	<u>\$ (19,313,987)</u>	<u>\$ 3,926,159</u>	<u>\$ (15,387,828)</u>	<u>\$ (4,991,149)</u>

WESTERN REGIONAL HEALTH BOARD

**Statements of Cash Flows
Year Ended March 31, 1999**

	Operating Fund	Capital Fund	Total 1999	Total 1998
Net inflow (outflow) of cash related to the following activities:				
Operating				
Deficiency of revenues over expenditures (Page 2)	\$ (9,211,553)	\$ (1,158,355)	\$ (10,369,908)	\$ (1,927,580)
Depreciation (Page 2)	---	6,834,188	6,834,188	7,250,258
Amortization of deferred capital grants (Page 2 and Note 7)	---	(5,988,138)	(5,988,138)	(6,662,303)
Changes in working capital items (Note 13)	<u>9,329,408</u>	<u>(526,486)</u>	<u>8,802,922</u>	<u>960,165</u>
	<u>117,855</u>	<u>(838,791)</u>	<u>(720,936)</u>	<u>(379,460)</u>
Financing				
Assumption of long-term debt (Note 6)	---	19,998	19,998	---
Proceeds from capital grants (Note 7)	---	17,319,482	17,319,482	5,245,856
Repayment of long-term debt (Note 6)	---	(479,863)	(479,863)	(456,824)
Net assets devolved April 1, 1998 (Page 4)	---	---	---	157,920
	<u>---</u>	<u>16,859,617</u>	<u>16,859,617</u>	<u>4,946,952</u>
Investing				
Acquisitions of property, plant and equipment	---	(18,358,036)	(18,358,036)	(7,278,311)
Disposals of property, plant and equipment	---	154,141	154,141	1,195,405
Transfer to designated reserves (Page 4)	---	---	---	(143,981)
Specified gifts to Foundation (Page 4)	(26,771)	---	(26,771)	(39,224)
Appropriation to capital (Page 4)	(2,006,256)	2,006,256	---	---
Other (Page 4)	---	---	---	(2,021)
	<u>(2,033,027)</u>	<u>(16,197,639)</u>	<u>(18,230,666)</u>	<u>(6,268,132)</u>
Net cash outflow	(1,915,172)	(176,813)	(2,091,985)	(1,700,640)
Cash and cash equivalents (bank indebtedness), beginning of year	(453,463)	2,746,482	2,293,019	3,993,659
Cash and cash equivalents (bank indebtedness), end of year	<u>\$(2,368,635)</u>	<u>\$ 2,569,669</u>	<u>\$ 201,034</u>	<u>\$ 2,293,019</u>

WESTERN REGIONAL HEALTH BOARD

Notes to the Financial Statements Year Ended March 31, 1999

1. DESCRIPTION OF ORGANIZATION

The Western Regional Health Board was formed by an Act of the Province of Nova Scotia as assented to by the Lieutenant Governor, on June 30, 1994. The Board's mission is to facilitate the development of community based primary health care in the Western Region of Nova Scotia and ensure the provision of quality primary and secondary health services in response to identified needs.

The facilities owned and operated by the Board are Annapolis Community Health Centre, Digby General Hospital, Eastern Kings Memorial Community Health Centre, Health Services Association of the South Shore, Queen's General Hospital, Roseway Hospital, Soldier's Memorial Hospital, Valley Regional Hospital, and Yarmouth Regional Hospital. In addition, the Board leases space to operate certain programs at the Western Kings Memorial Community Health Centre and other locations throughout the Western region of Nova Scotia for the delivery of certain programs and services and supports eleven (11) Community Health Boards.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Fund Accounting

Revenue and expenses related to program delivery and administration are reported in the Operating Fund. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Western Regional Health Board's capital assets and special purposes and endowment funds.

b) Revenue Recognition

The Western Regional Health Board follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in the restricted Capital Fund balances.

Restricted investment income is recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

The Western Regional Health Board received funding from the Department of Health in fiscal years 1998 and 1999 for the operation of the Beacon Unit. These funds were then transferred to the Kings Regional Rehabilitation Centre (KRRC), who administered the Beacon Unit. The results of the Beacon Unit's operations for fiscal years ended 1998 and 1999, are reported in the financial statements of the KRRC. Management of the Board is currently in the planning stages of assuming responsibility for the Beacon Unit. Once responsibility is assumed, prior period adjustments may be required with respect to operations for fiscal years ended 1998 and 1999.

2. ACCOUNTING POLICIES (continued)

c) Property, Plant and Equipment

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Designated capital assets are recorded at original costs less accumulated depreciation. Depreciation is provided on a straight-line basis at the following annual rates:

Land improvements	5 - 10%
Building and building service equipment	2.5 - 10%
Equipment	5 - 20%
Equipment under capital lease	5 - 20%

d) Deferred Capital Grants

Deferred contributions reported in the Capital Fund include grant revenue received from external sources restricted for the purchase of capital assets. Amortization of deferred capital grants is recognized as revenue on the same basis as depreciation of the related assets.

e) Investments

Investments are recorded at the lower of costs of market value.

f) Inventory

Inventories are recorded at the lower of cost or replacement cost.

3. ACCOUNTS RECEIVABLE

	Operating Fund	Capital Fund	Total 1999	Total 1998
Department of Health				
Final Settlement- current year.	\$ ---	\$ ---	\$ ---	1,877,098
Final Settlement- prior years.	1,404,325	---	1,404,325	(64,032)
Early Departure and Retirement incentives.	1,034,303	---	1,034,303	1,100,494
Capital grants	---	1,176,440	1,176,440	---
Department of Veteran's Affairs				
Final Settlement- current year.	---	---	---	49,699
Final Settlement- prior years.	51,334	---	51,334	1,635
Patient Care.	1,462,144	---	1,462,144	792,818
HST rebates.	616,648	760,209	1,376,857	842,362
Extended care facilities	901,956	---	901,956	---
Yarmouth Hospital Charitable Foundation.	---	902,715	902,715	1,135,845
Other	1,281,939	610,295	1,892,234	2,050,003
	<u>\$ 6,752,649</u>	<u>\$ 3,449,659</u>	<u>\$ 10,202,308</u>	<u>\$ 7,785,922</u>

3. ACCOUNTS RECEIVABLE (continued):

The resolution of final settlement estimates are dependent upon the approval of the Province of Nova Scotia - Department of Health and the Department of Veteran Affairs. The Department of Health has indicated it has discontinued the final settlement process for the fiscal year ended March 31, 1999, but intends to honor final settlements of prior years. As well, the Western Regional Health Board has changed its policy and is no longer accruing final settlements from the Department of Veterans Affairs. Therefore, nothing has been accrued in the financial statements of the Western Regional Health Board for final settlements for the year ended March 31, 1999. Any adjustment on the resolution of prior years' final settlements will be accounted for through the statement of operations in the period in which the settlements occur at which time certain funding surpluses may be restricted by the Department of Health.

4. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Net Book Value	
			1999	1998
Land and land improvements	\$ 1,933,095	\$ 800,270	\$ 1,132,825	\$ 1,185,765
Building and building service equipment	141,384,023	43,041,164	98,342,859	86,058,467
Equipment	56,369,133	45,966,560	10,402,573	11,125,486
Equipment under capital lease	1,730,002	771,073	958,929	1,097,761
	<u>\$ 201,416,253</u>	<u>\$ 90,579,067</u>	<u>\$ 110,837,186</u>	<u>\$ 99,467,479</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Operating Fund	Capital Fund	Total 1999	Total 1998
Trade payables	\$ 3,786,046	\$ 2,369,497	\$ 6,155,543	\$ 4,629,677
Accrued liabilities	1,493,383	431,702	1,925,085	1,200,289
Vacation pay	4,991,719	---	4,991,719	4,088,873
Salary and benefits	5,602,195	---	5,602,195	4,211,339
Designated reserves	259,827	---	259,827	207,677
	<u>\$ 16,133,170</u>	<u>\$ 2,801,199</u>	<u>\$ 18,934,369</u>	<u>\$ 14,337,855</u>

The Western Regional Health Board has yet to reach a collective agreement for clerical, Public Health and Addiction Services employees. The financial statements only include a provision for the financial effects of liabilities that can be reasonably estimated to result from these unsettled agreements.

6. Long-term debt

	1999	1998
Bayer Agfa - non-interest bearing, maturing 2000 \$	16,942 \$	27,643
Special Assistance Loans		
Under an Order-in-Council of the Lieutenant Governor for the Province of Nova Scotia, dated February 20, 1990, the approved cost of the new Valley Regional Hospital was increased by \$4,400,000 to an amount not to exceed \$40,900,000. A Special Assistance Loan Order-in-Council dated April 10, 1990, pertaining to \$2,200,000 of the total cost increase provides for certain terms and conditions respecting the repayment of this loan.		
Demand, non-interest bearing, maturing 1999	---	200,000
Term, non-interest bearing, maturing 2003	360,000	450,000
Yarmouth Hospital Charitable Foundation		
- non-interest bearing, no set terms of repayment	2,587,601	2,587,601
Due to E.K.M. Hospital Foundation		
- leasehold improvements - interest at 8%, maturing 2000	69,174	113,506
Municipal Debt and Loan Fund		
- interest at 5.38%, maturing 2008	50,780	55,385
Obligations Under Capital Leases		
- interest between 7-11%, maturing between 2000 - 2004	915,428	1,025,655
	<u>3,999,925</u>	<u>4,459,790</u>
Current portion	<u>(290,106)</u>	<u>(469,864)</u>
	<u>\$ 3,709,819</u>	<u>\$ 3,989,926</u>

Estimated minimum principal repayments over the next five years are expected to be as follows:

	<u>2000</u>		<u>2001</u>		<u>2002</u>		<u>2003</u>		<u>2004</u>
	\$ 290,106		\$ 250,295		\$ 231,176		\$ 235,993		\$ 163,706

7. DEFERRED CAPITAL GRANTS

	1999	1998
Balance, beginning of year	\$ 95,004,338 \$	95,711,344
Capital grants received during the year	17,319,482	5,245,856
Transfer from unrestricted fund	---	709,441
Amortization of deferred capital grants	<u>(5,988,138)</u>	<u>(6,662,303)</u>
Balance, end of year	<u>\$ 106,335,682</u>	<u>\$ 95,004,338</u>

8. CONTINGENCIES

No provision has been made in these financial statements for a retirement award liability for staff members who have not confirmed their intention to retire prior to March 31, 1999.

9. COMMITMENTS

a) Leases and Purchase Commitments

The Western Regional Health Board has committed funds from operations for the purchase of film and occupancy and equipment leases. Estimated minimum lease payments and film purchases over the next four years are expected to be as follows:

2000	2001	2002	2003
\$ 355,571	\$ 235,163	\$ 26,555	\$ 22,130

b) Yarmouth Redevelopment Project

The board has committed to a redevelopment project for the Yarmouth Regional Hospital in the amount of \$47.9 million of which its share is 25% (\$11.975 million). The Department of Health has indicated that any cost in excess of the basic project budget of \$47.9 million will be the sole responsibility of the Board. However, the Board has requested full funding from the Department of Health for anticipated additional construction costs of approximately \$1.5 million as a result of changes mandated by the Department of Labour.

10. CANADA SAVINGS BONDS

The Western Regional Health Board has bank loans outstanding which were used to purchase Canada Savings Bonds for employees through the payroll purchase plan. The bank loan and corresponding receivable from employees has not been recorded in the accounts of the Western Regional Health Board. The Canada Savings Bonds are held by the bank as security.

11. PENSION PLAN

The Western Regional Health Board contributes to two pension plans on behalf of its employees. The first plan is administered by the Nova Scotia Association of Health Organizations. The most recent actuarial valuation was conducted as at December 31, 1996 and showed an unfunded liability for the entire plan of nil. The second plan is administered by the Province of Nova Scotia. The most recent actuarial valuation was conducted as at October 31, 1998 and showed an unfunded liability for the entire plan of nil. The Western Regional Health Board bears no financial responsibility for any unfunded liability of either plan.

12. TRANSFER TO FOUNDATIONS

During the two fiscal years prior to designation, the Board of Directors of the predecessor facilities agreed to the transfer of funds, which arose primarily from donations and operating surpluses, to Foundations which were associated with the respective facilities.

These monies are being held in the accounts of the Foundations, to whom the funds were transferred, on the understanding that the funds will be expended at the discretion of the Foundation for the benefit of the facilities, for which the funds were originally raised. As at March 31, the balances held by the respective Foundations were as follows:

	1999	1998
Digby General Hospital	\$ 125,193	\$ 125,193
Health Services Association of the South Shore	3,903,312	4,000,203
Queens General Hospital.	734,773	793,665
Roseway Hospital	569,350	653,323

12. TRANSFER TO FOUNDATIONS (continued):

These assets have not been recorded in the accounts of the Western Regional Health Board, as the Board of Directors of the Western Regional Health Board do not have custody or control over the funds.

13. CHANGES IN WORKING CAPITAL ITEMS

	Operating Fund	Capital Fund	Total 1999	Total 1998
Accounts receivable	\$ (437,305)	\$ (1,979,081)	\$ (2,416,386)	\$ (3,177,744)
Inventory	73,405	---	73,405	63,354
Prepaid expenses	(36,782)	(138,078)	(174,860)	229,517
Accounts payable and accrued liabilities	3,005,841	1,590,673	4,596,514	3,666,590
Revenue received in advance	<u>6,724,249</u>	<u>---</u>	<u>6,724,249</u>	<u>178,448</u>
	<u>\$ 9,329,408</u>	<u>\$ (526,486)</u>	<u>\$ 8,802,922</u>	<u>\$ 960,165</u>

14. SUBSEQUENT EVENT

Subsequent to March 31, 1999, the Board secured operating lines of credit with two Canadian Chartered Banks totalling \$10 million. As well, the Board has secured a capital line of credit in the amount of \$2.5 million with a Canadian Chartered Bank. As of March 31, 1999, interest charges on the Board's overdraft accounts ranges between prime less 0.62% and prime less 0.24%.

15. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

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

16. COMPARATIVE FIGURES

Certain of the Board's 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for the 1999 fiscal year.

AUDITORS' REPORT

To the Members of the Board of Directors Workers' Compensation Board of Nova Scotia

We have audited the statement of financial position of the Workers' Compensation Board of Nova Scotia as at December 31, 1998 and the statements of operations and unfunded liability and changes in financial position for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Deloitte & Touche, LLP
Chartered Accountants

Halifax, Nova Scotia
March 12, 1999

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

**Statement of Financial Position
as at December 31, 1998**

	1998	1997
ASSETS		
Receivables (Note 3)	\$ 6,785,241	\$ 8,125,095
Investments (Note 4)	447,358,641	354,461,572
Property and equipment (Note 5)	8,069,169	8,260,190
Other assets (Note 6)	<u>2,400,000</u>	<u>2,550,000</u>
	\$ <u>464,613,051</u>	\$ <u>373,396,857</u>
LIABILITIES		
Payables and accruals	\$ 6,013,670	\$ 3,701,775
Deferred revenue (Note 8)	4,547,949	---
Benefits liabilities (Note 7)	<u>823,903,110</u>	<u>740,181,000</u>
	834,464,729	743,882,775
Unfunded liability	<u>(369,851,678)</u>	<u>(370,485,918)</u>
	\$ <u>464,613,051</u>	\$ <u>373,396,857</u>
Commitment (Note 13)		
Contingencies (Note 15)		

**Statement of Operations and Unfunded Liability
Year Ended December 31, 1998**

	1998	1997
Revenue		
Assessments (Note 9)	\$ 168,532,163	\$ 156,494,627
Net investment income	32,652,346	24,727,968
Government contribution (Note 8)	<u>4,600,000</u>	<u>4,600,000</u>
	<u>205,784,509</u>	<u>185,822,595</u>
Claims costs incurred (Note 7)		
Short-term disability	21,376,669	19,507,181
Long-term disability	54,625,839	58,513,959
Survivor benefits	5,194,084	5,812,079
Health care	13,499,833	13,115,963
Rehabilitation	<u>1,406,788</u>	<u>1,277,991</u>
	96,103,213	98,227,173
Growth in present value of benefits liabilities and actuarial adjustments (Note 7)	43,731,548	70,129,443
Administration costs (Note 10)	20,146,517	20,743,625
Legislated obligations (Note 11)	<u>4,965,991</u>	<u>2,260,063</u>
	<u>164,947,269</u>	<u>191,360,304</u>
Surplus (Deficit) from operations before below noted item	40,837,240	(5,537,709)
Adjustment for chronic pain related benefits (Note 7)	<u>40,203,000</u>	<u>---</u>
Surplus (Deficit)	634,240	(5,537,709)
Unfunded liability, beginning of year	<u>(370,485,918)</u>	<u>(364,948,209)</u>
Unfunded liability, end of year	\$ <u>(369,851,678)</u>	\$ <u>(370,485,918)</u>

WORKERS' COMPENSATION BOARD OF NOVA SCOTIA

**Statement of Changes in Financial Position
Year Ended December 31, 1998**

	1998	1997
Receipts		
Cash received from employers, for assessments	\$ 166,324,161	\$ 156,599,654
Investment income	32,652,346	24,727,968
Government contribution (Note 8)	13,747,949	---
	<u>212,724,456</u>	<u>181,327,622</u>
 Disbursements		
Cash paid to:		
Claimants or third parties on their behalf	97,082,710	90,713,616
Suppliers, for administrative and other goods and services	<u>21,399,778</u>	<u>20,668,510</u>
	118,482,488	111,382,126
Purchases of equipment	<u>1,344,899</u>	<u>599,229</u>
Total disbursements	<u>119,827,387</u>	<u>111,981,355</u>
Net increase in investments	92,897,069	69,346,267
Investment, beginning of year	<u>354,461,572</u>	<u>285,115,305</u>
Investment, end of year	\$ <u>447,358,641</u>	\$ <u>354,461,572</u>

**Notes to the Financial Statements
Year Ended December 31, 1998**

1. NATURE OF OPERATIONS

The Workers' Compensation Board ("the WCB") was established by the Nova Scotia Legislature in 1917, under the Workers' Compensation Act ("the Act"). The WCB is responsible, in accordance with the provisions of the Act, for administering the payment of benefits to injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the costs of claims and administration; and investing funds held for future benefit payments.

A new Workers' Compensation Act received Royal Assent on February 6, 1995. The Act contains several provisions dealing with retroactive entitlement for permanent disability. Permanent injuries incurred before March 23, 1990, will be compensated according to the worker's level of physical impairment. Permanent injuries incurred on or after this date primarily compensated according to the earnings loss resulting from the injury.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principals, which include the following accounting policies:

a) Assessments Receivable

Assessments receivable and assessment revenue includes a provision for unbilled assessments to reflect anticipated revisions based upon actual payroll information received in the following year.

b) Investments

Fixed term investments are recorded at amortized cost. Gain or losses realized on disposal of fixed term investments are amortized on a straight line basis over a five-year period. Equity investments are stated at moving average market value. Unrealized gains and losses occurring during the year, together with gains and losses realized on disposal of equities during the year, are deferred and amortized on a straight line basis over a five-year period.

c) Property and Equipment

Property and equipment are stated at cost, less accumulated amortization. Amortization is charged on a straight line basis over a period from 5 to 40 years for all assets except computer software. Amortization is charged on a straight line basis over a period from 5 to 10 years for software and process development and on a declining balance basis at an annual rate of 30 percent for software purchases. In the year of acquisition, a half year's amortization is taken.

d) Other Assets

Other assets are stated at cost, less accumulated amortization which is charged on a straight line basis over 25 years.

e) Benefits Liabilities

An independent actuary completes a valuation of the Benefits Liabilities of the WCB at each year-end. The Benefits Liabilities represent the actuarial present value of all future benefits payments expected to be made for accidents which occurred in the current fiscal year or in any prior year. The Benefits Liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims. No provision has been made for future claims related to occupational disease or for future expenses of administration of existing claims (see also note 15).

3. RECEIVABLES

	1998	1997
Assessments	\$ 5,235,460	\$ 3,295,845
Self-insured employers	<u>3,207,446</u>	<u>3,023,004</u>
Assessments receivable	8,442,906	6,318,849
Self-insured employers - deposits	(4,001,250)	(4,001,250)
Government of Nova Scotia	1,164,887	4,763,875
Harmonized Sales Tax rebate	268,744	665,397
Other	<u>909,954</u>	<u>378,224</u>
	\$ <u>6,785,241</u>	\$ <u>8,125,095</u>

Assessments receivable are net of allowance for doubtful accounts of \$842,598 in 1998 (1997 - \$620,008). Other receivables are net of allowance for doubtful accounts of \$68,111 in 1998 (1997 - \$0).

4. INVESTMENTS

	1998	1997
Money Market	\$ 151,067,844	\$ 126,089,475
Fixed term investment (market value 1998 -\$138,790,924; 1997 -\$110,525,766)	134,834,448	108,571,261
Equities	185,136,426	141,740,281
Accrued interest	<u>3,306,107</u>	<u>1,839,379</u>
	474,344,825	378,240,396
Deferred investment gains	<u>(26,986,184)</u>	<u>(23,778,824)</u>
	\$ <u>447,358,641</u>	\$ <u>354,461,572</u>

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 1998	1997
Land	\$ 154,764	\$ ---	\$ 154,764	\$ 154,764
Building	3,130,960	1,053,759	2,077,201	2,153,461
Furniture	867,305	551,285	316,020	348,130
Equipment and computer hardware	3,624,970	2,234,466	1,390,504	1,219,916
Software and process development	<u>8,209,677</u>	<u>4,078,997</u>	<u>4,130,680</u>	<u>4,383,919</u>
	\$ <u>15,987,676</u>	\$ <u>7,918,507</u>	\$ <u>8,069,169</u>	\$ <u>8,260,190</u>

6. OTHER ASSETS

	1998	1997
Cost	\$ 3,750,000	\$ 3,750,000
Accumulated amortization	<u>(1,350,000)</u>	<u>(1,200,000)</u>
	\$ <u>2,400,000</u>	\$ <u>2,550,000</u>

During 1990, the WCB paid \$3,750,000 to the Province of Nova Scotia for the exclusive right to utilize a 16-bed unit at the Queen Elizabeth II Health Sciences Centre for a period of 25 years.

7. BENEFITS LIABILITIES

	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care	Rehabilitation	Total 1998	Total 1997
Balance, beginning of year . . .	<u>\$ 35,742,000</u>	<u>\$ 555,062,000</u>	<u>\$ 97,267,000</u>	<u>\$ 45,440,000</u>	<u>\$ 6,670,000</u>	<u>\$ 740,181,000</u>	<u>\$ 662,538,000</u>
Growth in present value of benefits liabilities	1,608,390	30,528,410	5,933,287	2,044,800	300,150	40,415,037	41,706,392
Actuarial adjustments	1,031,453	(15,685,782)	(745,710)	18,604,553	111,997	3,316,511	28,423,051
	<u>2,639,843</u>	<u>14,842,628</u>	<u>5,187,577</u>	<u>20,649,353</u>	<u>412,147</u>	<u>43,731,548</u>	<u>70,129,443</u>
Claims costs incurred	21,376,669	54,625,839	5,194,084	13,499,833	1,406,788	96,103,213	98,227,173
Claims payments made	(22,048,129) ⁽¹⁾	(42,915,311)	(11,312,287)	(18,475,335)	(1,564,589) ⁽²⁾	(96,315,651)	(90,713,616)
Adjustments to benefits liabilities	246,000	38,143,000	---	1,750,000	64,000	40,203,000	---
Balance, end of year	<u>\$ 37,956,383</u>	<u>\$ 619,758,156</u>	<u>\$ 96,336,374</u>	<u>\$ 62,863,851</u>	<u>\$ 6,988,346</u>	<u>\$ 823,903,110</u>	<u>\$ 740,181,000</u>

7. Adjustment to Benefits Liabilities (continued):

On July 10, 1998, the Board of Directors of the WCB issued a policy directive with respect to the adjudication of chronic pain related benefits. This followed a Court of Appeal decision rendered on April 17, 1997, which indicated that chronic pain coverage would be expanded for clients whose entitlement to permanent benefits arose after March 23, 1990, and prior to proclamation of the new Workers' Compensation Act on February 1, 1996. The above amount of \$40,203,000 represents the WCB's best estimate of the present value of the benefits payable pursuant to the Court of Appeal decision and the WCB's policy. (See Note 15 (b)).

Claims Payments Made

The details of the Vocational Rehabilitation Program Claims payments made are as follows:

	1998	1997
Training	\$ 1,026,869	\$ 1,051,265
Assessment and counselling	238,950	250,198
Job club	67,657	97,416
Work site modification and equipment	203,229	80,371
Self employment and relocation	14,907	43,969
Miscellaneous	12,977	19,830
	(2)	
	1,564,589	1,543,049
Income payments to clients in Vocational Rehabilitation Programs (included above (1) in Short-Term Disability Claims payments made)	<u>3,538,851</u>	<u>3,872,857</u>
Total cost of Vocational Rehabilitation	\$ <u>5,103,440</u>	\$ <u>5,415,906</u>

8. CONTRIBUTION BY GOVERNMENT

In 1995, the Government of Nova Scotia agreed to contribute \$23,000,000, payable in five equal instalments of \$4,600,000. The instalments are due on April 1 of each year. Interest on deferred contributions accrues at 4.75% and pre-payments are discounted at the same rate.

9. ASSESSMENTS

	1998	1997
Classes	\$ 139,556,221	\$ 127,351,412
Self-insured employers	26,388,990	26,199,031
Premium adjustment charge	2,006,050	2,189,897
Assessment and reporting penalties	<u>580,902</u>	<u>754,287</u>
	\$ <u>168,532,163</u>	\$ <u>156,494,627</u>

Assessment revenue is shown net of bad debt expense of \$816,043 in 1998 (1997 - \$461,542).

10. ADMINISTRATION COSTS

	1998	1997
Salaries and staff expense	\$ 13,668,419	\$ 13,019,262
Professional fees	1,490,689	1,543,439
Amortization	1,680,629	1,601,138
Supplies	647,722	685,032
Building operations	956,649	818,228
Communications	698,489	663,414
Services contracted	940,213	727,948
Equipment rental	14,901	685,826
Travel and accommodations	533,779	476,202
Training and development	566,318	505,393
Miscellaneous	10,603	17,743
Recovery of pension contributions*	<u>(1,061,894)</u>	<u>---</u>
	<u>\$ 20,146,517</u>	<u>\$ 20,743,625</u>

*Pursuant to the Financial Measures (1998) Act which received Royal Assent on December 3, 1998, a pension contribution holiday was declared from April 1, 1997 to March 31, 1999. The above amount represents the recovery of the employer's contributions to December 31, 1998.

11. LEGISLATED OBLIGATIONS

	1998	1997
Occupational Health and Safety Division	\$ 3,987,843	\$ 1,450,000
Workers' Compensation Appeal Board	---	11,573
Workers' Compensation Appeal Tribunal	<u>978,148</u>	<u>798,490</u>
	<u>\$ 4,965,991</u>	<u>\$ 2,260,063</u>

The WCB is required by the Workers' Compensation Act to reimburse the Government of Nova Scotia for part of the operating costs of the Occupational Health and Safety Division of the Department of Labour. Total operating expenses incurred by the WCB for 1998 were \$3,987,843 (1997 - \$1,450,000).

The Workers' Compensation Appeals Tribunal (WCAT) is an independent organization formed to hear appeals of workers' compensation claims and assessment decisions. Under the provisions of the new Workers' Compensation Act, WCAT replaced the Appeal Board, which was disbanded in February, 1996. The WCB is required by the Workers' Compensation Act to absorb the operating costs of the WCAT.

12. SELF-INSURED EMPLOYERS

These financial statements include the effects of transactions carried out for self-insured employers, federal and provincial government bodies, who directly bear the costs of their own incurred claims and an appropriate share of administration costs.

	1998	1997
Revenue	<u>\$ 26,388,990</u>	<u>\$ 26,199,031</u>
Claims costs incurred		
Short-term disability	\$ 2,420,511	\$ 2,084,364
Long-term disability	13,625,559	14,693,111
Survivor benefits	3,310,933	2,956,702
Health care	3,122,213	2,366,162
Rehabilitation	<u>110,545</u>	<u>142,262</u>
	22,589,761	22,242,601
Administration charges	<u>3,799,229</u>	<u>3,956,430</u>
	<u>\$ 26,388,990</u>	<u>\$ 26,199,031</u>

12. SELF-INSURED EMPLOYERS (continued):

The benefits liability related to self-insured employers has not been included in the WCB's benefits liabilities account. As these liabilities will be borne by those employers when paid in future years, they do not add to the WCB's unfunded liability.

13. COMMITMENT

At December 31, 1998, the WCB was committed to the following payments over the next five years:

1999	\$	1,434,678
2000	\$	239,769
2001	\$	121,175
2002	\$	114,009
2003	\$	114,009

14. RELATED PARTY TRANSACTIONS

As a result of Orders-in-Council, the WCB has levied surcharges on the following industries' assessments to fund a portion of the operating costs of safety and health training programs conducted by the industry. The amounts collected have been disbursed as directed by the Orders-in-Council. As the funds collected on behalf of these associations are not those of the WCB, they have not been included as revenue or costs in the Statement of Operations and Unfunded Liability.

Industry	Payee	1998	1997
Construction	NS Construction Safety Association	\$ 731,242	\$ 624,861
Forestry	Forestry Safety Society of NS	229,870	97,623
Retail Gasoline	Retail Gasoline Dealers' Association	25,486	24,439

15. CONTINGENCIES

a) Actuarial Assumptions

The WCB's independent actuaries, in their report of March 1, 1999, have emphasized that very little data is yet available in respect of the effect of the earnings loss procedures upon aggregate Benefits Liabilities. The portion of the WCB's recorded Benefits Liabilities which is subject to earnings loss procedures is \$335,826,461.

Recorded Benefits Liabilities are based upon the best estimation techniques presently available to the WCB. However, it is possible that subsequent independent actuarial estimates may vary based upon the more extensive experience and data under the new earnings loss procedures that will become available over time. The probability and the magnitude of such variance are presently undeterminable.

b) Chronic Pain Related Benefits

The Benefits Liabilities described in Note 7 reflect an adjustment for chronic pain related benefits. As described in Note 7, this adjustment is the WCB's best estimate of this amount. The assumptions on which the estimates are based are subject to appeal and additional judicial review.

c) Survivor Benefits

An appeal has been filed with the Workers' Compensation Appeals Tribunal relating to survivor benefits. The appeal concerns retroactive and prospective reinstatement of benefits to survivors who remarried prior to 1992 and had their WCB benefits terminated pursuant to the legislation in effect at that time. Retroactive and prospective reinstatement of benefits to survivors has the potential to materially increase the WCB's liabilities. The probability and magnitude of such an increase in the liabilities are presently undeterminable.

d) Potential Amendments to the Workers' Compensation Act (Bill 90)

Amendments to the Workers' Compensation Act (Bill 90) are currently under review by the House of Assembly. Bill 90 contains a number of benefit provisions including provisions for chronic pain related benefits, survivor benefits (Note 15 (c)) and other benefits. If Bill 90 becomes law, as originally tabled, it will increase the WCB's Benefits Liabilities by approximately \$34.8 million more than the adjustment to the Benefits Liabilities already described in Note 7 for a total adjustment of \$75 million.

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 January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. The WCB has made significant efforts to ensure its operations are not unduly impacted by Year 2000 computer issues (see page 31 for details). However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the WCB, including those related to the efforts of clients and employers, suppliers, or other third parties, will be fully resolved.